Consolidated Financial Statements
December 31, 2014 and 2013

VIRGIN MEDIA INC.
12300 Liberty Boulevard
Englewood, Colorado 80112

VIRGIN MEDIA INC.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Certain statements in this annual report constitute forward-looking statements. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Business, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk* may contain forward-looking statements, including statements regarding our growth prospects and our strategic, operating and finance initiatives over the next few years (including the planned network extension), percentage of revenue represented by our property and equipment additions in future periods, the amount of our anticipated non-functional currency transactions in 2015, our business, product, foreign currency and finance strategies, our future expenditures on property and equipment additions, subscriber growth and retention rates, competitive, regulatory and economic factors, the maturity of our markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated revenue decreases or cost increases and target leverage levels.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished.

In evaluating these forward-looking statements, you should consider the risks and uncertainties discussed under *Risk Factors* and *Quantitative and Qualitative Disclosures About Market Risk*, as well as the following list of some, but not all, of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the markets in which we operate;
- the competitive environment in the cable television, broadband and telecommunications industries in the U.K., including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues in the European Union (EU) and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our digital cable, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our digital cable, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;

- government intervention that impairs our competitive position, including any intervention that would open our broadband distribution networks to competitors and any adverse change in our accreditations or licenses;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors (including our third-party wireless network provider under our mobile virtual network operator (MVNO) arrangement) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our digital cable services and the costs associated with such programming;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with the planned Network Extension (as defined in this annual report);
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and realize anticipated efficiencies from the LG/VM Transaction (as defined in this annual report) and from businesses we may acquire, including UPC Ireland (as defined in this annual report);
- leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers;
- adverse changes in public perception of the "Virgin" brand, which we and others license from Virgin Group Limited, and any resulting impacts on the goodwill of customers toward us; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

The broadband distribution and mobile service industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this annual report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this annual report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

BUSINESS

In this annual report, unless the context otherwise requires, the terms "we," "our," "our company," "us" and "Virgin Media" refer, as the context requires, to Virgin Media Inc. (and its predecessor) or collectively to Virgin Media (and its predecessor) and its subsidiaries. Unless otherwise indicated, operational and statistical data, including subscriber statistics and product offerings, are as of December 31, 2014.

Introduction

We are a subsidiary of Liberty Global plc (Liberty Global) that provides digital cable, broadband internet, fixed-line telephony and mobile services in the United Kingdom (U.K.) to both residential and business-to-business (B2B) customers. We are 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. We believe our advanced, deep-fiber cable access network enables us to offer faster and higher quality broadband services than our digital subscriber line, or DSL, competitors. As a result, we provide our customers with a leading, next-generation broadband service and one of the most advanced interactive TV services available in the U.K. market.

Our residential broadband subscribers generally access the internet at various download speeds ranging up to 152 Mbps, depending on the tier of service selected. We determine pricing for each different tier of broadband internet service through analysis of speed, market conditions and other factors.

Our digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view programming (including digital cable-on-demand), digital cable recorders, high definition, or HD, and 3D programming and access to over-the-top content.

We provide mobile services to our customers using a third-party network through an MVNO arrangement.

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

We became a wholly-owned subsidiary of Liberty Global as a result of a series of mergers that were completed on June 7, 2013 (LG/VM Transaction), pursuant to which Liberty Global became the publicly-held parent company of the successors by merger of our predecessor company and Liberty Global, Inc. (the predecessor to Liberty Global), as further described in note 4 to our consolidated financial statements included in Part II of this report. Liberty Global is the largest international cable company with operations in 14 countries. Liberty Global connects people to the digital world and enables them to discover and experience its endless possibilities. 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 as of December 31, 2014. In addition, Liberty Global served 5 million mobile subscribers across nine countries at year-end 2014.

Recent Developments

<u>UPC Ireland Acquisition</u>. On February 12, 2015, (i) we paid aggregate cash consideration of €1,341.3 million (£993.8 million at the transaction date) to acquire (a) a 65% controlling interest in UPC Broadband Ireland Ltd. (UPC Ireland) and its subsidiaries from a subsidiary of Liberty Global outside of the Virgin Media borrowing group (the UPC Ireland Acquisition) and (b) 100% of a €634.3 million (£470.0 million at the transaction date) note receivable from a subsidiary of UPC Ireland and (ii) we received a €165.6 million (£122.7 million at the transaction date) cash payment from Lynx Europe 2 Limited, another subsidiary of Liberty Global, on an 8.5% note receivable due in 2023. The remaining 35.0% noncontrolling interest in UPC Ireland was acquired by another subsidiary of Liberty Global outside the Virgin Media borrowing group. On January 28, 2015, in contemplation of the UPC Ireland Acquisition:

- Virgin Media Secured Finance PLC (Virgin Media Secured Finance), our wholly-owned subsidiary, issued £300.0 million principal amount of 5.125% senior secured notes due January 15, 2025 (the 2025 VM 5.125% Senior Secured Notes); and

- Virgin Media Finance PLC (Virgin Media Finance), our wholly-owned subsidiary, issued (1) $400.0 million (£256.7 million) principal amount of 5.75% senior notes and (2) €460.0 million (£357.2 million) principal amount of 4.50% senior notes (collectively, the 2025 VM Senior Notes), each of which are due January 15, 2025.

A portion of the proceeds from the 2025 VM 5.125% Senior Secured Notes and the 2025 VM Senior Notes were ultimately used to redeem a portion of the outstanding indebtedness at UPC Holding B.V., a wholly-owned subsidiary of Liberty Global, which, prior to the UPC Ireland Acquisition, owned 100% of UPC Ireland.

For a further description of the terms of the above financings and certain other transactions affecting our consolidated debt in 2014, see notes 8 and 20 to our consolidated financial statements included in Part II of this annual report.

Network Extension. On February 13, 2015, we announced our intention to undertake a network extension program in order to achieve what we believe will be attractive returns. Pursuant to the proposed program we may connect up to an estimated four million additional homes and businesses to our broadband communications network in the U.K. from 2015 through 2020 (the Network Extension). These additional premises were identified through a detailed review of our existing network in the U.K. that highlighted an opportunity to drive further scale by targeting accretive network extensions. The Network Extension will be completed in phases and will initially focus on the most accretive expansion opportunities. For more information regarding the Network Extension, see *Management's Discussion and Analysis of Financial Results* included in Part II of this annual report.

Operating Statistics

The following table shows our operating statistics as of December 31, 2014:

CABLE	
Footprint	
Homes Passed[1]	12,627,400
Two-way Homes Passed[2]	12,598,400
Subscribers (RGUs)	
Television[3]	3,760,300
Internet[4]	4,536,600
Telephony[5]	4,216,600
Total RGUs	12,513,500
Customer Relationships	
Customer Relationships[6]	5,016,500
RGUs per Customer Relationship	2.49
Customer Bundling	
Single-Play	16.5%
Double-Play	17.6%
Triple-Play	65.9%
Quad-Play[7]	17.0%
MOBILE	
Mobile Subscribers	
Postpaid[8]	2,109,400
Prepaid[9]	943,600
Total	3,053,000

---

(1) Homes Passed are homes and residential multiple dwelling units that can be connected to our network without materially extending the distribution plant. Our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results. We do not count Homes Passed relating to networks that we do not own

and operate (commonly referred to as partner networks, or Off-Net).

(2) Two-way Homes Passed are Homes Passed by those sections of our network that are technologically capable of providing two-way services, including video, internet and telephony services.

(3) A Television Subscriber is a home or residential multiple dwelling unit that receives our television service over our broadband network. Substantially all of our Television Subscribers receive our service via a digital television signal. Our Television Subscriber base includes customers who pay a monthly fee for the television subscription or TiVo box functionality they receive (Paying TV customers), as well as those that have paid an initial fee to receive a Virgin Media set-top box together with internet and telephony subscriptions who do not pay an incremental recurring fee for our television service.

(4) An Internet Subscriber is a home or residential multiple dwelling unit that receives internet services over our broadband network. Our Internet Subscribers exclude 89,200 ADSL subscribers that are not serviced over our network (non-cable internet subscribers). We have agreed to the sale of our non-cable internet subscribers and we expect the migration of these customers will be completed by April 2015.

(5) A Telephony Subscriber is a home or residential multiple dwelling unit that receives voice services over our broadband network. Telephony Subscribers exclude Mobile Subscribers. Telephony Subscribers exclude 59,300 subscribers that are not serviced over our network (non-cable telephony subscribers). We have agreed to the sale of our non-cable telephony subscribers and we expect the migration of these customers will be completed by April 2015.

(6) Customer Relationships are the number of residential customers who receive at least one of our television, internet or telephony services that we count as RGUs, without regard to which, or to how many services they subscribe. Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., a primary home and a vacation home), that individual generally will count as two Customer Relationships. We exclude mobile and non-cable customers from Customer Relationships.

(7) Quad-play penetration represents the number of customers who subscribe to each of our four primary services (television, internet, fixed-line telephony and mobile telephony), divided by customer relationships. Due to the nature of the prepaid mobile business, we do not have information available to identify all of our prepaid customers. Therefore, quad-play customers only include those postpaid and prepaid mobile customers for which we have sufficient information to match these customers with the service address for a premise that receives our cable television, internet and fixed-line telephony services.

(8) Postpaid Mobile Subscribers represent the number of subscriber identification module, or SIM, cards relating to either a mobile service or a mobile broadband contract. Postpaid Mobile Subscribers are considered active if they have entered into a contract with Virgin Mobile for a minimum 30-day period and have not been disconnected.

(9) Prepaid Mobile Subscribers are considered active if they have made an outbound call or text in the preceding 30 days.

Products and Services

Cable

We offer our customers a choice of packages and tariffs within each of our cable product categories. Our bundled packaging and pricing are designed to encourage our customers to purchase multiple services across our product portfolio by offering incentives to customers who subscribe to two or more of our products. The types and number of services that each customer uses, and the prices we charge for these services, drive our revenue. For example, broadband internet is more profitable than our television services and, on average, our "triple-play" customers are more profitable than "double-play" or "single-play" customers. As of December 31, 2014, 84% of our cable customers received multiple services from us and 66% were "triple-play" customers, receiving broadband internet, television and fixed-line telephony services from us.

We offer our consumer products and services through a broad range of retail channels, including inbound and outbound telesales, customer care centers and online. We also engage in direct face-to-face marketing initiatives through a dedicated national sales force of approximately 430 representatives, as well as comprehensive national and regional mass media advertising initiatives. We have a national retail store base with approximately 80 retail stores and approximately 110 fixed and transportable kiosk-type retail outlets that offer a complete range of our consumer products and services. Our stores not only provide sales services, but also showcase our products, allowing demonstrations and customer interaction, and help resolve customer queries. In addition, as of December 31, 2014, we employed approximately 2,500 staff members in our cable and non-cable call centers. We also use outsourced call centers in the U.K., Philippines and India.

Broadband Internet

We deliver ultrafast broadband internet services to customers on our cable network. As of December 31, 2014, we provided cable broadband services to approximately 4.5 million subscribers. We are one of the leading providers of ultrafast broadband internet access in the U.K., having introduced 50 Mbps in 2009, subsequently launching 100 Mbps in December 2010 and 120 Mbps in August 2012.

In January 2012, we announced a program to double the speed of our broadband, involving a significant investment in network capacity. All our customers who were on 10 Mbps, 20 Mbps, 30 Mbps and 50 Mbps saw their headline speeds at least doubled under this program. In November 2013, we announced a further speed increase, which we began to implement in February 2014. As a result, we currently offer three tiers of cable broadband services to new subscribers with unlimited downloads at speeds of up to 50 Mbps, 100 Mbps and 152 Mbps.

Television

Our digital cable platform includes access to over 260 linear television channels, advanced interactive features, and a range of premium subscription-based and pay-per-view services. As of December 31, 2014, we provided digital cable services to approximately 3.8 million residential subscribers.

In addition to our linear television services, which allow our customers to view television programming at a scheduled time, our digital cable customers also have access to a broad range of digital interactive services, including one of the most comprehensive digital cable-on-demand services in the U.K. See "Virgin TV On Demand," below. We also offer what we believe to be one of the most comprehensive cloud-based entertainment services in the U.K., "Virgin TV Anywhere," which is described below.

We also offer interactive "red button" applications from the British Broadcasting Corporation (BBC) and other commercial broadcasters. "Red button" functionality in the U.K. permits television viewers to press a red button on their remote control handset to receive additional interactive services, including multiple alternative broadcasts. The BBC reinvented their "red button" service in December 2012 and "Connected Red Button" was launched in 1.2 million Virgin Media customer homes as part of the innovation partnership we share with the BBC.

TiVo and Digital Cable Recorders

We offer two of the most advanced digital cable recorders in the U.K. Set-top boxes equipped with digital cable recorders digitally record television programming to a hard disk in real-time, which allows customers to play back, pause, fast forward or rewind the program at any point during or for a period after the broadcast.

Under a strategic partnership agreement entered into in 2009, TiVo is the exclusive provider of user interface software for our next generation set-top boxes, which provide converged television and broadband internet capabilities, and we are the exclusive distributor of TiVo services and technology in the U.K.

The Virgin Media TiVo service was launched in December 2010 with mass distribution commencing in mid-2011 and continues to evolve and be enhanced. This "next-generation" entertainment set-top box is available in both 1TB and 500 GB sizes, with the 1TB version recording up to 500 hours of television, and brings together television, digital cable-on-demand and web video services through a single user experience and features unique content discovery and personalization tools. The TiVo box is high definition (HD)-enabled and has three tuners, allowing viewers to record three programs while watching a fourth they previously recorded. The TiVo service, combined with the existing digital cable-on-demand service, makes available television shows, movies and music videos in addition to supporting web video services such as Netflix, the BBC iPlayer and YouTube. As of December 31, 2014, we had approximately 2.5 million TiVo customers, or 68% of our TV customer base.

The previous Virgin Media digital cable recorder, called the "V+ set-top box," was available to our digital cable customers and is gradually being phased out in favor of TiVo boxes. The V+ set-top box has 160GB of hard disk storage space (up to 80 hours of broadcast television), is HD-enabled and has three tuners. As of December 31, 2014, we had approximately 0.7 million V+ set-top box customers.

Virgin TV On Demand

Our digital cable-on-demand service, Virgin TV On Demand, provides our customers with instant access to a wide selection of premium movies, television programs, music videos and other digital cable-on-demand content including live pay-per-view (PPV) events. Content is available in broadcast standard definition (SD), HD and in three-dimensional (3D). Our HD content is available to all of our digital cable customers who have a HD box, at no additional charge. Viewers can watch programs instantly, without the need for buffering, and can freeze-frame, fast-forward and rewind the content at will. This gives our customers increased control over the content and timing of their television viewing. Additionally, our cable network enables us to provide digital cable-on-demand content to our customers separately from their high-speed data services, thereby maintaining their broadband speed.

The primary categories of content available within Virgin TV On Demand are television programming, movies (on a PPV and premium subscription basis) and music videos. A selection of content, including our "catch-up" television service, is available free of charge to all of our TV customers. The BBC iPlayer is the largest catch-up TV service we offer, enabling viewers to view more than 700 hours of BBC programs. Our Catch-Up TV also includes content from 4oD, Demand 5 and ITV Player.

Subscription Video On Demand. We offer our television customers basic subscription digital cable-on-demand (SVOD) with a selection of content that increases in number in line with the customer's digital cable subscription tier.

In October 2011, Sky Anytime (now Sky On Demand) was added to the service, allowing customers to access approximately 1,000 hours of television content from across Sky plc's (Sky) range of basic channels, and around 1,000 movie titles being made available to Virgin Media subscribers of Sky Movies. This service joined an existing SVOD movie service, PictureBox. Other content providers include BBC Worldwide, Sony, Viacom, NBCU and AETN. Tailored advertising is also inserted across many providers within the basic TV SVOD and free catch-up services.

The digital cable-on-demand package also includes a music video service featuring over 5,000 tracks, which is available to subscribers to our top tier television package at no extra cost, or to lower tier customers on a pay-per-transaction (PPT) basis.

Virgin Movies. Our PPT movie service, Virgin Movies, offers a further 500 titles from all the major studios, most of which are available for rent on the same day as their DVD release and some the same day as their cinema release. All our digital cable customers have access to Virgin Movies, which, after purchase, may be viewed multiple times within a 48-hour window. In 2012, functionality was added to the online version of Virgin Movies, allowing customers to rent titles and watch them when offline. The Virgin Movies service is available online to both subscribers and non-subscribers to our digital cable service.

Virgin TV Anywhere

In November 2012, we launched Virgin TV Anywhere, the U.K.'s most comprehensive internet streaming TV service that allows our TV customers to stream up to 103 live TV channels and watch Virgin TV On-Demand through their web browser, anywhere in the U.K. with a broadband connection. Customers are able to also discover new shows with customized recommendations and ratings. Our TiVo customers with iOS or Android mobile devices can watch up to 103 live TV channels, manage their TiVo box and discover new shows with these mobile devices. When in the home, these mobile devices can act as a remote control for their TiVo boxes. Virgin TV Anywhere is available at no extra cost to our digital cable customers. Virgin Media subscribers of Sky Sports or Sky Movies are able to stream these premium channels online or on iOS and Android mobile devices through Sky-provided services.

Fixed-line Telephony

We provide local, national and international telephony services to our residential customers on our twisted copper network. We offer a basic line rental service to our cable customers for a fixed monthly fee. In addition, we also offer tiered bundles of call tariffs, features and services, including calling plans that enable customers to make unlimited national landline calls and calls to mobile telephones either during specified periods or anytime, for an incremental fixed monthly fee. Our fixed-line customers can also make calls to mobile customers free of charge and may also subscribe to additional services such as call waiting, call blocking, call forwarding, three-way calling, advanced voicemail and caller line identification services for an additional fee. In October 2013, we launched a mobile handset application called SmartCall that allows customers to call landlines and mobile phones using

Wireless Fidelity, or Wi-Fi, networks, thus offloading many mobile calls onto the fixed network. As of December 31, 2014, we provided cable telephony services to approximately 4.2 million residential subscribers.

Mobile

Our mobile communication services are provided using the mobile network owned by EE Limited (EE) through an MVNO arrangement. EE currently operates 2G, 2.5G, 3G, 3.5G and 4G networks in the U.K. We offer a broad range of mobile communications products and services, including mobile voice services and data services, such as short message service (SMS), picture messaging, games, news and music services. We also offer a broad range of handsets, including Android-based, Blackberry and Apple iOS-based smartphones, and mobile broadband services which complement our fixed broadband offering.

Our customer base comprises both postpaid customers, who subscribe to our services for periods ranging from a minimum of 30 days for a SIM-only contract to up to 24 months for contracts taken with a subsidized mobile handset, and prepaid customers, who top up their accounts prior to using the services and have no minimum contracted term. In November 2014, we launched our 'Freestyle' mobile contracts, providing customers with the flexibility to purchase a handset independently of an airtime contract. As of December 31, 2014, we had approximately 3.1 million mobile services customers, of which approximately 2.1 million were postpaid customers.

We continue to focus on increasing our proportion of higher-value postpaid customers, improving access to content via our mobile platform, expanding our range of higher value mobile handsets and cross-selling into homes already connected to our cable network. We continue to promote the use of our mobile platform to view internet and television content by introducing features such as Virgin TV Anywhere.

Business Products and Services

Through the Virgin Media Business brand, we offer a broad portfolio of B2B voice, data and internet solutions to small businesses, medium and large enterprises and public sector organizations in the U.K., ranging from analog telephony to managed data networks and managed communication services. We also provide services to small businesses and medium enterprise customers using our cable network. B2B peak usage generally occurs at different times of the day from that of our residential customers, which allows for more efficient use of our network. We provide B2B services to approximately 50,000 U.K. businesses and almost 250 public sector organizations. We also supply communications services to approximately 55% of the U.K.'s fire and ambulance services and approximately 60% of the U.K.'s police forces. We have security accreditations across a range of B2B products and services in order to increase our offerings to public sector organizations in the U.K. These accreditations are granted subject to periodic reviews of our policies and procedures by the U.K. governmental authorities. If we were to fail to maintain an accreditation or to obtain a new one when required, it could impact our ability to provide certain offerings to the public sector.

We offer contractual service levels to all B2B customers and these are supported by U.K.-based regional teams. In addition to our standard B2B service levels, a tiered B2B service level is available to tailor service requirements based on size of organization, sector and importance. These tiered B2B service levels include priority response, named dedicated staff and customer premises-based teams managing service levels.

Converged Solutions

Converged solutions use a single network to transport voice, data and video, allowing our B2B customers to benefit from cost synergies. Additionally, we offer services such as internet protocol (IP) virtual private networks, which enable our customers to prioritize bandwidth for different types of traffic so that more time sensitive data or critical application data is transported with priority, providing increased flexibility and control over data management. Our extensive network reach also enables us to offer large or dispersed organizations the ability to effectively link sites across the U.K. using a wide range of access technologies, supporting services such as voice and video conferencing, instant messaging and file transfers.

Ethernet

Our Ethernet network has approximately 300 Ethernet nodes and is capable of carrying a variety of services and high bandwidth applications simultaneously. We have been delivering Ethernet services for over 10 years and have achieved both Metro Ethernet Forum (MEF) 9 and MEF 14 accreditation (becoming the first service provider in the world to renew this accreditation), ensuring our Ethernet product portfolio can support stringent real-time communications applications, including voice over IP (VoIP) and HD-quality videoconferencing. We offer a range of products from local area network extensions to managed wide area Ethernet networks, providing our B2B customers with high bandwidth and flexible solutions, including market-leading point to multi-point services.

Applications and Services

As an overlay to network products we also offer applications, such as video conferencing, and managed services, such as information security services, designed to increase flexibility and reduce costs for our customers.

Voice and Mobile Services

We offer a comprehensive range of B2B voice products, from analog and digital services to converged IP telephony solutions. Our B2B voice solutions include basic features such as call divert and voicemail, as well as products such as Centrex, which provides switchboard-like capability that is managed from our telephone exchange, offering our customers a cost-effective, scalable alternative to a premises-based system. We also provide similar centrex features through a number of hosted unified IP-based solutions, which add additional features such as integrated messaging and video. This combination of mature services being offered in parallel with a next generation of converged services allows our customers to carry out phased migrations to new technologies.

In addition, we launched a mobile service to public and private sector B2B customers in September 2013, providing voice and 3G and 4G data services as a reseller of EE's business services. As a result, we now have the opportunity to offer our B2B customers a one-supplier solution for both their fixed-line and mobile telephony needs.

Bundled offers for small and medium enterprises (SME) and small office and home office (SOHO) customers

In September 2014, we launched a new range of high-speed connectivity and voice packages targeting SME and SOHO customers. We are offering these customers a selection of super-fast broadband and fixed-line telephony packages with the option of adding SIM-only mobile solutions. In addition to varying speeds, the packages offer different service levels so customers can choose a bundle based on their level of digital requirements.

Our Network

We deliver voice, video and high-speed data services over our cable access network, which covers parts of many metropolitan areas in the U.K. The deep-fiber design of our access network enables us to transmit data by means of fiber optic cable from equipment in technical properties known as "headends" and "hubsites" to widely deployed distribution cabinets. The data are then transmitted to distribution points via coaxial cable for digital broadband signals and via twisted copper cables for fixed-line telephony. The final connection into each home from the fiber access network comprises two components combined into a single drop cable (twisted copper and coaxial cable). For video and high-speed data services, we use high capacity coaxial cable, which has considerable spectrum and associated bandwidth capabilities and which concurrently supports a full portfolio of linear and digital cable-on-demand services as well as high-speed broadband services. Using DOCSIS 3.0, we currently offer download speeds of up to 152Mbps. We have also conducted trials of 300 Mbps, 1 Gbps and 1.5 Gbps downstream speeds. For fixed-line voice services, we use a twisted copper pair. As a result of the extensive use of fiber in our access networks, we are also able to provide high-speed data network services to business customers delivering nationwide connectivity.

We believe that our deep-fiber access network has enabled us to take a leading position in the roll-out of next-generation broadband access technologies in the U.K. In recent years, we completed the upgrade from analog to digital across virtually all of our HFC access network footprint. As of December 31, 2014, virtually all of the homes served by our cable network could receive all our broadband, digital television and fixed-line telephony services.

We have also announced our intention to undertake the Network Extension, pursuant to which we may connect up to an estimated four million additional homes and businesses to our broadband communications network from 2015 through 2020. These additional premises were identified through a detailed review of our existing network in the U.K. that highlighted an opportunity to drive further scale by targeting accretive network extensions. The Network Extension will be completed in phases and will initially focus on the most accretive expansion opportunities. For more information regarding the Network Extension, see *Management's Discussion and Analysis of Financial Results* included in Part II of this annual report.

Competition

We face intense competition from a variety of entertainment and communications service providers, which offer television, broadband internet, fixed-line telephony and mobile services. In addition, technological advances and product innovations have increased, and are likely to continue to increase the number of alternative providers available to our customers and intensify the competitive environment.

We believe that our deep-fiber access provides us with several competitive advantages in the areas served by our network. For instance, our cable network allows us to concurrently deliver internet access, together with real-time television and digital cable-on-demand content at higher speeds and with less data loss than services of other providers. Our competitors are reliant on the access infrastructure of the U.K.'s incumbent telecommunications provider, BT Group plc (BT) which typically relies on copper-pair technology from the local exchange to the customer's home. BT is upgrading its infrastructure to provide data services capable of higher speeds, using fiber-to-the-cabinet (FTTC) technology, but service providers using BT's existing network are, and may remain, subject to capacity limits which can affect data download speeds or cause degradation when attempting to access the internet and watch IP television simultaneously. Our cable network also offers benefits over the infrastructure of satellite service providers, which are unable to offer a full array of interactive services in the absence of a fixed-line telephony or broadband connection using third-party access infrastructure. By contrast, our cable infrastructure allows us to provide "triple-play" bundled services of broadband internet, television and fixed-line telephony services without relying on a third-party service provider or network. In addition, our capacity is dimensioned to support peak consumer demand. In serving the B2B market, many aspects of the network can be leveraged at very low incremental cost given that B2B demand peaks at a time when residential consumer demand is low, and peaks at lower levels than residential consumer demand. As such, we believe we have an advantage over competitors who serve either residential or B2B customers but not both.

We also face intense competition in the mobile services market, which is primarily driven by increased pricing pressure from both established and new service providers, evolving customer needs and technological developments.

We offer most of our products on a stand-alone basis or as part of bundled packages designed to encourage customers to subscribe to multiple services. We offer television services, broadband internet and fixed-line telephony services to residential users exclusively in areas served by our cable network. We also offer broadband internet, data services, fixed-line telephony and mobile telephony and data services to business users throughout the U.K., using both our own network and wholesale inputs from other providers. Our primary competitors are BT, Sky, TalkTalk Telecom Group plc (TalkTalk), Vodafone Limited (Vodafone), EE and Telefónica UK Limited (which operates in the U.K. as "O2").

Broadband Internet

We have a number of significant competitors in the market for broadband internet services. Of those competitors, BT is the largest retail provider, serving approximately 32% of the total broadband internet market in the U.K. We serve approximately 19% of the total broadband market in the U.K.

BT provides broadband internet access services over its own DSL access network and is advanced in its upgrade to FTTC, which is currently available to approximately 75% of the U.K. BT's local access network is managed by its Openreach division, via which access for BT retail divisions and for competing providers on a wholesale basis is provided. BT has also announced its intention to trial G.Fast deployments, which may allow its retail arm, and its wholesale customers, to offer ultra high-speed broadband services, potentially up to 500 Mbps.

Operators such as Sky, TalkTalk and EE deploy their own network access equipment in BT exchanges via a process known as local loop unbundling (LLU). This allows an operator to reduce the recurring operating costs charged by BT by reducing the proportion of traffic that must travel directly over BT's network. LLU deployment requires a substantial capital investment to implement and requires a large customer base to deliver a return on investment.

In addition to the competition and pricing pressure in the broadband market arising from LLU, we may be subject to increased competition in the provision of broadband services from mobile broadband and technological developments (such as long-term evolution, or LTE and 4G mobile technology) and other wireless technologies, such as Wi-Fi and Worldwide Interoperability for Microwave Access, or Wi-Max. For example, EE has also announced that its 4G coverage has reached over 80% of the U.K. population.

Television

We are the largest cable television provider in the U.K. in terms of the number of video cable customers and the sole provider of video cable services in all of our network area. Our digital television services are available to approximately 45% of U.K. television households and serve 13% of the U.K. television market. Our digital television services compete primarily with those of Sky, which is the primary pay satellite television platform in the U.K. with approximately 9.0 million subscribers, or 32% of the U.K. television market. Sky owns the U.K. rights to SD, HD and 3D versions, as the case may be, of various sports and movie programming content. Sky is both our principal competitor in the pay-TV market and an important supplier of basic and premium television content to us.

In August 2013, BT, a principal competitor that offers very high-speed DSL, or VDSL, broadband services, launched its own premium BT Sport channels, providing a range of sports content including football from the English Premier League and, from the 2015/2016 football season, exclusive rights to the UEFA Champions League and the UEFA Europa League. The BT Sport channels are available over BT's internet protocol television (IPTV) platform, Sky's satellite system and our cable network. BT is currently offering customers who subscribe to their broadband service free access to the SD version of BT Sport channels over BT TV, BT broadband and satellite.

Content owners, online aggregators and television channel owners are increasingly using broadband as a new digital distribution channel direct to consumers. In 2012, a free-to-air internet-connected TV service to U.K. homes was launched by YouView, a joint venture which includes Arqiva, BBC, BT, Channel 4, Channel 5, ITV plc (ITV), and TalkTalk. Consumers are able to purchase a box from retailers or get a free subsidized box as part of a bundled package (TV, broadband and telephony) with providers BT and TalkTalk.

Residential customers may also receive digital terrestrial television (DTT), which is delivered to customer homes through a conventional television aerial and a separately purchased set-top box or an integrated digital television set. The free-to-air DTT service in the U.K. is called Freeview. This service is provided by a consortium of operators, including the BBC.

BBC and ITV also offer a free-to-air digital satellite alternative to Freeview service, known as Freesat. Freesat offers approximately 120 subscription-free TV channels, including selected HD channels such as BBC 1 HD, ITV HD and Channel 4 HD. Freesat also offers a range of satellite boxes offering access to catch-up TV services under the brand Free time, and a range of digital video recorders (DVR) under the brand Freesat+.

Residential customers may also access television content by means of IPTV. BT TV, a combined DTT and VOD service offered by BT over a DSL broadband connection, is available throughout the U.K. Sky also offers live streamed TV and services over a broadband connection, through its Sky On Demand and Sky Go services. In addition, Netflix, Amazon, Google, Apple and others have launched IPTV products.

The communications industry is constantly evolving and there are a number of new and emerging technologies which can be used to provide video services that are likely to compete with our digital cable and digital cable-on-demand services. These include the DSL services mentioned above and next generation LTE services. We expect continued advances in communications technology and in content, such as ultra HD.

Fixed-line Telephony

We compete primarily with BT in providing telephony services to residential customers in the U.K. BT occupies an established market position as the former state provider. We also compete with other telecommunications companies that provide telephony services directly, through LLU, or indirectly. These include TalkTalk and Sky, and mobile telephone operators such as EE, Vodafone and 3 U.K. Our share of the fixed-line telephony market in the U.K. is approximately 18%.

We compete with mobile telephone networks that offer consumers an alternative to fixed-line telephony services. Mobile telephone services also contribute to the competitive price pressure on fixed-line telephony services.

In addition, we face competition from companies offering VoIP, services using the customer's existing broadband, mobile data and Wi-Fi connections. These services are offered by independent providers, such as WhatsApp and Skype, as well as those affiliated with established competitors such as BT and EE. These services generally offer free calls between users of the same service, but charge for calls made to fixed-line or mobile numbers either on a flat monthly rate for unlimited calls (typically restricted to geographic areas) or based on usage.

Mobile

In the mobile telephony market, we face direct competition from mobile network operators (MNOs), such as O2, EE, Vodafone and 3 U.K., and other MVNOs, such as Tesco Mobile, Lebara, TalkTalk and ASDA. We also compete with fixed-line telephony operators, with companies offering VoIP services, and from the growth in online communication, as described in "Fixed-line Telephony" above.

EE became the first U.K. mobile network operator to launch 4G in October 2012, following approval from the U.K. Office of Communications (Ofcom) to use its existing 1800MHz spectrum. Vodafone, O2 and 3 U.K. launched their 4G services during 2013; the launch of 4G services strengthens the position of those existing competitors.

Business

The U.K. B2B telecommunications market is characterized by strong competition and ongoing consolidation. Competition in the U.K. B2B telecommunications market continues to be value driven, with the key components being quality, reliability and price.

We compete primarily with traditional network operators such as Vodafone UK, which acquired C&W Worldwide in July 2012, and BT. BT represents the main competition nationally due to its network reach and product portfolio. We also compete with regional providers, such as COLT Telecom Group plc, which have a strong network presence within limited geographic areas. Recently, we have faced increasing competition from services provided by MNOs which target small B2B customers.

In the retail market our traditional competitors are becoming increasingly focused on particular segments of the market. For example, Vodafone UK targets larger national and multi-national corporations. We continue to focus on small, medium and large nationally oriented businesses and public sector organizations. System integrators, such as Kcom (formerly known as Kingston Communications (Hull) plc), are also becoming an increasing competitive threat as large organizations continue to focus on information technology integration, management and outsourcing.

Regulatory Matters

Overview

Legislative Framework

Our business activities are subject to the laws and regulations of the EU and the U.K. At an EU level, we are regulated by a variety of legal instruments and policies, collectively referred to as the "Regulatory Framework," regulating the establishment and operation of electronic communications networks, including cable television and traditional telephony networks, and the offer of electronic communications services, such as telephony, internet and, to some degree, television services. The Regulatory Framework does not generally address issues of content. The Regulatory Framework primarily seeks to open European markets for communications services and is comprised of:

- Directive 2002/21 on a common regulatory framework for electronic communications networks and services;
- Directive 2002/20 on the authorization of electronic communications networks and services;
- Directive 2002/19 on access to, and interconnection of, electronic communications networks and associated facilities; and
- Directive 2002/22 on universal service and users rights relating to electronic communications networks and services.

These Directives are supplemented by EU Directive 2002/58, concerning the processing of personal data and the protection of privacy in the electronic communications sector.

In the U.K., the Regulatory Framework is implemented through (1) the Communications Act 2003 (Communications Act), which regulates all forms of communications technology, whether used for telecommunications or broadcasting, and (2) the Wireless Telegraphy Act 2006, which regulates radio communications in the U.K. (including with respect to the spectrum, licensing arrangements, usage conditions and charges, license bidding and trading and enforcement and penalties). The Privacy and Electronic Communications Regulations 2003, as amended, implemented EU Directive 2002/58, regulating the processing of personal data and the protection of privacy in the electronic communications sector.

We are also subject to regulation under the U.K. Broadcasting Acts 1990 and 1996 and other U.K. statutes and subordinate legislation, including the Competition Act 1998 and the Enterprise Act 2002. On-demand programming is regulated by the Authority for Television On-Demand (ATVOD) under a co-regulatory regime with Ofcom. The regulatory regime for on-demand programming is derived from the Audiovisual Media Services Directive.

U.K. Regulatory Authorities

Ofcom is the key regulatory authority for the communications sector in which we operate. It is responsible for furthering the interests of consumers by promoting competition. In particular, Ofcom is responsible for regulating the behavior of providers of electronic communications networks or services that have significant market power in identified markets which may have a harmful influence on competition and consumers. A provider is deemed to have significant market power if it has a position of economic strength affording it the power to act independently of competitors and customers within a given market. Pursuant to the Enterprise and Regulatory Reform Act 2013, effective April 1, 2014, the competition functions of the Office of Fair Trading, together with those of the Competition Commission were transferred to a new U.K. competition authority, the Competition and Markets Authority. The Competition and Markets Authority's primary duty is to promote competition, both within and outside the U.K., for the benefit of consumers.

Broadband Expansion

The U.K. government has attempted to drive the deployment of super-fast broadband and the provision of basic broadband to 95% of the population of the U.K. by 2017 using money from the publicly funded BBC Licence Fee, under-spend from the Analogue TV Switch-Off Project and other sources of public investment to stimulate private investment. Two key projects are under way: (1) the Broadband Delivery Programme, which is focused on delivering broadband to areas that the market will not serve of its own accord (mainly rural areas); and (2) the Urban Broadband Fund, which is aimed at establishing "super connected" cities with internet capabilities of between 80 Mbps to 100 Mbps and comprehensive mobile broadband coverage. In 2013, the U.K. government announced the Superfast Extension Programme, which is designed to support the roll-out of broadband with download speeds of 30 Mbps or higher to 99% of the population of the U.K. by 2018.

We lodged a formal challenge against the European Commission's decision to approve a project involving the deployment of a state-subsidized broadband network in the city of Birmingham in 2012. Based on assurances received from the U.K. government that no Urban Broadband Fund monies would be used to deploy telecommunications infrastructure in the U.K., such that Birmingham could not implement the network for which it had received European Commission approval, we requested and were granted a stay in proceedings until March 31, 2015. As an alternative, the U.K. government progressed a retail connectivity voucher scheme, in which we are participating.

Regulation of Television and Video-on-Demand Services

We are required to hold individual licenses under the Broadcasting Acts 1990 and 1996 for any television channels (including barker channels) which we own or operate and for the provision of certain other services on our cable TV platform, such as electronic program guides. These television licensable content service (TLCS), licenses are granted and administered by Ofcom. Under these licenses, each covered service must comply with a number of Ofcom codes, including the Broadcasting Code, and with all directions issued by Ofcom. Breach of any of the terms of a TLCS license may result in the imposition of fines on the license holder and, ultimately, the license being revoked.

ATVOD is the independent co-regulator for the editorial content of U.K. video-on-demand services that fall within the statutory definition of an On-Demand Programme Service (ODPS), under the Communications Act.

As a provider of an ODPS, we must comply with a number of statutory obligations in relation to "editorial content" and notify ATVOD of our intention to provide an ODPS. Failure to notify ATVOD or comply with the relevant statutory obligations may result in the imposition of fines or, ultimately, the prohibition on providing an ODPS.

In March 2007, following our request, and in conjunction with other affected operators, Ofcom initiated an investigation into the U.K. pay-TV market. In its final statement in March 2010, Ofcom found that Sky has market power in the wholesale supply of certain premium sports and premium movie channels. To remedy the concerns around premium sports channels, Ofcom imposed a wholesale must offer (WMO) regime for regulating the terms of supply of Sky Sports 1 and 2 SD and HD. This decision was appealed by a number of parties, including us.

In August 2012, the Competition Appeal Tribunal (CAT) overturned Ofcom's decision, ruling that the competition concerns on which Ofcom based its decision were unfounded. BT appealed certain aspects of the CAT's judgment to the Court of Appeal. In February 2014, the Court of Appeal upheld BT's appeal. The matter has been referred back to the CAT for further consideration, and the Supreme Court has denied Sky the opportunity to appeal. The WMO requirement continues in the meantime and BT has secured an extension to this to cover distribution over the YouView platform. On December 19, 2014, Ofcom launched a consultation to review the WMO remedy and consider whether it remains an appropriate remedy.

In November 2014, following a complaint by us, Ofcom opened an investigation into the arrangements by which the FA Premier League collectively sells the live U.K. audio-visual media rights to Premier League football matches. Ofcom's investigation is premised on the basis that there are reasonable grounds to suspect that these arrangements appreciably restrict or distort competition in breach of the prohibition in Chapter I of the Act and/or Article 101(1) of the Treaty on the Functioning of the European Union. This investigation is underway.

In 2006, Ofcom also initiated a review of the terms under which operators of digital television platforms in the U.K., such as us, allow access to their platforms for third-party television channels and content providers. However, this review has not progressed beyond its initial stages. We are therefore unable to assess the likely outcome of this review and resulting impact on our activities in this sector at this time.

Government Communications White Paper

In July 2013, the U.K. government published a White Paper reviewing U.K. Communications legislation. This included a number of elements such as plans to review the payment arrangements in place between Public Service Broadcasters and pay-TV providers and the prominence of various services in platform providers' electronic program guides. Separately, Ofcom has commenced a review of Public Service Broadcasting, which also includes some consideration of these factors, as a part of the broader assessment of the regime.

Regulation of Telecommunications Services

In order to operate in the telecommunications sector, a provider must comply with general conditions imposed by Ofcom. These general conditions cover a broad range of issues including interconnection standards, number portability, deployment of telephone numbers, access to emergency services and sales and marketing standards. Any breach of these general conditions could lead to the imposition of fines by Ofcom and, ultimately, to the suspension or revocation of a company's right to provide electronic communications networks and services. Ofcom also undertakes triennial reviews of the various economic markets within the telecommunications sector to establish whether any provider has significant market power warranting the imposition of remedies.

Broadband Services

Ofcom has recently finalized its triennial review of the Fixed Access markets (including Wholesale Local Access incorporating physical or passive network access via methods such as LLU and duct access) and Wholesale Broadband Access market (virtual or active network access via methods such as provision of wholesale managed service products). There has been no substantive change in its approach to regulation from the previous review period. Therefore, we do not anticipate significant consequences for our operations.

BT has again been found to have significant market power in the Wholesale Local Access market and one sub-national area of the Wholesale Broadband Access market and is required to provide certain products and services on regulated terms, including providing access to its ducts and poles infrastructure.

Ofcom is also proposing to impose a new condition regulating BT's wholesale pricing of certain of its fiber products. Current proposals suggest that BT will not have to undertake a major pricing realignment in order to comply with this additional obligation.

Business Connectivity Services

Ofcom is soon to commence a review of business connectivity services (leased lines, Ethernet etc). This will include consideration of whether it would be appropriate to impose passive remedies (on BT) in the relevant markets, which could include access to duct and dark fibre.

Mobile Telephony Services

As an MVNO, we are subject to EU regulations relating to retail prices for roaming services. These regulations set limits on certain wholesale and retail tariffs for international mobile voice roaming, SMS tariffs and data roaming within the EU, provide for greater levels of transparency of retail pricing information, impose measures to guard against bill shock in respect of data roaming and set maximum roaming rates within the EU. A new measure, effective July 1, 2014, allows consumers to select an alternative provider for their EU roaming services. The measure is intended to increase competition for the provision of roaming services.

Mobile termination charges applied by MNOs are regulated by Ofcom under a significant market power charge control condition. Under our MVNO agreement with EE these changes in mobile termination charges are passed on to us and we have experienced both a reduction in revenue from such charges and a reduction in cost. Ofcom is in the process of reviewing mobile termination charges for the period of 2015-2018 and has proposed that rates should reduce to approximately half of their current levels by the end of this period.

Non-Industry Specific Regulation

Our business activities are subject to certain environmental and health and safety laws and regulations. Failure to comply with these laws and regulations may result in us incurring fines or other penalties and we may incur expenditure to account for these fines or penalties, maintain compliance and/or undertake any necessary remediation. In addition, any breach of the aforementioned laws and/or regulations by our affiliates, vendors and contractors could result in liability for us.

Legal Proceedings

From time to time, we have become involved in litigation relating to claims arising out of our operations in the normal course of business. For additional information, see note 16 to our consolidated financial statements included in Part II of this annual report.

VAT Matters

Our application of VAT with respect to certain revenue generating activities has been challenged by the U.K. tax authorities. We have estimated our maximum exposure in the event of an unfavorable outcome to be £40.3 million as of December 31, 2014. No portion of this exposure has been accrued by our company as the likelihood of loss is not considered to be probable. A court hearing was held at the end of September 2014 in relation to the U.K tax authorities' challenge and the court's decision is expected at some point prior to March 31, 2015.

On March 19, 2014, the U.K. government announced a change in legislation with respect to the charging of VAT in connection with prompt payment discounts such as those that we offer to our fixed-line telephony customers. The changes, which took effect on May 1, 2014, impacted our company and some of our competitors. As a result of this legislation, our revenue was £28.9 million lower during 2014, as compared to 2013. Recent correspondence from the U.K. government indicates that it may seek to challenge our application of the prompt payment discount rules prior to the May 1, 2014 change in legislation. If such a challenge were to be issued by the U.K. government, we could be required to make a payment of the challenged amount in order to make an appeal. We currently estimate that the challenged amount could be up to approximately £65 million before any penalties or interest. Any challenge and subsequent appeal would likely be subject to court proceedings that could delay the ultimate resolution of this matter for an extended period of time. No portion of this potential exposure has been accrued by our company as no claim has been asserted or assessed and the likelihood of loss is not considered to be probable.

The VAT applicable to certain components of our operations is scheduled to increase effective January 1, 2015. As compared to 2014 levels, these proposed increases are expected to result in increases in annual VAT payments ranging from approximately £30 million to £35 million.

Regulatory Developments

For a description of current regulatory developments in the EU and the U.K. which affect our business, see "-*Regulatory Matters*" section of this annual report.

Other

In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (1) legal proceedings, (2) issues involving VAT, wage, property and other tax issues and (3) disputes over interconnection, programming, and copyright fees. We do not believe any of these litigation matters alone or in the aggregate will have a material adverse effect on our financial position or results of operation.

Patents, Trademarks, Copyrights and Licenses

We do not have any material patents or copyrights nor do we believe that patents play a material role in our business. We own or have the right to use registered trademarks, which in some cases are, and in others may be, of material importance to our business. This includes the exclusive right to use the "Virgin" name and logo under licenses from Virgin Enterprises Limited in connection with our corporate activities and the activities of our consumer and business operations. These licenses, which expire in April 2036, are exclusive to us within the U.K., and are subject to renewal on terms to be agreed. They entitle us to use the "Virgin" name for the television, broadband internet, fixed-line telephony and mobile phone services we provide to our consumer and business customers, and in connection with the sale of certain communications equipment, such as set-top boxes and cable modems.

Our license agreements provide for an annual royalty of 0.25% of certain consumer, business and content revenues, subject to a minimum annual royalty, subject to inflationary adjustments, of £8.5 million in relation to our consumer operations, and £1.5 million in relation to our business operations.

Under the agreements we have worldwide exclusivity over the name "Virgin Media" and "Virgin Media Inc." We are also licensed to use the name "Virgin Media Business" for the provision of business communications services.

Properties

We own and lease administrative facilities, operational network facilities, and retail facilities throughout the U.K. We lease our U.K. headquarters in Hook, Hampshire.

We own or lease the fixed assets necessary for the operation of our businesses, including office space, transponder space, headend facilities, rights of way, cable television and telecommunications distribution equipment, telecommunications switches and customer premises equipment and other property necessary for our operations. The physical components of our broadband network require maintenance and periodic upgrades to support the new services and products we introduce. Subject to these maintenance and upgrade activities, our management believes that our current facilities are suitable and adequate for our business operations for the foreseeable future.

Employees

At December 31, 2014, we had approximately 13,400 employees. We also had approximately 770 temporary employees. There are no employees at Virgin Media covered by collective bargaining or recognition agreements. For employee consultation purposes, we work with and recognize our National and Divisional Employee Voice Forums. We believe we have a good relationship with our workforce.

MANAGEMENT

Tom Mockridge, 59, became our Chief Executive Officer in June 2013. Prior to joining Virgin Media, Mr. Mockridge held a variety of senior roles at various News Corporation group companies over the span of 22 years. Most recently, Mr. Mockridge was the CEO of News International from July 2011 until the end of 2012. Prior to his role at News International, Mr. Mockridge was the Managing Director of News Corporation's European television operations from 2008 and was subsequently appointed Deputy Chairman of Sky Deutschland AG's Supervisory Board and Deputy Chairman of Sky. Prior to this, Mr. Mockridge served as the first CEO of Sky Italia following its creation through a merger. In his earlier career, Mr. Mockridge held senior roles at News Corporation companies in Australia and Hong Kong, and began his career as a journalist in his native New Zealand.

Paul Buttery, 51, became Chief Customer, Technology and Networks Officer in September 2011. Prior to this, Mr. Buttery was Chief Customer and Networks Officer from January 2010. Mr. Buttery was our Managing Director of access and networks from September 2008, and the Managing Director of our access division from May 2007. He joined the Virgin Media Group in February 2006 as director of customer services and operations for the business division. Before he joined the Virgin Media Group, Mr. Buttery was Chief Technical Officer of Cable & Wireless U.K., an alternate network operator. Mr. Buttery served with Cable & Wireless from October 2004 to January 2006. From November 2002 to October 2004, Mr. Buttery was with MCI as the Vice President of Europe, Middle East and Africa network and service delivery having previously worked with MCI in the United States as Vice President of internet operations and planning and as vice president global data network management. Mr. Buttery started his career with BT, undertaking various roles over a 15 year period.

Maurice Daw, 55, became our Chief People Officer in August 2013. Mr. Daw originally joined us in 2008 as our Supply Chain Director, and was promoted to the Executive Director of Access in 2010. Previously, Mr. Daw was the Managing Director of the Technology Logistics Business Unit with Unipart Group Limited, which he joined in 2000. In his early career, Mr. Daw held positions at Cadbury and Unilever.

Robert Dunn, 48, was appointed Chief Financial Officer in June 2013. Mr. Dunn was Managing Director of UPC Netherlands B.V. from January 2011 to May 2013. Mr. Dunn joined United Pan-Europe Communications NV in May 2000 where he was Managing Director of Finance and Accounting. In January 2001, he became Chief Financial Officer of UPC Distribution, the cable television and triple-play division of UPC. Later he became managing director of Finance and Accounting of UPC Polska Sp Zoo and then served as Managing Director of UPC Ireland B.V. from 2006 to 2010. He earlier served as Group Controller of Impress Packaging Group B.V. from May 1997 to May 2000. He also worked with Price Waterhouse, London for nine years from October 1988.

Mine Hifzi, 48, became our General Counsel in February 2014. Prior to joining us, Ms. Hifzi was Senior Vice President, Commercial and Legal Affairs, International at Scripps Networks Interactive Inc., which she joined in July 2012. Previously, Ms. Hifzi served as Senior Vice President and General Counsel, International, of Discovery Communication Inc., where she held roles for over 13 years. Ms. Hifzi is qualified as a solicitor in England and Wales.

Peter Kelly, 51, became the Managing Director for our B2B division in September 2013. Prior to joining Virgin Media, Mr. Kelly was Enterprise Director at Vodafone UK, where he served from 2008 and was responsible for managing a team of over 1,500 people. Prior to that, Mr. Kelly was President, Enterprise, EMEA at Nortel.

Gregor McNeil, 44, became our Interim Chief Operating Officer in February 2015. Prior to this, Mr. McNeil was our Deputy Chief Financial Officer and has served in a number of Finance Director positions during his twelve years in the cable industry. Mr. McNeil, a qualified chartered accountant, spent his early career with Arthur Andersen undertaking various roles including in management consulting.

Brigitte Trafford, 49, became our Chief Corporate Affairs Officer in March 2014. Prior to coming to Virgin Media, Ms. Trafford served as the Director of Corporate Affairs at ICAP plc beginning in 2011. Previously, Ms. Trafford was Group Communications Director at Lloyds Banking Group, where she served from 2010 to 2011. She also founded a strategic communications consultancy, Burghley Communications in 2009. In addition, Ms. Trafford was Group Communications Director and a member of the Management Board of ITV from 2004 to 2007. Ms. Trafford also held senior roles at M: Communications and Dow Jones & Company, Inc., publishers of The Wall Street Journal.

PRINCIPAL SHAREHOLDER

Virgin Media is indirectly wholly-owned by Liberty Global. Liberty Global is the largest international cable company with operations in 14 countries. Its 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 at December 31, 2014. In addition, Liberty Global served 5 million mobile subscribers across nine countries at year-end 2014. Liberty Global's consumer brands include Virgin Media, UPC, Ziggo, Unitymedia, KabelBW, Telenet and VTR.

RISK FACTORS

In addition to the information contained in this annual report, you should consider the following risk factors in evaluating our results of operations, financial condition, business and operations.

The risk factors described in this section have been separated into two groups:

- risks relating to our industry and our business; and
- risks relating to our financial indebtedness, taxes and other financial matters.

Although we describe below and elsewhere in this annual report the risks we consider to be the most material, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

If any of the events described below were to occur, our businesses, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected.

Risks Relating to Our Industry and Our Business

We operate in highly competitive markets, and there is a risk that we will not be able to effectively compete with other service providers. The markets for digital cable, broadband internet, fixed-line telephony and mobile services in which we operate are highly competitive and, in certain markets, we compete with established companies that hold positions of market power in these and/or closely related markets. We face competition from these companies, other established companies and potential new entrants. Technological advances may increase competition or alter the competitive dynamics of markets in which we operate. For example, we face increasing competition from video services provided by, or over the networks of, the incumbent telecommunications operator and other service providers. As the availability and speed of broadband internet increases, we also face competition from over-the-top (OTT) video content providers utilizing our or our competitors' high-speed internet connections. In addition, continued consolidation within the media industry may permit more competitors to offer "triple-play" bundles of digital television, fixed-line telephony and broadband services, or "quad-play" bundles including mobile telephone services.

In order to compete effectively, we may be required to reduce the prices we charge for our services or increase the value of our services without being able to recoup associated costs. We may also need to pursue legal and regulatory actions. In addition, some of our competitors offer services that we are unable to offer. We expect the level and intensity of competition to continue to increase from both existing competitors and new market entrants as a result of changes in the regulatory framework of the industries in which we operate, advances in technology, the influx of new market entrants and strategic alliances and cooperative relationships among industry participants. Increased competition may lead to a decrease in our revenue, increased costs, increased customer churn or a reduction in the rate of customer acquisition, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

The markets in which we compete are subject to rapid and significant changes in technology, and the effect of technological changes on our businesses cannot be predicted. Technology in the video, telecommunications and data services industries is changing rapidly, including advances in current technologies and the emergence of new technologies. For example, advances in current technologies, such as VoIP (over fixed and mobile technologies), 3D TV, mobile instant messaging, Wi-Fi, Wi-Max, long-term evolution, or LTE, internet protocol television, or the emergence of new technologies, such as white space technologies (which use portions of the old analog TV spectrum), or the availability to our competitors of 4G spectrum and technology, may result in our core offerings becoming less competitive or render our existing products and services obsolete. We may not be able to develop new products and services, or keep up with trends in the technology market, at the same rate as our competitors (or at all). The pace of change may be such that we fail to seize opportunities to become market disrupters or to adequately respond to market disrupters. A lack of market acceptance of new products and services which we may offer, or the development of significant competitive products or services by others, could have an adverse effect on our business, financial condition, results of operations and cash flows.

Our property and equipment additions may not generate a positive return. The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant additions to our property and equipment are required to add customers to our networks and to upgrade our broadband communications networks and customer premises equipment (CPE) to enhance our service offerings and improve the customer experience, including expenditures for equipment and labor costs.

Significant competition, the introduction of new technologies, the expansion of existing technologies, such as fiber-to-the-home/-cabinet/-building/-node and advanced DSL technologies, or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our networks and CPE. In addition, no assurance can be given that any future upgrades or extensions of our network (including the planned Network Extension) will generate a positive return or that we will have adequate capital available to finance such future upgrades or extensions. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned additions to our property and equipment, our growth could be limited and our competitive position could be harmed.

Adverse economic developments could reduce customer spending for our digital cable, broadband, fixed-line telephony and mobile services and increase churn. Most of our revenue is derived from customers who could be impacted by adverse economic developments globally, in Europe and in the U.K. Ongoing struggles in Europe related to sovereign debt issues, among other things, has contributed to a challenging economic environment. Accordingly, unfavorable economic conditions may impact a significant number of our customers and, as a result, it may be (i) more difficult for us to attract new customers, (ii) more likely that customers will downgrade or disconnect their services and (iii) more difficult for us to maintain ARPUs at existing levels. The U.K. may also seek new or increased revenue sources due to fiscal deficits. Such actions may further adversely affect our company. Accordingly, our ability to increase, or, in certain cases, maintain, our revenue, ARPUs, RGUs, operating cash flow, operating cash flow margins and liquidity could be materially adversely affected if the economic environment in Europe or the U.K. remains uncertain or declines. We are currently unable to predict the extent of any of these potential adverse effects.

Our fixed-line telephony revenue is declining and unlikely to improve. Fixed-line telephony usage is in decline across the industry, with the rate of decline in lines used by businesses being nearly twice as high as that in the residential fixed-line telephony market. There is a risk that business and residential customers will migrate from using fixed-line telephony to using other forms of telephony, such as VoIP, or mobile telephony. There is no assurance that our fixed-line customers will migrate to our mobile phones and they may eventually shift to other providers of mobile telephony services. Such a migration could have a material adverse effect on our results of operations, revenue and financial condition.

A failure in our network and information systems, whether caused by a natural failure or a security breach, could significantly disrupt our operations. Certain network and information systems are critical to our business activities. Network and information systems may be affected by cyber security incidents that can result from deliberate attacks or system failures. These may include, but are not limited to computer hackings, computer viruses, worms or other destructive or disruptive software, or other malicious activities. Our network and information systems may also be the subject of power outages, fire, natural disasters, terrorist attacks, war or other similar events. Theft of metals is particularly acute in the U.K. due to high prices for scrap metal, and our network is not immune to such thefts. Such events could result in a degradation of, or disruption to, our cable and non-cable services, and could prevent us from billing and collecting revenue due to us or could damage our equipment and data or could result in damage to our reputation. Disruption to services could result in excessive call volumes to call centers that may not be able to cope with such volume, which could in turn have a material adverse effect on our reputation and brand. Our plans for recovery from, and resilience to, such challenges may not be sufficient. The amount and scope of insurance we maintain against losses resulting from these events may not be sufficient to cover our losses or otherwise adequately compensate us for any disruptions to our business that may result.

Sustained or repeated failures of our own or third-party systems that interrupt our ability to provide services to our customers, prevent us from billing and collecting revenue, or that otherwise prevent us from meeting our obligations in a timely manner, could materially adversely affect our reputation and result in a loss of customers and revenue. These network and information systems-related events could also require significant expenditures to repair or replace damaged networks or information systems or to protect them from similar events in the future. Further, any security breaches, such as misappropriation, misuse, penetration by viruses, worms or other destructive or disruptive software, leakage, falsification or accidental release or loss of information maintained in our information technology systems and networks or those of our business partners (including customer, personnel and vendor data) could damage our reputation, result in legal and/or regulatory action against us, and require us to expend significant capital and other resources to remedy any such security breach. As a result of the increasing awareness concerning the importance of safeguarding personal information, the potential misuse of such information and legislation that has been adopted or is being considered regarding the protection, privacy and security of personal information, the liability associated with information-related risks is increasing, particularly for businesses like ours that handle a large amount of personal customer data. The occurrence of any such network or information system-related events or security breaches could have a material adverse effect on our business and results of operations.

Unauthorized access to our network resulting in piracy could result in a loss of revenue. We rely on the integrity of our technology to ensure that our services are provided only to identifiable paying customers. Increasingly sophisticated means of illicit piracy of television, broadband and telephony services are continually being developed in response to evolving technologies. Furthermore, billing and revenue generation for our pay television services rely on the proper functioning of our encryption systems.

While we continue to invest in measures to manage unauthorized access to our networks, any such unauthorized access to our cable television service could result in a loss of revenue, and any failure to respond to security breaches could raise concerns under our agreements with content providers, all of which could have a material adverse effect on our business and results of operations.

We rely on third-party suppliers and contractors to provide necessary hardware, software or operational support and are reliant on them in a way that could economically disadvantage us. We rely on third-party vendors to supply us with a significant amount of customer equipment, hardware, software and operational support necessary to operate our network and systems and provide our services. In many cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us in the short term to change supply and maintenance relationships in the event that our initial supplier is unwilling or unable to offer us competitive prices or to provide the equipment, software or support that we require.

We also rely upon a number of third-party contractors to construct and maintain our network and to install our equipment in customers' homes. Quality issues or installation or service delays relating to these contractors could result in liability, reputational harm or contribute to customer dissatisfaction, which could result in additional churn or discourage potential new customers.

We are also exposed to risks associated with the potential financial instability of our suppliers, some of whom may have been adversely affected by the global economic downturn. If our suppliers were to discontinue certain products, were unable to provide equipment to meet our specifications or interrupt the provision of equipment or services to us, whether as a result of bankruptcy or otherwise, our business and results of operations could be materially adversely affected.

Our consumer mobile service relies on EE's network to carry its communications traffic. Our services to mobile customers rely on our MVNO agreement with EE for voice, non-voice and other telecommunications services and for ancillary services such as pre-pay account management. If the agreement with EE is terminated, if EE fails to provide the services required under the agreement, or if EE fails to deploy and maintain its network, and we are unable to find a replacement network operator on a timely and commercial basis (if at all), we could be prevented from continuing our mobile business. If we find a replacement network operator, we may only be able to continue our mobile business on less favorable terms. Additionally, migration of all or some of our customer base to any such replacement network operator would be dependent in part on EE and could entail potential technical or commercial risk. If any of this were to happen, this could have a material adverse effect on our business and results of operations.

EE is also a customer of our B2B operations. Any disagreements between EE and our mobile operations or between EE and our B2B operations could have a material adverse effect on the relationship of the other Virgin Media businesses and EE.

The "Virgin" brand is not under our control and the activities of the Virgin Group and other licensees could have a material adverse effect on the goodwill of customers towards us as a licensee. The "Virgin" brand is integral to our corporate identity. We are reliant on the general goodwill of consumers towards the Virgin brand. Consequently, adverse publicity in relation to the Virgin Media Group or its principals, particularly Sir Richard Branson who is closely associated with the brand, or in relation to another licensee of the "Virgin" name and logo (particularly in the U.K.) could have a material adverse effect on our reputation, business and results of operations. In addition, the licenses from Virgin Enterprises Limited can be terminated in certain circumstances. For example, Virgin Enterprises Limited can terminate the licenses, after providing Virgin Media with an opportunity to cure, (i) if Virgin Media or any of its affiliates commits persistent and material breaches or a flagrant and material breach of the licenses, (ii) if Virgin Enterprises Limited has reasonable grounds to believe that the use (or lack of use) of the licensed trademarks by Virgin Media has been or is likely to result in a long-term and material diminution in the value of the "Virgin" brand, or (iii) if a third party who is not (or one of whose directors is not) a "fit and proper person," such as a legally disqualified director or a bankrupt entity, acquires "control" of Liberty Global. Such a termination could have a material adverse effect on our business and results of operations.

We depend almost exclusively on our relationships with third-party programming providers and broadcasters for programming content, and a failure to acquire a wide selection of popular programming on acceptable terms could adversely affect our business. We enter into agreements for the provision of television programs and channels distributed via our entertainment service with program providers, such as public and commercial broadcasters, or providers of pay or on-demand television. We have historically obtained a significant amount of our premium programming and some of our basic programming and pay-per-view sporting events from Sky. Sky is also one of our main competitors in the television services business. Sky is a leading supplier of programming to pay television platforms in the U.K. and is the exclusive supplier of some programming, including its Sky Sports channels and Sky Movies channels, which are the most popular premium subscription sports and film channels available in the U.K.

In 2010, Ofcom imposed new license conditions on Sky that provide for a WMO obligation on Sky that regulate (or set a fair, reasonable and non-discriminatory requirement for) the price and terms of supply of certain of Sky's Sports Channels. While Sky and others appealed the imposition of these license conditions and sought to overturn it, we and others appealed that the intervention did not go far enough. In August 2012, the CAT overturned Ofcom's decision, ruling that the competition concerns on which Ofcom based its decisions were unfounded. BT appealed certain aspects of the CAT's judgment to the Court of Appeal. In February 2014, the Court of Appeal upheld BT's appeal. The matter has been referred back to the CAT for further consideration and the Supreme Court has denied Sky the opportunity to appeal. The WMO requirement continues in the mean-time and BT has secured an extension to this requirement to cover distribution over the YouView platform. On December 19, 2014, Ofcom launched a consultation to review the WMO remedy and consider whether it remains an appropriate remedy. An adverse outcome of the aforementioned proceedings could lead to the removal of the WMO obligation on Sky. This may have a material adverse effect on our business if Sky is unconstrained in the supply and pricing of its programming following the expiry of our current carriage agreements.

We currently purchase content from Sky on the basis of carriage agreements entered into on May 10, 2014. These agreements provide for the wholesale distribution of Sky's basic channels and its premium sports and movie channels on our digital cable service.

In August 2013, BT launched its own premium BT Sport channels, providing a range of sports content including football (soccer) from the English Premier League and, from the 2015/2016 football (soccer) season, exclusive rights to the UEFA Champions League and the UEFA Europa League. The BT Sport channels are available on our digital cable network, however, the cost to obtain such channels was a significant driver of our increased programming costs for 2014, and there can be no assurance that we will be able to continue carriage of such channels at a reasonable cost after the current contract ends in 2016.

Other significant programming suppliers include the BBC, ITV, Channel 4, UKTV, Five, Viacom Inc., ESPN, Discovery Communications Inc. and Turner, a division of Time Warner Inc. Our dependence on these and other suppliers for television programming could have a material adverse effect on our ability to provide attractive programming at a reasonable cost. Any loss of programs could negatively affect the quality and variety of the programming delivered to our customers. In addition, there is the risk that suppliers will become exclusive providers to other platforms, including Sky, which reduces our ability to offer the same or similar content to our customers. All of these factors could have a material adverse effect on our business and increase customer churn.

We do not insure the underground portion of our cable network and various pavement-based electronics associated with our cable network. Our cable network is one of our key assets. However, we do not insure the underground portion of our cable network or various pavement-based electronics associated with our cable network. Almost all our cable network is constructed underground. As a result, any catastrophe that affects our underground cable network or our pavement-based electronics could prevent us from providing services to our customers and result in substantial uninsured losses that would have a material adverse effect on our business and results of operations.

We are subject to significant regulation, and changes in U.K. and EU laws, regulations or governmental policy affecting the conduct of our business may have a material adverse effect on our ability to set prices, enter new markets or control our costs. Our principal business activities are regulated and supervised by Ofcom and the U.K. Office of Fair Trading, among other regulators. Regulatory change is an ongoing process in the communications sector at both the U.K. and EU level. Changes in laws, regulations or governmental policy affecting our activities and those of our competitors could significantly influence how we operate our business and introduce new products and services. For example, regulatory changes relating to our activities and those of our competitors, such as changes relating to third party access to infrastructure, the costs of interconnection with other networks, our relationships with third party programming providers and broadcasters, the prices of competing products and services, or any change in policy allowing more favorable conditions for other operators, could adversely affect our ability to set prices, enter new markets or control our costs. In particular, following the transposition of recent amendments to European directives into U.K. law, Ofcom may attempt to use the non-significant market power access provisions to require us to make available access to our ducts. In addition, Ofcom may look to impose regulation on the cable network, which is currently unregulated. Such regulation would allow customers to switch with ease to another provider without informing us.

In July 2013, the U.K. government published a White Paper reviewing U.K. Communications legislation. This includes a plan to review the balance of payments between public service broadcasters and pay-TV providers, including us, which could lead to changes in the law governing payments for the rights to retransmit public service programming. Any amendments requiring us to pay fees for such content would increase our operating costs and could have an adverse effect on our business, financial condition and results of operations. The White Paper also sets out plans to consult on a number of other areas in the future, including the prominence of various services in platforms' electronic program guides. Ofcom has also recently commenced a review of Public Service Broadcasting, which will include consideration of the retransmission regime. Our ability to introduce new products and services may also be affected if we cannot predict how existing or future laws, regulations or policies would apply to such products or services. In addition, our business and the industry in which we operate are subject to investigation by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. Any such action could harm our reputation and result in increased costs to the business.

We are also subject to accreditation requirements with respect to certain of our B2B products and services provided to public sector organizations in the U.K. We have security accreditations across a range of B2B products and services for public sector organizations in the U.K., which are granted subject to periodic reviews of our policies and procedures by U.K. governmental entities. If we were to fail to maintain an accreditation or to obtain a new one when required, it could impact our ability to provide certain offerings to the public sector.

Risks Relating to Our Indebtedness, Taxes and Other Financial Matters

We have substantial indebtedness that may have a material adverse effect on our available cash flow, our ability to obtain additional financing if necessary in the future, our flexibility in reacting to competitive and technological changes and our operations. We have a substantial amount of indebtedness. Our consolidated total long-term debt, net of £262.2 million current portion, was £8,256.8 million as of December 31, 2014.

Our ability to pay principal and interest on or to refinance the outstanding indebtedness depends upon our operating performance, which will be affected by, among other things, general economic, financial, competitive, regulatory and other factors, some of which are beyond our control. Moreover, we may not be able to refinance or redeem such debt on commercially reasonable terms, on terms acceptable to us, or at all.

The level of our indebtedness could have important consequences, including the following:

- a substantial portion of our cash flow from operations will have to be dedicated to the payment of interest and principal on existing indebtedness, thereby reducing the funds available for other purposes;
- our ability to obtain additional financing in the future for working capital, capital expenditures, product development, acquisitions or general corporate purposes may be impaired;
- our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate, and to technological and other changes may be limited;
- we may be placed at a competitive disadvantage as compared to our competitors that are not as highly leveraged;
- our substantial degree of leverage could make us more vulnerable in the event of a downturn in general economic conditions or adverse developments in our business; and
- we are exposed to risks inherent in interest rate and foreign exchange rate fluctuations.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, which could adversely affect our business and operations.

We may not be able to fund our debt service obligations in the future. We have significant principal payments that could require a partial or comprehensive refinancing of our VM Credit Facility and other debt instruments. The VM Convertible Notes are due in 2016 and certain tranches of our VM Credit Facility have a term of four to eight years. In addition, certain series of our Existing Senior Secured Notes and Existing Senior Notes mature between 2021 and 2029. See note 8 to our consolidated financial statements included in Part II of this annual report.

Our ability to implement such a refinancing successfully would be significantly dependent on stable debt capital markets. In addition, we may not achieve or sustain sufficient cash flow in the future for the payment of principal or interest on our indebtedness when due. Consequently, we may be forced to raise cash or reduce expenses by doing one or more of the following:

- raising additional debt;
- restructuring or refinancing our indebtedness prior to maturity, and/or on unfavorable terms;
- selling or disposing of some of our assets, possibly on unfavorable terms;
- issuing equity or equity-related instruments that will dilute the equity ownership interest of existing stockholders; or

- foregoing business opportunities, including the introduction of new products and services, acquisitions and joint ventures.

We cannot be sure that any of, or a combination of, the above actions would be sufficient to fund our debt service obligations, particularly in times of turbulent capital markets.

The covenants under our debt agreements place certain limitations on our ability to finance future operations and how we manage our business. The agreements that govern our indebtedness contain financial maintenance tests and restrictive covenants that restrict our ability to incur additional debt and limit the discretion of our management over various business matters. For example, the financial maintenance tests include leverage ratios, and the restrictive covenants impact our ability to:

- pay dividends or make other distributions, or redeem or repurchase equity interests or subordinated obligations;
- make investments;
- sell assets, including the capital stock of subsidiaries;
- enter into certain sale and leaseback transactions and certain vendor financing arrangements;
- create liens;
- enter into agreements that restrict some of our subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- merge or consolidate or transfer all or substantially all of our assets; and
- enter into certain transactions with affiliates.

These limitations are subject to significant exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with the provisions of our debt instruments may be affected by events beyond our control.

If we breach any of these covenants, or are unable to comply with the required financial ratios, we may be in default under our debt instruments. A significant portion of our indebtedness may then become immediately due and payable, and we may not have sufficient assets to repay amounts due thereunder. In addition, any default under these facilities could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including the indentures governing the Existing Senior Secured Notes and the Existing Senior Notes.

These restrictions could also materially adversely affect our ability to finance future operations or capital needs or to engage in other business activities that may be in our best interests. We may also incur other indebtedness in the future that may contain financial or other covenants more restrictive than those applicable under our current indebtedness.

We are a holding company dependent upon cash flow from subsidiaries to meet our obligations. Virgin Media Inc. and a number of its subsidiaries are holding companies with no independent operations or significant assets other than investments in their subsidiaries. Each of these holding companies depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations.

The terms of our senior credit facility and other indebtedness limit the payment of dividends, loan repayments and other distributions to or from these companies under certain circumstances. Various agreements governing our debt may restrict and, in some cases, may also prohibit the ability of these subsidiaries to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation.

Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests or as loans, or even prevent such payments.

We are subject to currency and interest rate risks. We are subject to currency exchange rate risks because substantially all of our revenues and operating expenses are paid in pounds sterling, but we pay interest and principal obligations with respect to a portion of our indebtedness in U.S. dollars and euros. To the extent that the pound sterling declines in value against the U.S.

dollar and the euro, the effective cost of servicing our U.S. dollar and euro-denominated debt will be higher. Changes in the exchange rate result in foreign currency gains or losses.

We are also subject to interest rate risks as we have interest determined on a variable basis, either through unhedged variable rate debt or derivative hedging contracts. We also incur costs in U.S. dollars and euros in the ordinary course of our business, including for customer premises equipment and network maintenance services. Any deterioration in the value of the pound relative to the U.S. dollar or the euro could cause an increase in the effective cost of purchases made in these currencies as only part of these exposures are hedged.

We are subject to tax in more than one tax jurisdiction and our structure poses various tax risks. We are subject to taxation in multiple jurisdictions, in particular the U.S. and the U.K. Our effective tax rate and tax liability will be affected by a number of factors in addition to our operating results, including the amount of taxable income in particular jurisdictions, the tax rates in those jurisdictions, tax treaties between jurisdictions, the manner in which and extent to which we transfer funds to and repatriate funds from our subsidiaries, accounting standards and changes in accounting standards, and future changes in the law. We may incur losses in one jurisdiction that cannot be offset against income earned in a different jurisdiction and so we may pay income taxes in one jurisdiction for a particular period even though on an overall basis we incur a net loss for that period.

Although substantially all of our revenue and operating income is generated outside the U.S., the majority of our subsidiaries remain subject to potential current U.S. income tax on their income due their being owned through U.S. corporations. Our worldwide effective tax rate is reduced under a provision in U.S. tax law that defers the imposition of U.S. tax on certain foreign active income until that income is repatriated to the U.S. for a majority of our subsidiaries. Any repatriation of assets through our U.S. ownership currently held by these jurisdictions or recognition of income that fails to meet the U.S. tax requirements related to deferral of U.S. income tax may result in a higher effective tax rate for our company. This includes what is typically referred to as "Subpart F Income," which generally includes, but is not limited to, such items as interest, dividends, royalties, gains from the disposition of certain property, certain currency exchange gains in excess of currency exchange losses, and certain related party sales and services income. While the company may mitigate this increase in its effective tax rate through claiming a foreign tax credit against its U.S. federal income taxes or potentially have foreign or U.S. taxes reduced under applicable income tax treaties, we are subject to various limitations on claiming foreign tax credits or we may lack treaty protections that will potentially limit any reduction of the increased effective tax rate.

We may have exposure to additional tax liabilities. We are subject to income taxes as well as non-income based taxes in multiple jurisdictions, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, mainly in the U.K. and U.S. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to audit by tax authorities in all jurisdictions in which we operate. Although we believe that our tax estimates are reasonable, (i) there is no assurance that the final determination of tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions, expense amounts for non-income based taxes and accruals and (ii) any material differences could have an adverse effect on our financial position and results of operations in the period or periods for which determination is made.

On March 19, 2014, the U.K. government announced a change in legislation with respect to the charging of VAT in connection with prompt payment discounts such as those that we offer to our fixed-line telephony customers. The changes, which took effect on May 1, 2014, impacted our company and some of our competitors. As a result of this legislation, our revenue was £28.9 million lower during 2014, as compared to 2013. Recent correspondence from the U.K. government indicates that it may seek to challenge our application of the prompt payment discount rules prior to the May 1, 2014 change in legislation. If such a challenge were to be issued by the U.K. government, we could be required to make a payment of the challenged amount in order to make an appeal. We currently estimate that the challenged amount could be up to approximately £65 million before any penalties or interest. Any challenge and subsequent appeal would likely be subject to court proceedings that could delay the ultimate resolution of this matter for an extended period of time, and any adverse outcomes may adversely affect our business and results of operations.

Adverse changes in our financial outlook may result in negative or unexpected tax consequences which could adversely affect our net income. During 2012, we recognized a gain on reversing a significant portion of the valuation allowance on our deferred tax assets. Future adverse changes in the underlying profitability and financial outlook of our operations could cause us to change our judgment and establish an additional valuation allowance on our deferred tax assets, which could materially and adversely affect our consolidated balance sheets and statements of operations. A change in this valuation allowance will not result in any change to the amount of cash payments we make to the tax authorities.

Strategic transactions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction. From time to time we have made acquisitions, dispositions and have entered into other strategic transactions, such as the LG/VM Transaction and the UPC Ireland Acquisition. In connection with such transactions, we may incur unanticipated expenses, fail to realize anticipated benefits and synergies, have difficulty integrating the combined businesses, disrupt relationships with current and new employees, customers and suppliers, incur significant indebtedness, or experience delays or fail to proceed with announced transactions. These factors could have a material adverse effect on our business and/or our reputation.

Risks Relating to Our Management, Principal Shareholder and Related Parties

The loss of certain key personnel could harm our business.

We have experienced employees at both the corporate and operational levels who possess substantial knowledge of our business and operations. There can be no assurance that we will be successful in retaining the services of these employees or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of these key employees could cause significant disruptions in our business operations, which could materially adversely affect our results of operations.

The interests of Liberty Global, our indirect parent company, may conflict with our interests.

Liberty Global is our parent, indirectly owning all of the voting interests in us. When business opportunities, or risks and risk allocation arise, the interests of Liberty Global (or other Liberty Global controlled entities) may be different from, or in conflict with, our interests on a stand-alone basis. Because we are indirectly controlled by the parent entity, Liberty Global may allocate certain or all of its risks to us and there can be no assurance that Liberty Global will permit us to pursue certain business opportunities.

Independent Auditors' Report

The Board of Directors
Virgin Media Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Virgin Media Inc. (and its subsidiaries), which comprise the consolidated balance sheets as of December 31, 2014 and 2013 (Successor), and the related consolidated statements of operations, comprehensive earnings (loss), equity and cash flows for the year ended December 31, 2014 and the period from June 8, 2013 through December 31, 2013 (Successor), and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Virgin Media Inc. (and its subsidiaries) as of December 31, 2014 and 2013 (Successor), and the results of their operations and their cash flows for the year ended December 31, 2014 and the period from June 8, 2013 through December 31, 2013 (Successor) in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

London, England
March 11, 2015

Report of Independent Auditors

The Board of Directors
Virgin Media Inc.

We have audited the accompanying consolidated financial statements of Virgin Media Inc., which comprise the consolidated statements of operations, comprehensive earnings (loss), equity and cash flows for the period from January 1, 2013 through June 7, 2013 (Predecessor) and for the year ended December 31, 2012 (Predecessor), and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Virgin Media Inc. for the period from January 1, 2013 through June 7, 2013 (Predecessor) and for the year ended December 31, 2012 (Predecessor) in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

London, England
March 12, 2014

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED BALANCE SHEETS

	Successor	
	December 31,	
	2014	2013
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	£ 35.1	£ 343.0
Trade receivables, net	417.0	405.3
Related-party note and other receivables (note 12)	745.0	88.1
Prepaid expenses	42.5	71.7
Other current assets (notes 5 and 9)	90.8	83.3
Total current assets	1,330.4	991.4
Property and equipment, net (note 7)	5,796.2	6,112.6
Goodwill (note 7)	5,793.7	5,793.7
Intangible assets subject to amortization, net (note 7)	1,951.2	2,321.5
Deferred income taxes (note 9)	1,506.2	1,407.4
Related-party notes receivable (note 12)	2,322.3	2,373.5
Other assets, net (note 5)	281.7	311.1
Total assets	£ 18,981.7	£ 19,311.2

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED BALANCE SHEETS — (Continued)

	Successor	
	December 31,	
	2014	2013
	in millions	
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	£ 253.8	£ 274.5
Deferred revenue and advanced payments from subscribers and others	347.0	315.7
Current portion of debt and capital lease obligations (note 8)	333.9	159.5
Derivative instruments (note 5)	139.8	136.5
Accrued interest	141.7	92.4
Related-party payables (note 12)	21.5	87.6
Value-added taxes (VAT) payable	97.4	78.1
Other current liabilities (note 13)	443.7	392.3
Total current liabilities	1,778.8	1,536.6
Long-term debt and capital lease obligations (note 8)	8,348.9	8,289.3
Other long-term liabilities (notes 5, 9, 13 and 14)	278.9	457.1
Total liabilities	10,406.6	10,283.0
Commitments and contingent liabilities (notes 5, 8, 9, 13, 14 and 16)		
Equity (note 10):		
Common stock - $0.01 par value; authorized 1,000 shares; issued and outstanding 111 shares	—	—
Additional paid-in capital	9,232.7	9,477.9
Accumulated deficit	(705.9)	(595.3)
Accumulated other comprehensive earnings	48.3	145.6
Total equity	8,575.1	9,028.2
Total liabilities and equity	£ 18,981.7	£ 19,311.2

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions)

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Revenue (note 12)	£ 4,214.2	£ 2,310.2	£ 1,810.2	£ 4,100.5
Operating costs and expenses:				
Operating (other than depreciation and amortization) (note 12)	1,824.5	1,051.7	845.4	1,872.9
Selling, general and administrative (SG&A) (including share-based compensation) (notes 11 and 12)	596.3	380.1	256.1	574.2
Depreciation and amortization	1,555.9	910.2	432.8	966.4
Impairment, restructuring and other operating items, net (note 12)	17.4	36.5	51.2	(11.8)
	3,994.1	2,378.5	1,585.5	3,401.7
Operating income (loss)	220.1	(68.3)	224.7	698.8
Non-operating income (expense):				
Interest expense:				
Third-party	(457.1)	(263.6)	(156.7)	(398.2)
Related-party (note 12)	—	(5.8)	—	—
Interest income – related-party (note 12)	229.7	107.0	—	—
Gains (losses) on debt modification and extinguishment, net (note 8)	20.1	0.6	(0.1)	(187.8)
Realized and unrealized gains (losses) on derivative instruments, net (note 5)	48.6	(203.4)	51.8	148.1
Foreign currency transaction gains (losses), net	(151.9)	142.6	(2.1)	(6.3)
Other income, net	1.4	0.4	0.4	6.8
	(309.2)	(222.2)	(106.7)	(437.4)
Earnings (loss) before income taxes	(89.1)	(290.5)	118.0	261.4
Income tax benefit (expense) (note 9)	(21.5)	(197.5)	(18.1)	2,652.0
Net earnings (loss)	£ (110.6)	£ (488.0)	£ 99.9	£ 2,913.4

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(in millions)

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Net earnings (loss)	£ (110.6)	£ (488.0)	£ 99.9	£ 2,913.4
Other comprehensive earnings (loss), net of taxes (note 15):				
Foreign currency translation adjustments	(73.4)	147.2	(9.8)	11.3
Net unrealized gains (losses) on derivatives	—	—	66.8	(130.3)
Reclassification of derivative losses (gains) to net earnings	—	—	(74.4)	94.2
Pension liability adjustment	(23.9)	(1.6)	0.6	(11.0)
Other comprehensive earnings (loss)	(97.3)	145.6	(16.8)	(35.8)
Total comprehensive earnings (loss)	£ (207.9)	£ (342.4)	£ 83.1	£ 2,877.6

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF EQUITY
(in millions)

	Common stock $0.01 par value	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive earnings (loss)	Total equity
Predecessor:					
Balance at January 1, 2012	£ 1.6	£ 3,866.6	£ (3,259.3)	£ 30.0	£ 638.9
Net earnings	—	—	2,913.4	—	2,913.4
Other comprehensive loss, net of taxes (note 15)	—	—	—	(35.8)	(35.8)
Exercise of stock options and tax effect	—	8.4	—	—	8.4
Share-based compensation (note 11)	—	20.9	—	—	20.9
Excess tax benefits on stock-based compensation	—	32.5	—	—	32.5
Acquisition of additional shares in a controlled subsidiary	—	(0.9)	—	—	(0.9)
Repurchase of common stock (note 10)	(0.2)	(268.6)	(62.9)	—	(331.7)
Dividends paid (note 10)	—	—	(27.3)	—	(27.3)
Balance at December 31, 2012	£ 1.4	£ 3,658.9	£ (436.1)	£ (5.8)	£ 3,218.4

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF EQUITY — (Continued)
(in millions)

	Common stock $0.01 par value	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive earnings (loss)	Total equity
Predecessor:					
Balance at January 1, 2013	£ 1.4	£ 3,658.9	£ (436.1)	£ (5.8)	£ 3,218.4
Net earnings	—	—	99.9	—	99.9
Other comprehensive loss, net of taxes (note 15)	—	—	—	(16.8)	(16.8)
Exercise of stock options and tax effect	0.1	21.6	—	—	21.7
Share-based compensation (note 11)	—	11.9	—	—	11.9
Conversion of debt into equity	—	(0.7)	—	—	(0.7)
Dividends paid (note 10)	—	—	(14.2)	—	(14.2)
Other	—	1.8	(1.8)	—	—
Balance at June 7, 2013	£ 1.5	£ 3,693.5	£ (352.2)	£ (22.6)	£ 3,320.2
Successor:					
Balance at June 7, 2013 (note 4)	£ —	£ 6,147.3	£ (107.3)	£ —	£ 6,040.0
Net loss	—	—	(488.0)	—	(488.0)
Other comprehensive earnings, net of taxes (note 15)	—	—	—	145.6	145.6
Capital contribution from parent (note 10)	—	2,343.2	—	—	2,343.2
Issuance of additional common stock to parent (note 10)	—	987.4	—	—	987.4
Share-based compensation (note 11)	—	69.5	—	—	69.5
Capital charge in connection with the exercise of share-based incentive awards (note 12)	—	(69.5)	—	—	(69.5)
Balance at December 31, 2013	£ —	£ 9,477.9	£ (595.3)	£ 145.6	£ 9,028.2

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF EQUITY — (Continued)
(in millions)

	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive earnings	Total equity
Successor:				
Balance at January 1, 2014	£ 9,477.9	£ (595.3)	£ 145.6	£ 9,028.2
Net loss	—	(110.6)	—	(110.6)
Other comprehensive loss, net of taxes (note 15)	—	—	(97.3)	(97.3)
Contribution of tax assets (note 9)	147.4	—	—	147.4
Share-based compensation (note 11)	28.8	—	—	28.8
Capital charge in connection with the exercise of share-based incentive awards (note 12)	(28.8)	—	—	(28.8)
Conversion of related-party loans receivable and related accrued interest to equity (notes 10 and 12)	(392.6)	—	—	(392.6)
Balance at December 31, 2014	£ 9,232.7	£ (705.9)	£ 48.3	£ 8,575.1

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Cash flows from operating activities:				
Net earnings (loss)	£ (110.6)	£ (488.0)	£ 99.9	£ 2,913.4
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Share-based compensation expense	33.8	85.5	22.1	25.8
Depreciation and amortization	1,555.9	910.2	432.8	966.4
Impairment, restructuring and other operating items, net	17.4	36.5	51.2	(11.8)
Amortization of deferred financing costs and non-cash interest accretion	16.8	11.2	14.7	35.6
Losses (gains) on debt modification and extinguishment, net	(20.1)	(0.6)	0.1	187.8
Realized and unrealized losses (gains) on derivative instruments, net	(48.6)	203.4	(51.8)	(148.1)
Foreign currency transaction losses (gains), net	151.9	(142.6)	2.1	6.3
Deferred income tax expense (benefit)	19.0	197.2	17.2	(2,652.5)
Changes in operating assets and liabilities, net of the effect of acquisitions:				
Receivables and other operating assets	38.3	307.7	(594.8)	(32.7)
Payables and accruals	(87.8)	(558.0)	594.6	(91.3)
Net cash provided by operating activities	1,566.0	562.5	588.1	1,198.9
Cash flows from investing activities:				
Loans to related party	(1,005.6)	(2,356.3)	—	—
Capital expenditures	(604.0)	(418.9)	(313.4)	(782.5)
Other investing activities, net	(6.3)	1.8	4.1	(0.5)
Net cash used by investing activities	£ (1,615.9)	£ (2,773.4)	£ (309.3)	£ (783.0)

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
(in millions)

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Cash flows from financing activities:				
Repayments and repurchases of debt and capital lease obligations	£ (2,286.1)	£ (4,050.8)	£ (46.5)	£ (1,414.9)
Borrowings of debt	2,146.4	1,983.4	—	1,454.7
Repayments of related-party notes	—	(1,819.6)	—	—
Payment of financing costs and debt premiums	(89.3)	(64.3)	(1.1)	(165.1)
Net cash received (paid) related to derivative instruments	(27.1)	364.3	—	(26.0)
Capital contribution from parent	—	3,278.0	—	—
Release of restricted cash from escrow	—	2,313.6	—	—
Repurchase of common stock	—	—	—	(330.2)
Dividends paid	—	—	(14.2)	(27.3)
Other financing activities, net	—	(0.1)	22.9	8.2
Net cash provided (used) by financing activities	(256.1)	2,004.5	(38.9)	(500.6)
Effect of exchange rate changes on cash and cash equivalents	(1.9)	(5.4)	0.9	(9.4)
Net increase (decrease) in cash and cash equivalents	(307.9)	(211.8)	240.8	(94.1)
Cash and cash equivalents (a):				
Beginning of period	343.0	554.8	206.3	300.4
End of period	£ 35.1	£ 343.0	£ 447.1	£ 206.3
Cash paid for interest	£ 410.9	£ 332.2	£ 102.9	£ 406.9
Net cash paid for taxes	£ 0.5	£ 0.4	£ 0.1	£ 0.6

(a) For information regarding the difference between the ending cash balance on June 7, 2013 and the beginning cash balance on June 8, 2013, see note 4.

The accompanying notes are an integral part of these consolidated financial statements.

(1) Basis of Presentation

General

Virgin Media Inc. (Virgin Media) is a provider of digital cable, broadband internet, fixed-line telephony and mobile services in the United Kingdom (U.K.) to both residential and business-to-business (B2B) customers. Virgin Media became a wholly-owned subsidiary of Liberty Global plc (Liberty Global) as a result of a series of mergers that were completed on June 7, 2013 (the LG/VM Transaction), pursuant to which Liberty Global became the publicly-held parent company of the successors by merger of the predecessor to Virgin Media (Old Virgin Media) and Liberty Global, Inc. (LGI) (the predecessor to Liberty Global), as further described in note 4. In these notes, the terms "we," "our," "our company" and "us" may refer, as the context requires, to Virgin Media (or Old Virgin Media) or collectively to Virgin Media (or Old Virgin Media) and its subsidiaries.

As a result of Liberty Global's push-down of its investment basis in Virgin Media arising from the LG/VM Transaction, a new basis of accounting was created on June 7, 2013. In these consolidated financial statements, the results of operations and cash flows of Old Virgin Media for the periods ended on or prior to June 7, 2013 are referred to as "Predecessor" consolidated financial information and the results of operations and cash flows of Virgin Media for periods beginning on or after June 8, 2013 and the financial position of Virgin Media as of June 7, 2013 and subsequent balance sheet dates are referred to as "Successor" consolidated financial information.

The Predecessor and Successor consolidated financial information presented herein is not comparable primarily due to the fact that the Successor consolidated financial information reflects:

- the application of acquisition accounting as of June 7, 2013, as further described in note 4, of which the most significant implications are (i) increased depreciation expense, (ii) increased amortization expense and (iii) increased share-based compensation expense;
- conforming accounting policy changes, primarily to align to Liberty Global's accounting policy for the recognition of installation fees received on B2B contracts, as further described below; and
- additional interest expense associated with debt financing arrangements entered into in connection with the LG/VM Transaction and subsequently pushed down to our balance sheet, as further described in note 8.

On January 26, 2014, Liberty Global's board of directors approved a share split in the form of a share dividend (the 2014 Share Dividend), which constitutes a bonus issue under Liberty Global's articles of association and English law, of one Liberty Global Class C ordinary share on each outstanding Liberty Global Class A, Class B and Class C ordinary share as of the February 14, 2014 record date. The distribution date for the 2014 Share Dividend was March 3, 2014. All Liberty Global share and per share amounts presented herein have been retroactively adjusted to give effect to the 2014 Share Dividend.

During the first quarter of 2015, Liberty Global undertook various financing transactions in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe, including the UPC Ireland Acquisition, as defined and described in note 20. No effect has been given to the UPC Ireland Acquisition in these consolidated financial statements. Beginning with our quarterly report for the three months ending March 31, 2015, we will account for the UPC Ireland Acquisition as a common control transfer at carryover basis and, accordingly, our consolidated financial statements will be retrospectively revised to give effect to this transaction for all periods in which we and UPC Ireland were under the common control of Liberty Global.

Unless otherwise indicated, convenience translations into pound sterling are calculated as of December 31, 2014.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 11, 2015, the date of issuance.

Alignment of accounting policies

On June 8, 2013, we adopted Liberty Global's accounting policy for installation fees relating to our B2B contracts involving both installation services and the provision of ongoing services. Previously, we generally treated installation fees received from customers with B2B contracts as a separate deliverable and recognized revenue upon completion of the installation activity in an amount that was based on the relative standalone selling price methodology. Our current accounting policy generally is to defer upfront installation fees on our B2B contracts and recognize the associated revenue over the contractual term of the arrangement. The following table provides the amount of installation revenue we previously recognized that would have been deferred under Liberty Global's accounting policy in the indicated periods (in millions):

Year ended December 31, 2012	£	69.6
Period from January 1, 2013 to June 7, 2013	£	17.5

The following table provides a rollforward of our deferred revenue for installation services provided to customers with B2B contracts during 2014 (in millions):

Balance at January 1, 2014	£	31.9
Amounts deferred for completed installation services (a)		15.7
Amortization of deferred revenue over contract life		(2.9)
Balance at March 31, 2014		44.7
Amounts deferred for completed installation services (a)		14.0
Amortization of deferred revenue over contract life		(3.9)
Balance at June 30, 2014		54.8
Amounts deferred for completed installation services (a)		14.2
Amortization of deferred revenue over contract life		(4.9)
Balance at September 30, 2014		64.1
Amounts deferred for completed installation services (a)		12.5
Amortization of deferred revenue over contract life		(5.9)
Balance at December 31, 2014	£	70.7

(a) Represents amounts that would have been recognized upfront as installation revenue under Old Virgin Media's policy, but were deferred under Liberty Global's policy.

(2) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace existing revenue recognition accounting principles generally accepted in the United States (U.S. GAAP) when it becomes effective, currently scheduled for January 1, 2017. Early application is not permitted. This new standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

(3) Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, programming and copyright expenses, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets, share-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest and variable interest entities for which our company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents and Restricted Cash

Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value reported by the investment manager as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value reported by the investment manager.

Restricted cash consists of cash held in restricted accounts, including cash held as collateral for debt and other compensating balances. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. At December 31, 2014 and 2013, our aggregate current and long-term restricted cash balances aggregated £1.0 million and £1.5 million, respectively.

Our significant non-cash investing and financing activities are disclosed in our consolidated statements of equity and in notes 4, 7, and 8.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated £18.2 million and £13.1 million at December 31, 2014 and 2013, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Financial Instruments

Due to the short maturities of cash and cash equivalents, restricted cash, short-term liquid investments, trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of our derivatives and debt, see notes 5 and 8, respectively. For information concerning how we arrive at certain of our fair value measurements, see note 6.

Derivative Instruments

All derivative instruments, whether designated as hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognized in earnings. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded in other comprehensive earnings or loss and subsequently reclassified into our consolidated statements of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. Although we designated certain of our derivative instruments as hedges prior to the LG/VM Transaction, we currently do not designate any of our derivative instruments as hedges. For information regarding our derivative instruments, including our policy for classifying cash flows related to derivative instruments in our consolidated statements of cash flows, see note 5.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Capitalized internal-use software is included as a component of property and equipment. We capitalize internal and external costs directly associated with the development of internal-use software. We also capitalize costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 7.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operations.

We recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. We have obligations in certain lease agreements to restore the property to its original condition or remove our property at the end of the lease term. In addition, asset retirement obligations may arise from the loss of rights of way that we obtain from local municipalities or other relevant authorities. Under certain circumstances, the authorities could require us to remove our network equipment from an area if, for example, we were to discontinue using the equipment for an extended period of time or the authorities were to decide not to renew our access rights. However, because the rights of way are integral to our ability to deliver broadband communications services to our customers, we expect to conduct our business in a manner that will allow us to maintain these rights for the foreseeable future. In addition, we have no reason to believe that the authorities will not renew our rights of way and, historically, renewals have been granted.

As of December 31, 2014 and 2013, the recorded value of our asset retirement obligations was £24.5 million and £30.0 million, respectively.

Intangible Assets

Our primary intangible assets relate to goodwill and customer relationships. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Customer relationships were originally recorded at their fair values in connection with business combinations.

Goodwill is not amortized, but instead is tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

For additional information regarding the useful lives of our intangible assets, see note 7.

Impairment of Property and Equipment and Intangible Assets

We review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate the goodwill for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill may not be recoverable. For impairment evaluations with respect to goodwill, we first make a qualitative assessment to determine if the goodwill may be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). We have identified one reporting unit to which all goodwill is assigned. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss.

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it is more-likely-than-not such net deferred tax assets will not be realized. Certain of our valuation allowances and tax uncertainties are associated with entities that we acquired in business combinations. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. Interest and penalties related to income tax liabilities are included in income tax expense.

Virgin Media and its U.K. subsidiaries are part of a U.K. tax group, along with certain other U.K. subsidiaries of Liberty Global. The income taxes of Virgin Media are presented in our consolidated financial statements on a separate return basis for each tax paying entity. For additional information regarding our income taxes, including the intercompany tax allocations from Liberty Global see note 9.

Defined Benefit Plans

We maintain employee defined benefit plans. Certain assumptions and estimates must be made in order to determine the costs and future benefits that will be associated with these plans. These assumptions include (i) the estimated long-term rates of return to be earned by plan assets, (ii) the estimated discount rates used to value the projected benefit obligations and (iii) estimated long-term rates of inflation. We estimate discount rates annually based upon the yields on high-quality fixed-income investments available at the measurement date and expected to be available during the period to maturity of the benefits under the defined benefit plans. For the long-term rates of return, we consider relevant factors such as discount rates and estimated returns on our targeted and actual asset allocations. To the extent that net actuarial gains or losses exceed 10% of the greater of plan assets or plan liabilities, such gains or losses are amortized over the average future service period of plan participants. For additional information, see note 14.

Foreign Currency Translation and Transactions

The reporting currency of our company is the pound sterling. The functional currency of our foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries (including intercompany balances for which settlement is not anticipated in the foreseeable future) are translated at the spot rate in effect at the applicable reporting date. With the exception of certain material transactions, the amounts reported in our consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings or loss in our consolidated statements of equity. With the exception of certain material transactions, the cash flows from our operations in foreign countries are translated at the average rate for the applicable period in our consolidated statements of cash flows. The impacts of material transactions generally are recorded at the applicable spot rates in our consolidated statements of operations and cash flows. The effect of exchange rates on cash balances held in foreign currencies are separately reported in our consolidated statements of cash flows.

Transactions denominated in currencies other than our subsidiaries' functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheets related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statements of operations as unrealized (based on the applicable period end exchange rates) or realized upon settlement of the transactions.

Revenue Recognition

Service Revenue — Cable Networks. We recognize revenue from the provision of digital cable, broadband internet and fixed-line telephony services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our cable network is recognized as revenue in the period during which the installation occurs to the extent these fees are equal to or less than direct selling costs, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the average expected subscriber life.

Sale of Multiple Products and Services. We sell digital cable, broadband internet, fixed-line telephony and mobile services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual services based on the relative standalone price for each respective service.

Mobile Revenue — General. Arrangement consideration from mobile contracts is allocated to the airtime service element and the handset service element based on the relative standalone prices of each element. The amount of arrangement consideration allocated to the handset is limited to the amount that is not contingent upon the delivery of future airtime services. We offer handsets under a subsidized contract model, whereby upfront revenue recognition is limited to the upfront cash collected from the customer as the remaining monthly fees to be received from the customer, including fees that may be associated with the handset, are contingent upon delivering future airtime services. Our mobile customers may choose to enter into two distinct contractual relationships: (i) a mobile handset contract and (ii) a mobile airtime services contract. Under the mobile handset contract, the customer takes full title to the handset upon delivery and typically has the option to either (a) pay for the handset in cash upon delivery or (b) pay for the handset in installments over a contractual period. Under these arrangements, the handset installment payments are not contingent upon delivering future airtime services and the arrangement consideration allocated to the handset is not limited to the upfront cash collected.

Mobile Revenue — Airtime Services. We recognize revenue from mobile services in the period the related services are provided. Revenue from pre-pay customers is recorded as deferred revenue prior to the commencement of services and revenue is recognized as the services are rendered or usage rights expire.

Mobile Revenue — Handset Revenue. Arrangement consideration allocated to handsets is recognized as revenue when the goods have been delivered and title has passed. For customers under a mobile handset installment contract that is independent of a mobile airtime services contract, revenue is recognized upon delivery only if collectibility is reasonably assured. Our assessment of collectibility is based principally on internal and external credit assessments as well as historical collection information for similar customers. To the extent that collectibility of installment payments from the customer is not reasonably assured upon delivery of the handset, handset revenue is recognized on a cash basis as customer payments are received.

B2B Revenue. For periods beginning on or after June 8, 2013, we defer upfront installation and certain nonrecurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis over the term of the arrangement or the expected period of performance. For information regarding our policy prior to June 8, 2013, see note 1.

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

Subscriber Advance Payments and Deposits. Payments received in advance for the services we provide are deferred and recognized as revenue when the associated services are provided.

Sales and Other VAT. Revenue is recorded net of applicable sales and other VAT.

Share-Based Compensation

Share-based compensation expense prior to the LG/VM Transaction includes amounts for options, shares and performance shares related to the common stock of Old Virgin Media. Share-based compensation expense after the LG/VM Transaction represents amounts allocated to our company by Liberty Global.

We recognize all share-based payments from Liberty Global to employees of our subsidiaries, including grants of employee share incentive awards based on their grant-date fair values and Liberty Global's estimates of forfeitures. We recognize the fair value of outstanding awards as a charge to operations over the vesting period. The cash benefits of tax deductions in excess of deferred taxes on recognized share-based compensation expense are reported as a financing cash flow.

We use the straight-line method to recognize share-based compensation expense for Liberty Global's outstanding share awards to employees of our subsidiaries that do not contain a performance condition and the accelerated expense attribution method for our outstanding share awards that contain a performance condition and vest on a graded basis.

Liberty Global has calculated the expected life of options and share appreciation rights (SARs) granted by Liberty Global to employees based on historical exercise trends. The expected volatility for Liberty Global options and SARs is generally based on a combination of (i) historical volatilities of Liberty Global ordinary shares for a period equal to the expected average life of the Liberty Global awards and (ii) volatilities implied from publicly traded Liberty Global options.

For additional information regarding our share-based compensation, see note 11.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(4) LG/VM Transaction

Pursuant to the terms and conditions of an Agreement and Plan of Merger agreement (the LG/VM Transaction Agreement) between LGI and Old Virgin Media:

- Each share of common stock of our company was converted into the right to receive (i) 0.2582 Class A ordinary shares of Liberty Global, (ii) 0.6438 Class C ordinary shares of Liberty Global and (iii) $17.50 in cash (collectively, the LG/VM Transaction Consideration); and

- Each share of Series A common stock of LGI was converted into the right to receive one Class A ordinary share of Liberty Global; each share of Series B common stock of LGI was converted into the right to receive one Class B ordinary share of Liberty Global; and each share of Series C common stock of LGI was converted into the right to receive one Class C ordinary share of Liberty Global.

In connection with the completion of the LG/VM Transaction, Liberty Global issued 70,233,842 Class A and 175,122,182 Class C ordinary shares to holders of Virgin Media common stock and 141,234,331 Class A, 10,176,295 Class B and 362,556,220 Class C ordinary shares to holders of LGI Series A, Series B and Series C common stock, respectively.

In connection with the execution of the LG/VM Transaction, we entered into various debt financing arrangements. For additional information, see note 8.

The LG/VM Transaction and related financing transactions were funded with a combination of (i) the net proceeds (after deducting certain transaction expenses) from the April 2021 VM Senior Secured Notes and 2023 VM Senior Notes (each as defined and described in note 8), (ii) borrowings under the VM Credit Facility (as defined and described in note 8) and (iii) our and Liberty Global's existing liquidity.

For accounting purposes, the LG/VM Transaction was treated as the acquisition of our company by Liberty Global. In this regard, the equity and cash consideration paid to acquire our company was pushed down and is reported in our consolidated financial statements as set forth below (in millions):

Class A ordinary shares (a)	£	1,760.5
Class C ordinary shares (a)		4,100.2
Cash (b)		3,064.1
Fair value of the vested portion of Virgin Media stock incentive awards (c)		174.1
Total equity and cash consideration	£	9,098.9

____

(a) Represents the value assigned to the 70,233,842 Class A and 175,122,182 Class C Liberty Global ordinary shares issued to our shareholders in connection with the LG/VM Transaction. These amounts are based on (i) the exchange ratios specified by the LG/VM Transaction Agreement, (ii) the closing per share price on June 7, 2013 of Series A and Series C LGI common stock of $38.94 and $36.37, respectively, and (iii) the 272,013,333 outstanding shares of our common stock at June 7, 2013.

(b) Represents the cash consideration paid in connection with the LG/VM Transaction. This amount is based on (i) the $17.50 per share cash consideration specified by the LG/VM Transaction Agreement and (ii) the 272,013,333 outstanding shares of our common stock at June 7, 2013.

(c) Represents the portion of the estimated fair value of our stock incentive awards that are attributable to services provided prior to the June 7, 2013 acquisition date. The estimated fair value is based on the attributes of our 13.03 million outstanding stock incentive awards at June 7, 2013, including the market price of our underlying common stock. Our outstanding stock incentive awards at June 7, 2013 include 9.86 million stock options that have been valued using Black Scholes option valuations. In addition, our stock incentive awards at June 7, 2013 included 3.17 million restricted stock units that included performance conditions and, in certain cases, market conditions. Those restricted stock units with market conditions have been valued using Monte Carlo simulation models.

A reconciliation of the purchase consideration pushed down to amounts recorded in the opening additional paid-in capital of our company is set forth below (in millions):

Purchase consideration	£	9,098.9
Contributed debt (a)		(3,096.5)
Other net assets (b)		144.9
Opening push-down equity	£	6,147.3

(a) Amount consists of obligations pursuant to (i) a £2,281.9 million third-party bridge loan that was subsequently repaid during June 2013 following the LG/VM Transaction and (ii) an £814.6 million related-party loan payable to a subsidiary of Liberty Global, both of which were assumed by our company as a part of the LG/VM Transaction. The proceeds from these loans were used by Liberty Global prior to the LG/VM Transaction to fund the cash portion of the purchase consideration and other related costs.

(b) In connection with the LG/VM Transaction, certain subsidiaries of Liberty Global were contributed to or merged into our company immediately following the LG/VM Transaction. The opening equity of our company after the LG/VM Transaction includes equity of these entities, which included (i) an accumulated deficit of £107.3 million on the contribution date and (ii) cash of £107.7 million on the contribution date.

Direct transaction costs associated with the LG/VM Transaction of £55.2 million, including professional fees and other related costs, have been expensed as incurred. With the exception of £1.6 million, these transaction costs were incurred prior to June 8, 2013.

The LG/VM Transaction has been accounted for using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. A summary of the purchase price and opening balance sheet pushed down to our company as of the June 7, 2013 acquisition date is presented in the following table. The opening balance sheet presented below reflects our final purchase price allocation (in millions):

Cash and cash equivalents (a)	£	447.1
Other current assets		598.4
Property and equipment, net		6,348.7
Goodwill (b)		5,793.7
Intangible assets subject to amortization (c)		2,527.0
Other assets, net		2,098.0
Current portion of debt and capital lease obligations		(762.4)
Other accrued and current liabilities (d) (e) (f)		(2,284.8)
Long-term debt and capital lease obligations		(5,456.8)
Other long-term liabilities (f)		(210.0)
Total purchase price	£	9,098.9

(a) Excludes £107.7 million of cash balances of certain subsidiaries of Liberty Global that were contributed to or merged into our company immediately following the LG/VM Transaction, as discussed above.

(b) The goodwill recognized in connection with the LG/VM Transaction is primarily attributable to (i) the ability to take advantage of Virgin Media's existing advanced broadband communications network to gain immediate access to potential customers and (ii) substantial synergies that were expected to be achieved through the integration of Virgin Media with Liberty Global's other broadband communications operations in Europe.

(c) Amount primarily includes intangible assets related to customer relationships. At June 7, 2013, the weighted average useful life of our intangible assets was approximately seven years.

(d) Amount includes a £23.0 million liability that was recorded to adjust an unfavorable capacity contract to its estimated fair value. This amount was amortized through the March 31, 2014 expiration date of the contract as a reduction of Virgin Media's operating expenses so that the net effect of this amortization and the payments required under the contract approximated market rates. During the period from June 8, 2013 through December 31, 2013 and the year ended December 31, 2014, £14.4 million and £8.6 million, respectively, of this liability was amortized as a reduction of operating expenses in our consolidated statements of operations.

(e) Amount includes the equity component of the VM Convertible Notes (as defined and described in note 8) of £1,068.5 million (on the date of the LG/VM Transaction) that was reflected as a current derivative liability at June 7, 2013. Following the LG/VM Transaction and through December 31, 2013, 94.4% of the VM Convertible Notes were exchanged for Class A and Class C ordinary shares of Liberty Global and cash pursuant to the terms of the VM Convertible Notes Indenture (as defined in note 8). For additional information, see note 8.

(f) No amounts were allocated to deferred revenue with respect to the then ongoing performance obligations associated with our B2B service contracts, as the remaining fees to be received under these contracts approximated fair value given our estimates of the costs associated with these performance obligations.

(5) Derivative Instruments

We have entered into various derivative instruments to manage (i) interest rate exposure, (ii) foreign currency exposure with respect to the United States (U.S.) dollar ($) and (iii) equity exposure with respect to the dilutive effects of the VM Convertible Notes, as defined and described in note 8. Although we designated certain of our derivative instruments as hedges prior to the LG/VM Transaction, we currently do not designate our derivative instruments as hedges. Accordingly, during the Successor periods, changes in the fair values of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our consolidated statements of operations. Prior to the LG/VM Transaction, the effective portion of the net fair value adjustments associated with these derivative instruments was reflected in other comprehensive earnings (loss).

The following table provides details of the fair values of our derivative instrument assets and liabilities:

	Successor					
	December 31, 2014			December 31, 2013		
	Current (a)	Long-term (a)	Total	Current (a)	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b)	£ 28.0	£ 102.0	£ 130.0	£ 27.7	£ 138.0	£ 165.7
Equity-related derivative instruments (c)	—	21.7	21.7	—	20.1	20.1
Total	£ 28.0	£ 123.7	£ 151.7	£ 27.7	£ 158.1	£ 185.8
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	£ 61.8	£ 101.5	£ 163.3	£ 69.2	£ 253.7	£ 322.9
Equity-related derivative instruments (c)	78.0	—	78.0	67.3	—	67.3
Total	£ 139.8	£ 101.5	£ 241.3	£ 136.5	£ 253.7	£ 390.2

(a) Our current derivative assets are included in other current assets and our long-term derivative assets and liabilities are included in other assets, net, and other long-term liabilities, respectively, in our consolidated balance sheets.

(b) We consider credit risk in our fair value assessments. As of December 31, 2014 and 2013, (i) the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating £1.8 million and £3.1 million, respectively, and (ii) the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating £6.2 million and £32.8 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our debt instruments, as applicable. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of (£25.3 million), £29.7 million, (£6.8 million) and £24.8 million during the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, respectively. With the exception of a £7.5 million loss and an £18.5 million gain that are included in net unrealized gains (losses) on derivative instruments in our consolidated statements of comprehensive earnings (loss) during the Predecessor periods from January 1 to June 7, 2013 and the year ended December 31, 2012, respectively, gains and losses associated with credit risk adjustments are included in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations. For further information concerning our fair value measurements, see note 6.

(c) The fair value of our (i) equity-related derivative assets relates to the Virgin Media Capped Calls, as defined and described below, and (ii) equity-related derivative liabilities relates to the derivative embedded in the VM Convertible Notes, as defined and described in note 8.

The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows (in millions):

	Successor		Predecessor (a)	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Cross-currency and interest rate derivative contracts	£ 53.9	£ (230.7)	£ (0.3)	£ (25.2)
Equity-related derivative instruments (b)	(6.0)	31.1	50.0	174.1
Foreign currency forward contracts (c)	0.7	(3.8)	2.1	(0.8)
Total	£ 48.6	£ (203.4)	£ 51.8	£ 148.1

(a) The Predecessor periods include net hedge ineffectiveness losses related to cross-currency and interest rate derivative instruments accounted for as cash flow or fair value hedges of £8.5 million and £4.2 million during the period from January 1 to June 7, 2013 and the year ended December 31, 2012, respectively. The effective portions of the fair value adjustments associated with these derivative instruments, which resulted in aggregate net losses of £10.8 million and £47.6 million during the Predecessor periods from January 1 to June 7, 2013 and the year ended December 31, 2012, respectively, are reflected in other comprehensive earnings (loss).

(b) Primarily represents activity related to the Virgin Media Capped Calls, as defined and described below, and during the Successor periods, the derivative embedded in the VM Convertible Notes, as defined and described in note 8.

(c) Included in the amounts for the year ended December 31, 2014 and the period from June 8 to December 31, 2013 are gains or losses associated with related-party derivative instruments primarily with Liberty Global Europe Financing BV (LGE Financing), a subsidiary of Liberty Global. The instruments were entered into and settled during each Successor period.

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. The classification of these cash inflows (outflows) are as follows (in millions):

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Operating activities	£ (42.0)	£ (12.3)	£ (15.8)	£ (13.4)
Investing activities	—	—	2.1	0.9
Financing activities	(27.1)	364.3	—	(26.0)
Total	£ (69.1)	£ 352.0	£ (13.7)	£ (38.5)

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under the derivative instruments. At December 31, 2014, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of £151.7 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements under each of these master agreements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set-off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set-off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and/or compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our subsidiaries' derivative instruments. The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. In addition, for derivative instruments that were in effect as of December 31, 2014, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2014, we present a range of dates that represents the period covered by the applicable derivative instruments.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at December 31, 2014 which are held by our subsidiary, Virgin Media Investment Holdings Limited (VMIH), are as follows:

Final maturity date	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
February 2022	$ 1,400.0	£ 873.6	5.01%	5.49%
June 2020	$ 1,384.6	£ 901.4	6 mo. U.S. LIBOR + 2.75%	6 mo. LIBOR + 3.18%
October 2020	$ 1,370.4	£ 881.6	6 mo. U.S. LIBOR + 2.75%	6 mo. LIBOR + 3.10%
January 2021	$ 500.0	£ 308.9	5.25%	6 mo. LIBOR + 2.06%
October 2022	$ 450.0	£ 272.0	6.00%	6.43%
January 2022	$ 425.0	£ 255.8	5.50%	5.82%
April 2019	$ 291.5	£ 186.2	5.38%	5.49%
November 2016 (a)	$ 55.0	£ 27.7	6.50%	7.03%
October 2019	$ 50.0	£ 30.3	8.38%	8.98%
October 2019 - October 2022	$ 50.0	£ 30.7	6.00%	5.75%

(a) Unlike the other cross-currency swaps presented in this table, the identified cross-currency swap does not involve the exchange of notional amounts at the inception and maturity of the instrument. Accordingly, the only cash flows associated with this instrument are interest payments and receipts.

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at December 31, 2014, which are held by VMIH, are as follows:

Final maturity date	Notional amount	Interest rate due from counterparty	Interest rate due to counterparty
	in millions		
October 2018	£ 2,155.0	6 mo. LIBOR	1.52%
January 2021	£ 650.0	5.50%	6 mo. LIBOR + 1.84%
January 2021	£ 650.0	6 mo. LIBOR + 1.84%	3.87%
December 2015	£ 600.0	6 mo. LIBOR	2.90%
April 2018	£ 300.0	6 mo. LIBOR	1.37%

Equity-related Derivative Instruments

Virgin Media Capped Calls. During 2010, we entered into conversion hedges (the Virgin Media Capped Calls) with respect to the VM Convertible Notes, as defined and described in note 8, in order to offset a portion of the dilutive effects associated with conversion of the VM Convertible Notes. We account for the Virgin Media Capped Calls at fair value using a binomial pricing model and changes in fair value are reported in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations. The fair value of the Virgin Media Capped Calls as of December 31, 2014 was an asset of £21.7 million. The Virgin Media Capped Calls mature on dates ranging from September 30, 2016 to November 10, 2016.

As further described in note 8, most of the VM Convertible Notes were exchanged for Liberty Global Class A and Class C ordinary shares and cash pursuant to the terms of the VM Convertible Notes Indenture (as defined in note 8). Accordingly, during

2013, we settled 93.8% of the notional amount of the Virgin Media Capped Calls for cash proceeds of $534.8 million (£353.4 million at the applicable rate).

(6) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these derivative instruments as of December 31, 2014 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. We expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During 2014, no such transfers were made.

All of our Level 2 inputs (interest rate futures, swap rates and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive market value assessments from the counterparties to our derivative contracts. Although we compare these assessments to our internal valuations and investigate unexpected differences, we do not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. The midpoints of applicable bid and ask ranges generally are used as inputs for our internal valuations.

The recurring fair value measurement of our equity-related derivatives are based on binomial option pricing models, which require the input of observable and unobservable variables such as exchange traded equity prices, risk-free interest rates, dividend yields and forecasted volatilities of the underlying equity securities. The valuations of our equity-related derivatives are based on a combination of Level 1 inputs (exchange traded equity prices), Level 2 inputs (interest rate futures and swap rates) and Level 3 inputs (forecasted volatilities). As changes in volatilities could have a significant impact on the overall valuations, we have determined that these valuations fall under Level 3 of the fair value hierarchy. At December 31, 2014, however, the valuations of the Virgin Media Capped Calls and the derivative embedded in the VM Convertible Notes, as defined and described in note 8, were not significantly impacted by forecasted volatilities.

As further described in note 5, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes applicable interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 5.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During 2013, we performed nonrecurring valuations for the purpose of determining the acquisition accounting for the LG/VM Transaction. We used a discount rate of 9.0% for our valuation of the customer relationships acquired as a result of this acquisition. For additional information, see note 4. We did not perform any significant nonrecurring fair value measurements during 2014.

A summary of our derivative instrument assets and liabilities that are measured at fair value on a recurring basis is as follows:

	Successor			
		Fair value measurements at December 31, 2014 using:		
Description	**December 31, 2014**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	in millions			
Assets:				
Cross-currency and interest rate derivative contracts	£ 130.0	£ —	£ 130.0	£ —
Equity-related derivative instruments	21.7	—	—	21.7
Total assets	£ 151.7	£ —	£ 130.0	£ 21.7
Liabilities:				
Cross-currency and interest rate derivative contracts	£ 163.3	£ —	£ 163.3	£ —
Equity-related derivative instruments	78.0	—	—	78.0
Total liabilities	£ 241.3	£ —	£ 163.3	£ 78.0

	Successor			
		Fair value measurements at December 31, 2013 using:		
Description	**December 31, 2013**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	in millions			
Assets:				
Cross-currency and interest rate derivative contracts	£ 165.7	£ —	£ 165.7	£ —
Equity-related derivative instruments	20.1	—	—	20.1
Total assets	£ 185.8	£ —	£ 165.7	£ 20.1
Liabilities:				
Cross-currency and interest rate derivative contracts	£ 322.9	£ —	£ 322.9	£ —
Equity-related derivative instruments	67.3	—	—	67.3
Total liabilities	£ 390.2	£ —	£ 322.9	£ 67.3

(7) Long-lived Assets

Property and Equipment, Net

The details of our property and equipment and the related accumulated depreciation are set forth below:

	Estimated useful life at December 31, 2014	Successor	
		December 31,	
		2014	2013
		in millions	
Distribution systems	3 to 30 years	£ 5,575.5	£ 5,158.2
Customer premises equipment	5 years	1,182.1	915.8
Support equipment, buildings and land	3 to 50 years	774.6	716.5
		7,532.2	6,790.5
Accumulated depreciation		(1,736.0)	(677.9)
Total property and equipment, net		£ 5,796.2	£ 6,112.6

During the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, depreciation expense related to our property and equipment was £1,191.1 million, £704.7 million, £432.8 million and £966.4 million, respectively.

At December 31, 2014 and 2013, the amount of property and equipment, net, recorded under capital leases was £273.1 million and £305.9 million, respectively. Most of these amounts relate to assets included in our customer premises equipment category. Depreciation of assets under capital leases is included in depreciation and amortization in our consolidated statements of operations.

During the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, we recorded non-cash increases to our property and equipment related to assets acquired under capital leases of £28.7 million, £28.3 million, £59.6 million and £88.9 million, respectively. In addition, during the year ended December 31, 2014 and the period from June 8 to December 31, 2013, we recorded non-cash increases related to vendor financing arrangements of £219.3 million and £34.8 million, respectively, which exclude related VAT of £27.2 million and £3.0 million, respectively, that was also financed by our vendors under these arrangements.

Most of our property and equipment is pledged as security under our various debt instruments. For additional information, see note 8.

During the third quarter of 2013, we recorded a charge of £9.2 million related to the impairment of certain network assets.

Goodwill

The carrying amount of goodwill was unchanged during 2014.

Changes in the carrying amount of our goodwill during 2013 are set forth below (in millions):

January 1, 2013	£ 2,017.5
LG/VM Transaction (note 4):	
Elimination of Predecessor goodwill	(2,017.5)
Addition	5,793.7
December 31, 2013	£ 5,793.7

Intangible Assets Subject to Amortization, Net

The details of our intangible assets subject to amortization are set forth below:

		Successor					
		December 31, 2014			December 31, 2013		
	Estimated useful life at December 31, 2014	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
		in millions					
Customer relationships	5 to 8 years	£ 2,520.0	£ (568.8)	£ 1,951.2	£ 2,527.0	£ (205.5)	£ 2,321.5

During the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, amortization of intangible assets with finite useful lives was £364.8 million, £205.5 million, nil and nil, respectively. Based on the amortizable intangible asset balances at December 31, 2014, we expect that amortization expense will be as follows for the next five years and thereafter. The amortization expense amounts as of December 31, 2014 are presented below (in millions):

2015	£ 363.9
2016	363.9
2017	363.9
2018	363.9
2019	363.9
Thereafter	131.7
Total	£ 1,951.2

(8) Debt and Capital Lease Obligations

The pound sterling equivalents of the components of our consolidated debt and capital lease obligations are as follows:

	Successor					
	December 31, 2014		Estimated fair value (c)		Carrying value (d)	
			December 31,		December 31,	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	2014	2013	2014	2013
			in millions			
Debt:						
Parent:						
VM Convertible Notes (e)	6.50%	£ —	£ 114.7	£ 99.1	£ 36.5	£ 34.7
Subsidiaries:						
VM Notes	5.83%	—	5,430.4	5,546.6	5,173.4	5,523.3
VM Credit Facility	3.78%	660.0	3,038.9	2,649.3	3,083.3	2,627.5
Vendor financing (f)	3.41%	—	225.8	37.8	225.8	37.8
Total debt	5.02%	£ 660.0	£ 8,809.8	£ 8,332.8	8,519.0	8,223.3
Capital lease obligations					163.8	225.5
Total debt and capital lease obligations					8,682.8	8,448.8
Current maturities					(333.9)	(159.5)
Long-term debt and capital lease obligations					£ 8,348.9	£ 8,289.3

(a) Represents the weighted average interest rate in effect at December 31, 2014 for all borrowings outstanding pursuant to each debt instrument including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate variable- and fixed-rate indebtedness was 5.6% at December 31, 2014. For information concerning our derivative instruments, see note 5.

(b) Unused borrowing capacity represents the maximum availability under the VM Credit Facility (as defined and described below) at December 31, 2014 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2014, the full amount of unused borrowing capacity under the VM Credit Facility was available to be borrowed. The debt instruments of the Virgin Media Credit Facility Borrowers (as defined and described below) contain restricted payment tests that limit the amount that can be loaned or distributed to other Virgin Media subsidiaries and ultimately to Virgin Media. At December 31, 2014, the availability to be loaned or distributed by the Virgin Media Credit Facility Borrowers was limited to £508.8 million. When the relevant December 31, 2014 compliance reporting requirements have been completed and assuming no changes from December 31, 2014 borrowing levels, we anticipate that the availability under the VM Credit Facility will be limited to £525.7 million. For information concerning transactions completed subsequent to December 31, 2014 that could have an impact on unused borrowing capacity, see note 20.

(c) The estimated fair values of our debt instruments were determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on the market interest rates and estimated credit spreads of the applicable entity, to the extent available, and other relevant factors. For additional information concerning fair value hierarchies, see note 6.

(d) Amounts include the impact of premiums and discounts, where applicable.

(e) The amount reported in the estimated fair value column for the VM Convertible Notes (as defined and described below) represents the estimated fair value of the remaining VM Convertible Notes outstanding as of December 31, 2014, including both the debt and equity components.

(f) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions. These obligations are due within one year. At December 31, 2014 and 2013, the amounts owed pursuant to these arrangements include £27.2 million and £3.0 million, respectively, of VAT that was paid on our behalf by the vendor. Repayments of vendor financing obligations are included in repayments and repurchases of debt and capital lease obligations in our consolidated statements of cash flows.

VM Convertible Notes

In April 2008, Old Virgin Media issued $1.0 billion (£641.8 million) principal amount of 6.50% convertible senior notes (the VM Convertible Notes), pursuant to an indenture (as supplemented, the VM Convertible Notes Indenture). The VM Convertible Notes mature on November 15, 2016, unless the VM Convertible Notes are exchanged or repurchased prior thereto pursuant to the terms of the VM Convertible Notes Indenture.

As a result of the application of acquisition accounting in connection with the LG/VM Transaction, the $2,716.8 million (£1,748.7 million on the date of the LG/VM Transaction) estimated fair value of the VM Convertible Notes at June 7, 2013 was allocated between the respective debt and equity components. The portion allocated to the debt component of $1,056.8 million (£680.2 million on the date of the LG/VM Transaction) was measured based on the estimated fair value of a debt instrument that has the same terms as the VM Convertible Notes without the conversion feature. The amount allocated to the debt component resulted in a premium to the principal amount of the VM Convertible Notes. The $1,660.0 million (£1,068.5 million on the date of the LG/VM Transaction) portion allocated to the equity component at June 7, 2013 was recorded as a derivative instrument included within current liabilities in our consolidated balance sheet. The equity component is accounted for as an embedded derivative that requires bifurcation from the debt instrument due to the fact that the conversion option is indexed to Liberty Global shares.

The VM Convertible Notes are exchangeable under certain conditions for (subject to further adjustment as specified in the VM Convertible Notes Indenture and subject to our right to settle in cash or a combination of Liberty Global ordinary shares and cash) 13.4339 Class A ordinary shares of Liberty Global, 33.4963 Class C ordinary shares of Liberty Global and $910.51 (£584.37) in cash (without interest) for each $1,000 (£641.81) in principal amount of VM Convertible Notes exchanged. The circumstances under which the VM Convertible Notes are exchangeable are more fully described in the VM Convertible Notes Indenture, including, for example, based on the relationship of the value of the LG/VM Transaction Consideration to the conversion price of the VM Convertible Notes. Based on the trading prices of Liberty Global's Class A and Class C ordinary shares during a specified period, as provided for in the VM Convertible Notes Indenture, the VM Convertible Notes are currently exchangeable.

During the 2013 period following the LG/VM Transaction, an aggregate of $944.2 million (£606.0 million) principal amount of VM Convertible Notes had been exchanged following the LG/VM Transaction for 13.1 million Class A ordinary shares of Liberty Global and 32.7 million Class C ordinary shares of Liberty Global and $885.1 million (£568.1 million) of cash. No gain or loss on extinguishment was recorded for these exchanges as the debt component of the VM Convertible Notes was measured at fair value shortly before the exchanges pursuant to the application of acquisition accounting in connection with the LG/VM Transaction. After giving effect to all exchanges completed through December 31, 2014, the remaining principal amount outstanding under the VM Convertible Notes was $54.8 million (£35.2 million) as of December 31, 2014. The fair value of the remaining derivative liability that is embedded in the VM Convertible Notes (£78.0 million and £67.3 million at December 31, 2014 and 2013, respectively) is included in the current liability related to our derivative instruments in our consolidated balance sheets.

The VM Convertible Notes are senior unsecured obligations of our company that rank equally in right of payment with all of our existing and future senior and unsecured indebtedness and rank senior in right to all of our existing and future subordinated indebtedness. The VM Convertible Notes are effectively subordinated to all existing and future indebtedness and other obligations of our subsidiaries. The VM Convertible Notes Indenture does not contain any financial or restrictive covenants. The VM Convertible Notes are non-callable.

VM Notes

On March 28, 2014, Virgin Media Secured Finance PLC (Virgin Media Secured Finance), a wholly-owned subsidiary of Virgin Media, issued (i) $425.0 million (£272.8 million) principal amount of 5.5% senior secured notes due January 15, 2025 (the 2025 VM 5.5% Dollar Senior Secured Notes), (ii) £430.0 million principal amount of 5.5% senior secured notes due January 15, 2025 (the 2025 VM 5.5% Sterling Senior Secured Notes and, together with the 2025 VM 5.5% Dollar Senior Secured Notes, the 2025 VM Senior Secured Notes) and (iii) £225.0 million principal amount of 6.25% senior secured notes due March 28, 2029 (the Original 2029 VM Senior Secured Notes). In April 2014, the net proceeds from the 2025 VM Senior Secured Notes and the Original 2029 VM Senior Secured Notes were used to redeem all of the £875.0 million principal amount of 7.0% senior secured notes due 2018. In connection with these transactions, we recognized a gain on debt modification and extinguishment, net, of £3.1 million, which includes (i) the write-off of £36.9 million of unamortized premium, (ii) the payment of £30.6 million of redemption premium and (iii) the write-off of £3.2 million of deferred financing costs.

In April 2014, Virgin Media Secured Finance issued £175.0 million principal amount of 6.25% senior secured notes due March 28, 2029 (the Additional 2029 VM Senior Secured Notes and, together with the Original 2029 VM Senior Secured Notes, the 2029 VM Senior Secured Notes) at an issue price of 101.75%. The net proceeds from the Additional 2029 VM Senior Secured Notes, together with the proceeds from VM Facilities D and E (as defined and described below) were used to fully redeem the $1.0 billion (£641.8 million) principal amount of 6.5% senior secured notes due 2018. In connection with this transaction, we recognized a loss on debt modification and extinguishment, net, of £3.3 million, which includes (i) the write-off of £20.1 million of unamortized premium, (ii) the payment of £19.3 million of redemption premium and (iii) the write-off of £4.1 million of deferred financing costs.

On October 7, 2014, Virgin Media Finance PLC (Virgin Media Finance), a wholly-owned subsidiary of Virgin Media, issued (i) £300.0 million principal amount of 6.375% senior notes due October 15, 2024 (the 2024 VM Sterling Senior Notes) and (ii) $500.0 million (£320.9 million) principal amount of 6.0% senior notes due October 15, 2024 (the 2024 VM Dollar Senior Notes and, together with the 2024 VM Sterling Senior Notes, the 2024 VM Senior Notes). On October 24, 2014, the net proceeds from the 2024 VM Senior Notes were used to fully redeem (i) the $507.1 million (£325.5 million) principal amount of 8.375% senior notes due 2019 (the 2019 VM Dollar Senior Notes) and (ii) the £253.5 million principal amount of 8.875% senior notes due 2019 (the 2019 VM Sterling Senior Notes and, together with the 2019 VM Dollar Senior Notes, the 2019 VM Senior Notes). In connection with these transactions, we recognized a gain on debt modification and extinguishment, net, of £20.3 million, which includes (i) the write-off of £46.9 million of unamortized premium, (ii) the payment of £24.5 million of redemption premium and (iii) the write-off of £2.1 million of deferred financing costs.

The details of the outstanding VM Notes as of December 31, 2014 are summarized in the following table:

VM Notes	Maturity	Interest rate	Outstanding principal amount: Borrowing currency	Outstanding principal amount: Pound sterling equivalent	Estimated fair value	Carrying value (a)
				in millions		
2022 VM Senior Notes:						
2022 VM 4.875% Dollar Senior Notes	February 15, 2022	4.875%	$ 118.7	£ 76.2	£ 73.1	£ 76.7
2022 VM 5.25% Dollar Senior Notes	February 15, 2022	5.250%	$ 95.0	61.0	58.1	61.5
2022 VM Sterling Senior Notes	February 15, 2022	5.125%	£ 44.1	44.1	44.7	44.5
2023 VM Senior Notes:						
2023 VM Dollar Senior Notes	April 15, 2023	6.375%	$ 530.0	340.2	356.7	340.1
2023 VM Sterling Senior Notes	April 15, 2023	7.000%	£ 250.0	250.0	272.8	250.0
2024 VM Senior Notes:						
2024 VM Dollar Senior Notes	October 15, 2024	6.000%	$ 500.0	320.9	336.9	320.9
2024 VM Sterling Senior Notes	October 15, 2024	6.375%	£ 300.0	300.0	324.0	300.0
January 2021 VM Senior Secured Notes:						
January 2021 VM Sterling Senior Secured Notes	January 15, 2021	5.500%	£ 628.4	628.4	677.1	636.8
January 2021 VM Dollar Senior Secured Notes	January 15, 2021	5.250%	$ 447.9	287.5	300.3	295.3
April 2021 VM Senior Secured Notes:						
April 2021 VM Sterling Senior Secured Notes	April 15, 2021	6.000%	£ 1,100.0	1,100.0	1,161.9	1,100.0
April 2021 VM Dollar Senior Secured Notes	April 15, 2021	5.375%	$ 1,000.0	641.8	663.1	641.8
2025 VM Senior Secured Notes:						
2025 VM 5.5% Sterling Senior Secured Notes	January 15, 2025	5.500%	£ 430.0	430.0	445.9	430.0
2025 VM 5.5% Dollar Senior Secured Notes	January 15, 2025	5.500%	$ 425.0	272.8	282.5	272.8
2029 VM Senior Secured Notes	March 28, 2029	6.250%	£ 400.0	400.0	433.3	403.0
Total				£ 5,152.9	£ 5,430.4	£ 5,173.4

(a) Amounts include the impact of premiums, where applicable, including amounts recorded in connection with the acquisition accounting for the LG/VM Transaction.

The 2022 VM Senior Notes, the 2023 VM Senior Notes and the 2024 VM Senior Notes were issued by Virgin Media Finance and are collectively referred to as the "VM Senior Notes." The January 2021 VM Senior Secured Notes, the April 2021 VM Senior Secured Notes, the 2025 VM Senior Secured Notes and the 2029 VM Senior Secured Notes were issued by Virgin Media Secured

Finance and are collectively referred to as the "VM Senior Secured Notes" and, together with the VM Senior Notes, the "VM Notes".

The VM Senior Notes are unsecured senior obligations of Virgin Media Finance that rank equally with all of the existing and future senior debt of Virgin Media Finance and are senior to all existing and future subordinated debt of Virgin Media Finance. The VM Senior Notes are guaranteed on a senior basis by Virgin Media and certain subsidiaries of Virgin Media, and on a senior subordinated basis by VMIH and Virgin Media Investments Limited (VMIL).

The VM Senior Secured Notes are senior obligations of Virgin Media Secured Finance that rank equally with all of the existing and future senior debt of Virgin Media Secured Finance and are senior to all existing and future subordinated debt of Virgin Media Secured Finance. The VM Senior Secured Notes are guaranteed on a senior basis by Virgin Media and certain subsidiaries of Virgin Media (the VM Senior Secured Guarantors), and are secured by liens on substantially all of the assets of Virgin Media Secured Finance and the VM Senior Secured Guarantors (except for Virgin Media).

The VM Notes contain certain customary incurrence-based covenants. For example, the ability to raise certain additional debt and make certain distributions or loans to other subsidiaries of Liberty Global is subject to a consolidated gross leverage ratio test (or a consolidated net leverage ratio test with respect to the 2024 VM Senior Notes, the 2025 VM Senior Secured Notes and the 2029 VM Senior Secured Notes), in each case, as specified in the applicable indenture. In addition, the VM Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of £50.0 million (or £75.0 million with respect to the 2024 VM Senior Notes, the 2025 VM Senior Secured Notes and the 2029 VM Senior Secured Notes) or more in the aggregate of Virgin Media and/or certain of its subsidiaries (as specified under the applicable indenture), is an event of default under the VM Notes.

Subject to the circumstances described below, the VM Notes are non-callable prior to the applicable call date as presented in the below table. At any time prior to the respective call date, Virgin Media Secured Finance or Virgin Media Finance may redeem some or all of the applicable notes by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments to the applicable call date using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points (25 basis points in the case of the January 2021 VM Senior Secured Notes).

VM Notes	Call Date
2022 VM Senior Notes	(a)
2023 VM Senior Notes	April 15, 2018
2024 VM Senior Notes	October 15, 2019
January 2021 VM Senior Secured Notes	(a)
April 2021 VM Senior Secured Notes	April 15, 2017
2025 VM Senior Secured Notes	January 15, 2019
2029 VM Senior Secured Notes	January 15, 2021

(a) The 2022 VM Senior Notes and the January 2021 VM Senior Secured Notes are non-callable. At any time prior to maturity, some or all of these notes may be redeemed by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments to February 15, 2022 in the case of the 2022 VM Senior Notes or January 15, 2021 in the case of the January 2021 VM Senior Secured Notes.

Virgin Media Secured Finance or Virgin Media Finance (as applicable) may redeem some or all of the April 2021 VM Senior Secured Notes, the 2023 VM Senior Notes, the 2024 VM Senior Notes, the 2025 VM Senior Secured Notes or the 2029 VM Senior Secured Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on October 15, in the case of the 2024 VM Senior Notes, or April 15, in the case of the April 2021 VM Senior Secured Notes and the 2023 VM Senior Notes and January 15, in the case of the 2025 VM Senior Secured Notes and the 2029 VM Senior Secured Notes, of the years set forth below:

	Redemption price							
Year	April 2021 VM Dollar Senior Secured Notes (a)	April 2021 VM Sterling Senior Secured Notes (a)	2023 VM Dollar Senior Notes	2023 VM Sterling Senior Notes	2024 VM Dollar Senior Notes	2024 VM Sterling Senior Notes	2025 VM Senior Secured Notes (a)	2029 VM Senior Secured Notes (a)
2015	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2016	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2017	102.688%	103.000%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2018	101.344%	101.500%	103.188%	103.500%	N.A.	N.A.	N.A.	N.A.
2019	100.000%	100.000%	102.125%	102.333%	103.000%	103.188%	102.750%	N.A.
2020	100.000%	100.000%	101.063%	101.667%	102.000%	102.125%	101.833%	N.A.
2021	N.A.	N.A.	100.000%	100.000%	101.000%	101.063%	100.000%	103.125%
2022	N.A.	N.A.	100.000%	100.000%	100.000%	100.000%	100.000%	102.083%
2023	N.A.	N.A.	N.A.	N.A.	100.000%	100.000%	100.000%	101.042%
2024 and thereafter	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	100.000%	100.000%

(a) Prior to the applicable call date, as specified above, during each 12-month period commencing on the date on which the applicable notes are issued, Virgin Media Secured Finance may redeem up to 10% of the principal amount of the applicable notes at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest up to (but excluding) the redemption date.

If VMIH or Virgin Media Finance (as applicable) or the restricted subsidiaries (as specified in the applicable indenture) sell certain assets, Virgin Media Secured Finance or Virgin Media Finance must offer to repurchase the relevant VM Notes at par, or if Virgin Media Communications Limited (Virgin Media Communications), a wholly-owned subsidiary of Virgin Media, or certain of its subsidiaries experience changes in control (as specified in the applicable indenture), Virgin Media Secured Finance or Virgin Media Finance (as applicable) must offer to repurchase all of the relevant VM Notes at a redemption price of 101%.

For information regarding certain senior notes issued by Virgin Media Secured Finance and Virgin Media Finance subsequent to December 31, 2014, see note 20.

VM Credit Facility

On June 7, 2013, VMIH, together with certain other subsidiaries of Virgin Media as borrowers and guarantors (the Virgin Media Credit Facility Borrowers), entered into a new senior secured credit facility agreement, as amended and restated on June 14, 2013 (the VM Credit Facility), pursuant to which the lenders thereunder agreed to provide the borrowers with (i) a £375.0 million term loan (VM Facility A), (ii) a $2,755.0 million (£1,768.2 million) term loan (VM Facility B), (iii) a £600.0 million term loan (VM Facility C) and (iv) a £660.0 million revolving credit facility (the VM Revolving Facility). With the exception of the VM Revolving Facility, all available amounts were borrowed under the VM Credit Facility in June 2013.

In April 2014, the Virgin Media Credit Facility Borrowers entered into (a) a new £100.0 million term loan (VM Facility D) and (b) a new £849.4 million term loan (VM Facility E), each under the VM Credit Facility. In connection with these transactions,

(1) certain lenders under the then-existing VM Facility C effectively rolled £500.4 million of their drawn commitments under VM Facility C to VM Facilities D and E and (2) the remaining outstanding balance of VM Facility C was repaid with existing liquidity.

The VM Credit Facility requires that certain of the Virgin Media Credit Facility Borrowers that generate not less than 80% of such group's EBITDA (as specified in the VM Credit Facility) in any financial year, guarantee the payment of all sums payable under the VM Credit Facility and such group members are required to grant first-ranking security over all or substantially all of their assets to secure the payment of all sums payable. In addition, the holding company of each borrower must give a share pledge over its shares in such borrower.

In addition to mandatory prepayments which must be made for certain disposal proceeds (subject to certain de minimis thresholds), the lenders may cancel their commitments and declare the loans due and payable after 30 business days following the occurrence of a change of control in respect of VMIH, subject to certain exceptions.

The VM Credit Facility contains certain customary events of default, the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the lenders to (i) cancel the total commitments, (ii) accelerate all outstanding loans and terminate their commitments thereunder and/or (iii) declare that all or part of the loans be payable on demand. The VM Credit Facility contains certain representations and warranties customary for facilities of this type, which are subject to exceptions, baskets and materiality qualifications.

The VM Credit Facility restricts the ability of the Virgin Media Credit Facility Borrowers and certain of their subsidiaries to, among other things, (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions and (iii) create certain security interests over their assets, in each case, subject to carve-outs from such limitations.

The VM Credit Facility requires the borrowers to observe certain affirmative undertakings or covenants, which covenants are subject to materiality and other customary and agreed exceptions. In addition, the VM Credit Facility also requires compliance with various financial covenants such as senior net debt to annualized EBITDA and total net debt to annualized EBITDA, each as specified in the VM Credit Facility.

In addition to customary default provisions, the VM Credit Facility provides that any event of default with respect to indebtedness of £50.0 million or more in the aggregate of Virgin Media Finance, and its subsidiaries is an event of default under the VM Credit Facility.

The VM Credit Facility permits the Virgin Media Credit Facility Borrowers and certain of their subsidiaries to make certain distributions and restricted payments to its parent company (and indirectly to Liberty Global) through loans, advances or dividends subject to compliance with applicable covenants.

The details of our borrowings under the VM Credit Facility as of December 31, 2014 are summarized in the following table:

Facility	Maturity	Interest rate	Facility amount (in borrowing currency)	Unused borrowing capacity	Carrying value (a)
				in millions	
A	June 7, 2019	LIBOR + 3.25%	£ 375.0	£ —	£ 375.0
B	June 7, 2020	LIBOR + 2.75% (b)	$ 2,755.0	—	1,761.1
D	June 30, 2022	LIBOR + 3.25% (b)	£ 100.0	—	99.8
E	June 30, 2023	LIBOR + 3.50% (b)	£ 849.4	—	847.4
VM Revolving Facility (c)	June 7, 2019	LIBOR + 3.25%	£ 660.0	660.0	—
Total				£ 660.0	£ 3,083.3

(a) The carrying values of VM Facilities B, D and E include the impact of discounts.

(b) VM Facilities B, D and E each have a LIBOR floor of 0.75%.

(c) The VM Revolving Facility has a fee on unused commitments of 1.3% per year.

MergerCo Bridge Facility Agreement

On June 5, 2013, a subsidiary of Liberty Global entered into a short-term unsecured bridge credit facility agreement as the borrower in an aggregate principal amount of approximately $3,545.0 million (£2,281.9 million at the applicable rate) (the MergerCo Bridge Facility Agreement), with amounts borrowed applied towards paying the consideration for the LG/VM Transaction together with any related fees, costs and expenses. This facility was assumed by our company on June 7, 2013 as a part of the LG/VM Transaction.

Amounts borrowed under the MergerCo Bridge Facility Agreement were repaid on June 12, 2013 using proceeds from the issuance of the April 2021 VM Senior Secured Notes and the 2023 VM Senior Notes. There was no margin or interest payable under the MergerCo Bridge Facility Agreement. However, the lender was paid a commitment fee. The MergerCo Bridge Facility Agreement was an unsecured credit facility.

Maturities of Debt and Capital Lease Obligations

The pound sterling equivalents of the maturities of our debt and capital lease obligations as of December 31, 2014 are presented below:

	Debt	Capital lease obligations	Total
		in millions	
Year ending December 31:			
2015	£ 260.9	£ 78.7	£ 339.6
2016	—	44.6	44.6
2017	—	19.0	19.0
2018	—	4.2	4.2
2019	375.0	2.8	377.8
Thereafter	7,870.4	142.6	8,013.0
Total debt maturities	8,506.3	291.9	8,798.2
Unamortized premium, net of discount	12.7	—	12.7
Amounts representing interest	—	(128.1)	(128.1)
Total debt	£ 8,519.0	£ 163.8	£ 8,682.8
Current portion	£ 262.2	£ 71.7	£ 333.9
Noncurrent portion	£ 8,256.8	£ 92.1	£ 8,348.9

Non-cash Refinancing Transactions

During the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating £500.4 million, £750.0 million, nil and nil, respectively.

(9) Income Taxes

Virgin Media files tax returns in the U.S. and the U.K. The income taxes of Virgin Media and its subsidiaries are presented in our financial statements based on a separate return basis for each tax-paying entity or group.

The components of our earnings (loss) before income taxes are as follows (in millions):

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
U.S.	£ (218.8)	£ (56.6)	£ (68.8)	£ 45.4
U.K.	129.7	(233.9)	186.8	216.0
Total	£ (89.1)	£ (290.5)	£ 118.0	£ 261.4

Income tax benefit (expense) consists of:

	Current	Deferred	Total
		in millions	
Successor:			
Year ended December 31, 2014:			
U.S. (a)	£ (2.5)	£ 34.2	£ 31.7
U.K.	—	(53.2)	(53.2)
Total	£ (2.5)	£ (19.0)	£ (21.5)
Period from June 8 to December 31, 2013:			
U.S. (a)	£ (0.3)	£ (1.9)	£ (2.2)
U.K.	—	(195.3)	(195.3)
Total	£ (0.3)	£ (197.2)	£ (197.5)
Predecessor:			
Period from January 1 to June 7, 2013:			
U.S. (a)	£ (0.9)	£ 12.8	£ 11.9
U.K.	—	(30.0)	(30.0)
Total	£ (0.9)	£ (17.2)	£ (18.1)
Year ended December 31, 2012:			
U.S. (a)	£ (0.6)	£ 103.4	£ 102.8
U.K.	0.1	2,549.1	2,549.2
Total	£ (0.5)	£ 2,652.5	£ 2,652.0

(a) Includes federal and state income taxes. Our U.S. state income taxes were not material during any of the years presented.

Income tax benefit (expense) attributable to our earnings (loss) before income taxes differs from the amounts computed using the U.S. federal income tax rate of 35.0%, as a result of the following factors (in millions):

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Computed "expected" tax benefit (expense)	£ 31.2	£ 101.7	£ (41.3)	£ (91.5)
Basis and other differences in the treatment of items associated with investments in subsidiaries	(88.4)	(38.6)	—	(7.2)
International rate differences (a)	39.9	(13.1)	22.0	22.8
Non-deductible or non-taxable foreign currency exchange results	(15.8)	—	—	—
Change in valuation allowances (b)	10.9	(28.8)	(29.8)	2,675.7
Non-deductible or non-taxable interest and other expenses	(5.7)	8.9	31.9	52.8
Enacted tax law and rate changes (c)	0.2	(227.1)	—	—
Other, net	6.2	(0.5)	(0.9)	(0.6)
Total income tax benefit (expense)	£ (21.5)	£ (197.5)	£ (18.1)	£ 2,652.0

(a) Amounts reflect statutory rates in the U.K., which are lower than the U.S. federal income tax rate.

(b) The 2012 amount primarily relates to the reversal of valuation allowances on certain of our U.K. deferred tax assets as these tax assets were deemed realizable in the period. The reversal of the valuation allowance is attributable to the accumulation of positive evidence on the realizability of these deferred tax assets, including (i) pre-tax income generated for the each of the two years ended December 31, 2012, (ii) capital allowances and net operating losses that do not expire, (iii) improved financial performance and (iv) our then forecasted projections of future taxable income, which, as of the fourth quarter of 2012, outweighed the negative evidence, which was primarily a history of taxable losses in periods prior to 2011.

(c) In April 2014, the U.K. corporate income tax rate decreased from 23.0% to 21.0%, with a further decline to 20.0% scheduled for April 2015. Accordingly, amounts presented for the Successor periods reflect the estimated impact of these rate changes.

The current and non-current components of our deferred tax assets are as follows:

	Successor	
	December 31,	
	2014	2013
	in millions	
Current deferred tax assets (a)	£ 24.7	£ 29.1
Non-current deferred tax assets	1,506.2	1,407.4
Non-current deferred tax liabilities (a)	(42.1)	(81.5)
Net deferred tax asset	£ 1,488.8	£ 1,355.0

(a) Our current deferred tax assets are included in other current assets and our non-current deferred tax liabilities are included in other long-term liabilities in our consolidated balance sheets.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	Successor	
	December 31,	
	2014	2013
	in millions	
Deferred tax assets:		
Capital and net operating loss carryforwards	£ 2,943.3	£ 3,083.2
Property and equipment, net	1,718.0	1,578.0
Debt	150.7	152.8
Other future deductible amounts	50.2	52.2
Deferred tax assets	4,862.2	4,866.2
Valuation allowance	(2,819.7)	(2,866.6)
Deferred tax assets, net of valuation allowance	2,042.5	1,999.6
Deferred tax liabilities:		
Intangible assets	(466.1)	(559.2)
Property and equipment, net	(60.6)	(73.6)
Other future taxable amounts	(27.0)	(11.8)
Deferred tax liabilities	(553.7)	(644.6)
Net deferred tax asset	£ 1,488.8	£ 1,355.0

Our deferred income tax valuation allowance decreased £46.9 million in 2014. This decrease reflects (i) adjustments due to changes in the carrying values of certain of our deferred tax assets and (ii) other individually insignificant items.

At December 31, 2014 and 2013, we had property and equipment on which future U.K. tax deductions can be claimed of £13.9 billion and £13.4 billion, respectively. The maximum amount of these "capital allowances" that can be claimed in any one year is 18% of the remaining balance, after additions, disposals and prior claims. The tax effects of these capital allowances are included in the 2014 and 2013 deferred tax assets related to property and equipment, net, in the above table.

At December 31, 2014, our unrecognized excess tax benefits aggregated £28.0 million. These excess tax benefits, which represent tax deductions in excess of the financial reporting expense for share-based compensation, will not be recognized for financial reporting purposes until such time as these tax benefits can be realized as a reduction of income taxes payable. The tax effects of these unrecognized excess tax benefits are not included in the above table.

The significant components of our capital and net operating loss carryforwards and related tax assets at December 31, 2014 are as follows:

Country	Capital and net operating loss carryforwards	Related tax assets	Expiration date
	in millions		
U.K. (a)	£ 13,448.4	£ 2,689.7	Indefinite
U.S.	921.5	253.6	2019-2029
Total	£ 14,369.9	£ 2,943.3	

(a) This amount includes only the tax loss carryforwards generated by our U.K. subsidiaries. Certain of our U.K. subsidiaries are within the same U.K. tax group as our ultimate parent company, Liberty Global, and its U.K. subsidiaries. U.K. tax law permits the surrendering without cash payment of tax losses between entities within the same tax group. During 2014, tax losses with an aggregate tax effect of £147.4 million were surrendered by Liberty Global and its U.K. subsidiaries outside of Virgin Media to our U.K. subsidiaries. These surrendered tax assets, which are not reflected in the amount shown in this table as they were utilized by our U.K. subsidiaries during 2014, are reflected as an increase to additional paid-in capital in our consolidated statement of equity.

The use of our tax loss carryforwards within each jurisdiction (both capital and ordinary losses) are limited. Certain tax jurisdictions limit the ability to offset taxable income of a separate company or different tax group with the tax losses associated with another separate company or group. Most of the tax loss carryforwards shown in the above table are not expected to be realized.

We intend to indefinitely reinvest earnings from certain non-U.S. subsidiaries except to the extent the earnings are subject to current income taxes. At December 31, 2014, income and withholding taxes for which a net deferred tax liability might otherwise be required have not been provided on an estimated £6.6 billion of cumulative temporary differences (including, for this purpose, any difference between the aggregate tax basis in stock of a consolidated subsidiary and the corresponding amount of the subsidiary's net equity determined for financial reporting purposes) on non-U.S. subsidiaries. The determination of the additional withholding tax that would arise upon a reversal of temporary differences is impractical to estimate as it is subject to offset by available foreign tax credits and subject to certain limitations.

In general, a U.K. or U.S. corporation may claim a foreign tax credit against its income tax expense for foreign income taxes paid or accrued. A U.S. corporation may also claim a credit for foreign income taxes paid or accrued on the earnings of a foreign corporation paid to the U.S. corporation as a dividend.

Our ability to claim a foreign tax credit for dividends received from our foreign subsidiaries or foreign taxes paid or accrued is subject to various significant limitations under U.S. tax laws including a limited carry back and carry forward period. Limitations on the ability to claim a foreign tax credit and the inability to offset losses in one jurisdiction against income earned in another jurisdiction could result in a high effective tax rate on our earnings. Since substantially all of our revenue is generated outside the U.S., these risks are greater for us than for companies that generate most of their revenue in the U.S.

Through our subsidiaries, we maintain a significant presence in the U.K. The U.K. maintains a highly complex tax regime that differs significantly from the system of income taxation used in the U.S. We have accounted for the effect of foreign taxes based on what we believe is reasonably expected to apply to us and our subsidiaries based on tax laws currently in effect and reasonable interpretations of these laws.

We comply with taxation legislation and are subject to audit by tax authorities in all jurisdictions in which we operate. Although we expect that the tax amounts presented are reasonable, there is no assurance that the final determination of tax audits or tax disputes will not be different from what is reflected in our recorded income tax provisions.

We and our subsidiaries file consolidated and standalone income tax returns in the U.S. and U.K. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

Tax returns filed by our company or our subsidiaries for years prior to 2011 are no longer subject to examination by tax authorities.

The changes in our unrecognized tax benefits are summarized below (in millions):

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Balance at beginning of period	£ 7.7	£ 8.3	£ 7.9	£ 10.2
Reductions for tax positions of prior years	—	(0.6)	—	(0.3)
Additions based on tax positions related to the current year	—	—	0.4	—
Lapse of statute of limitations	—	—	—	(1.7)
Foreign currency translation	0.5	—	—	(0.3)
Balance at end of period	£ 8.2	£ 7.7	£ 8.3	£ 7.9

No assurance can be given that any of these tax benefits will be recognized or realized.

As of December 31, 2014, our unrecognized tax benefits did not include any tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

We do not expect that any changes in our unrecognized tax benefits during 2015 will have a material impact on our unrecognized tax benefits. No assurance can be given as to the nature or impact of any changes in our unrecognized tax positions during 2015.

(10) Equity

On June 7, 2013, as a result of the LG/VM Transaction, all of Old Virgin Media's issued share capital was cancelled with the holders becoming entitled to receive the LG/VM Transaction Consideration of $17.50 and 0.2582 Class A ordinary shares in Liberty Global and 0.6438 Class C ordinary shares in Liberty Global. Virgin Media has 111 shares of common stock outstanding.

During 2014, certain of our related-party loan receivables and related accrued interest were converted to equity, decreasing additional paid-in capital by £392.6 million. For additional information, see note 12.

During the 2013 Successor period, we received capital contributions of £2,343.2 million comprising (i) a cash contribution of £2,290.6 million (equivalent at the transaction date) that was used to repay amounts outstanding under the MergerCo Bridge Facility Agreement, (ii) a non-cash contribution of £40.6 million (equivalent at the transaction date) related to certain deferred financing costs and (iii) a non-cash contribution of £12.0 million (equivalent at the transaction date) relating to the transfer of shares of Old Virgin Media held in a trust to a trust consolidated by Liberty Global in exchange for a note. For additional information, see note 12.

In addition, during the fourth quarter of 2013, we received cash consideration of £987.4 million from Lynx Europe 2 Limited (Lynx Europe 2), our immediate parent, in exchange for 11 additional shares of our common stock. The proceeds from the issuance of these shares were used to repay a demand note owed to Liberty Global for the Liberty Global ordinary shares that were used, together with cash consideration, to settle the exchanged VM Convertible Notes. For additional information, see note 8.

During 2012, Old Virgin Media's board of directors authorized various stock repurchase programs. Under these plans, we received authorization to acquire up to the specified amount of Old Virgin Media common stock from time to time through open market or privately negotiated transactions. These stock repurchase programs were cancelled during 2013 as a result of the LG/VM Transaction. During the 2013 Predecessor period, we did not issue or repurchase any common stock.

The following table provides details of our common stock repurchases during 2012:

Shares purchased pursuant to repurchase programs during:	Shares purchased	Average price paid per share (a)	Total cost (a)
			in millions
2012	20,478,287	$ 25.39	$ 519.9

(a) Includes direct acquisition costs and the effects of derivative instruments, where applicable. The pound sterling equivalent (at the applicable exchange rates) of the total cost of the shares repurchased during 2012 is £330.2 million.

During the period from January 1 to June 7, 2013 and the year ended December 31, 2012, we paid the following dividends:

Board declaration date	Per share	Record date	Payment date	Total amount
				in millions
Year ended December 31, 2012:				
February 17, 2012	$ 0.04	March 12, 2012	March 22, 2012	£ 7.0
May 23, 2012	$ 0.04	June 12, 2012	June 22, 2012	£ 7.1
August 21, 2012	$ 0.04	September 11, 2012	September 21, 2012	£ 6.6
November 16, 2012	$ 0.04	December 11, 2012	December 21, 2012	£ 6.6
Period from January 1 to June 7, 2013:				
February 5, 2013	$ 0.04	March 12, 2013	March 22, 2013	£ 7.1
April 29, 2013	$ 0.04	May 9, 2013	May 20, 2013	£ 7.1

(11) Share-based Compensation

Our share-based compensation expense after the LG/VM Transaction represents amounts allocated to our company by Liberty Global and related employer taxes. The amounts allocated by Liberty Global to our company represent share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries. Share-based compensation expense allocated to our company by Liberty Global is reflected as an increase to shareholder's equity and is offset by any amounts recharged to us by Liberty Global, as further described in note 12. Share-based compensation expense prior to the LG/VM Transaction includes amounts for options, shares and performance shares related to the common stock of Old Virgin Media. Incentive awards are denominated in U.S. dollars.

The following table summarizes our share-based compensation expense, which is included in SG&A expense in our consolidated statements of operations (in millions):

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Performance-based incentive awards (a)	£ 7.0	£ 3.0	£ 10.0	£ 7.2
Other share-based incentive awards	26.8	82.5	12.1	18.6
Total (b)	£ 33.8	£ 85.5	£ 22.1	£ 25.8

____

(a) Includes share-based compensation expense related to (i) Liberty Global performance-based restricted share units (PSUs) and (ii) a challenge performance award plan issued on June 24, 2013 for certain executive officers and key employees of Liberty Global, including certain employees of our subsidiaries (the Challenge Performance Awards). The Challenge Performance Awards include performance-based share appreciation rights (PSARs) and PSUs.

(b) In connection with the LG/VM Transaction, Liberty Global issued Liberty Global share-based incentive awards (Virgin Media Replacement Awards) to employees and former directors of our company in exchange for corresponding Old Virgin Media awards. During the 2013 period following the LG/VM Transaction, £51.1 million of the June 7, 2013 estimated fair value of the Virgin Media Replacement Awards was charged to expense in recognition of the Virgin Media Replacement Awards that were fully vested on June 7, 2013 or for which vesting was accelerated pursuant to the terms of the LG/VM Transaction Agreement on or prior to December 31, 2013.

The following table provides certain information related to share-based compensation not yet recognized for share-based incentive awards held by employees of our subsidiaries related to Liberty Global ordinary shares as of December 31, 2014:

	Liberty Global ordinary shares (a)	Liberty Global performance-based awards (b)
Total compensation expense not yet recognized (in millions)	£ 17.2	£ 8.3
Weighted average period remaining for expense recognition (in years)	2.2	1.3

____

(a) Amounts relate to awards granted or assumed by Liberty Global under (i) the Virgin Media Inc. 2010 Stock Incentive Plan (as amended and restated effective June 7, 2013) (the VM Incentive Plan), (ii) certain other incentive plans of our company, and (iii) the Liberty Global 2014 Incentive Plan and certain other incentive plans of Liberty Global. All new awards are granted under the Liberty Global 2014 Incentive Plan. The Liberty Global 2014 Incentive Plan, the Liberty Global, Inc. 2005 Incentive Plan (as amended and restated effective June 7, 2013) (Liberty Global 2005 Incentive Plan) and the VM Incentive Plan are described below.

(b) Amounts relate to (i) the Challenge Performance Awards and (ii) PSUs.

The following table summarizes certain information related to the incentive awards granted or remeasured and exercised by employees of our subsidiaries with respect to Liberty Global ordinary shares during the Successor periods and Old Virgin Media common stock during the Predecessor periods:

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Assumptions used to estimate fair value of options, SARs and PSARs granted:				
Risk-free interest rate	0.81 - 1.31%	0.78% - 1.19%	0.40% - 1.42%	0.31% - 1.27%
Expected life (a)	3.1 - 3.9 years	0.4 - 4.6 years	3.0 - 7.3 years	2.9 - 6.9 years
Expected volatility (a)	25.5 - 26.5%	23.6% - 32.6%	31.1% - 50.9%	36.5% - 60.2%
Expected dividend yield	none	none	0.41% - 0.50%	0.65% - 0.69%
Weighted average grant-date fair value per share of awards granted:				
Options	$ —	$ 22.82	$ 29.13	$ 9.95
SARs	$ 8.04	$ 7.79	$ —	$ —
PSARs	$ 8.15	$ 8.34	$ —	$ —
Restricted share units (RSUs)	$ 39.84	$ 36.91	$ 39.39	$ 24.44
PSUs	$ 40.13	$ 34.04	$ 39.66	$ 24.46
Total intrinsic value of awards exercised (in millions):				
Options	£ 63.3	£ 97.1	£ 57.0	£ 27.2
SARs	£ 0.4	£ —	£ —	£ —
PSARs	£ 0.1	£ —	£ —	£ —
Cash received by Liberty Global (Successor periods) and Old Virgin Media (Predecessor periods) from exercise of options (in millions)	£ 26.4	£ 47.8	£ 26.7	£ 18.1
Income tax benefit related to share-based compensation (in millions)	£ 6.7	£ 13.8	£ 5.9	£ 5.2

____

(a) The 2013 ranges shown for these assumptions exclude the awards for certain former employees of Virgin Media who were expected to exercise their awards immediately or soon after the LG/VM Transaction. For these awards, the assumptions used for expected life and volatility were essentially nil.

Share Incentive Plans — Liberty Global Ordinary Shares

Incentive Plans

As of December 31, 2014, Liberty Global was authorized to grant incentive awards under the Liberty Global 2014 Incentive Plan. Generally, the compensation committee of Liberty Global's board of directors may grant non-qualified share options, SARs, restricted shares, RSUs, cash awards, performance awards or any combination of the foregoing under any of the incentive plans (collectively, awards). Ordinary shares issuable pursuant to awards made under these incentive plans will be made available from either authorized but unissued shares or shares that have been issued but reacquired by Liberty Global. Awards may be granted at or above fair value in any class of ordinary shares. The maximum number of Liberty Global shares with respect to which awards may be issued under the Liberty Global 2014 Incentive Plan is 100 million (of which no more than 50 million shares may consist of Class B ordinary shares), subject to anti-dilution and other adjustment provisions in the respective plan. As of December 31, 2014, the Liberty Global 2014 Incentive Plan had 89,582,279 ordinary shares available for grant.

In connection with the LG/VM Transaction, Liberty Global assumed the VM Incentive Plan. Awards under the VM Incentive Plan issued prior to June 7, 2013 have a 10-year term and become fully exercisable within five years of continued employment.

Certain performance-based awards that were granted during the first quarter of 2013 were canceled upon completion of the LG/VM Transaction. These canceled awards were subsequently replaced by PSUs that were granted under the VM Incentive Plan on June 24, 2013. For the remaining performance-based awards that were outstanding prior to June 7, 2013, the performance objectives lapsed upon the completion of the LG/VM Transaction and such awards vest on the third anniversary of the grant date.

Awards (other than performance-based awards) under (i) the Liberty Global 2014 Incentive Plan, (ii) the Liberty Global 2005 Incentive Plan and (iii) under the VM Incentive Plan after June 7, 2013 generally (a) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (b) expire seven years after the grant date. RSUs vest on the date of the first annual general meeting of Liberty Global shareholders following the grant date. These awards may be granted at or above fair value in any class of ordinary shares.

No further awards will be granted under the Liberty Global 2005 Incentive Plan or the VM Incentive Plan.

Performance Awards

The following is a summary of the material terms and conditions with respect to Liberty Global's performance-based awards for certain executive officers and key employees.

Liberty Global PSUs. PSUs are granted to executive officers and key employees annually based on a target annual equity value for each executive and key employee, of which approximately two-thirds would be delivered in the form of an annual award of PSUs and approximately one-third in the form of an annual award of SARs. Each PSU represents the right to receive one Class A or Class C ordinary share, as applicable, subject to performance and vesting. Generally, the performance period for the PSUs covers a two-year period and the performance target is based on the achievement of a specified compound annual growth rate (CAGR) in a consolidated operating cash flow metric (as defined in the applicable underlying agreement), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability (OCF CAGR), and the participant's annual performance ratings during the two-year performance period. A performance range of 75% to 125% of the target OCF CAGR generally results in award recipients earning 50% to 150% of their respective PSUs, subject to reduction or forfeiture based on individual performance. The PSUs generally vest 50% on each of March 31 and September 30 of the year following the end of the performance period. During the Successor periods, Liberty Global granted PSUs to certain of our executive officers and key employees.

Liberty Global Challenge Performance Awards. Effective June 24, 2013, Liberty Global's compensation committee approved the Challenge Performance Awards, which consisted solely of PSARs for Liberty Global's senior executive officers and a combination of PSARs and PSUs for other executive officers and key employees. Each PSU represents the right to receive one Class A ordinary share or one Class C ordinary share of Liberty Global, as applicable, subject to performance and vesting. The performance criteria for the Challenge Performance Awards will be based on the participant's performance and achievement of individual goals in each of the years 2013, 2014 and 2015. Subject to forfeitures and the satisfaction of performance conditions, 100% of each participant's Challenge Performance Awards will vest on June 24, 2016. The PSARs have a term of seven years and base prices equal to the respective market closing prices of the applicable class on the grant date. During the Successor periods, Liberty Global granted PSARs to certain of our executive officers.

Virgin Media Incentive Awards

Equity awards were granted to certain of our employees prior to the LG/VM Transaction under certain incentive plans maintained and administered by our company and no new grants will be made under these incentive plans. The equity awards granted include stock options, restricted shares, RSUs and performance awards.

Share-based Award Activity - Liberty Global Ordinary Shares

The following tables summarize the share-based award activity during 2014 with respect to Liberty Global ordinary shares held by employees of our subsidiaries:

Options — Class A ordinary shares	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2014	2,020,610	$ 16.23		
Cancelled	(51,826)	$ 22.49		
Exercised	(738,736)	$ 16.01		
Transfers	(32,349)	$ 19.15		
Outstanding at December 31, 2014 (a)	1,197,699	$ 16.02	5.7	$ 40.9
Exercisable at December 31, 2014	760,379	$ 12.48	4.7	$ 28.7

Options — Class C ordinary shares	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2014	4,969,056	$ 14.80		
Cancelled	(128,419)	$ 21.13		
Exercised	(2,270,095)	$ 13.35		
Transfers	(79,683)	$ 17.51		
Outstanding at December 31, 2014 (a)	2,490,859	$ 15.70	6.1	$ 81.2
Exercisable at December 31, 2014	1,401,425	$ 11.73	5.2	$ 51.3

____

(a) The pound sterling equivalent amounts for the aggregate intrinsic value for outstanding Liberty Global Class A and Class C ordinary share options are £26.2 million and £52.1 million, respectively.

SARs — Class A ordinary shares	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2014	95,831	$ 27.95		
Granted	377,344	$ 40.77		
Forfeited	(11,930)	$ 40.91		
Exercised	(16,727)	$ 36.02		
Transfers	8,258	$ 28.62		
Outstanding at December 31, 2014 (a)	452,776	$ 38.01	5.8	$ 5.5
Exercisable at December 31, 2014	95,471	$ 30.22	4.6	$ 1.9

SARs — Class C ordinary shares	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2014	287,493	$ 26.83		
Granted	777,712	$ 38.87		
Forfeited	(23,860)	$ 39.09		
Exercised	(43,501)	$ 33.70		
Transfers	24,774	$ 27.38		
Outstanding at December 31, 2014 (a)	1,022,618	$ 35.42	5.7	$ 13.2
Exercisable at December 31, 2014	252,229	$ 27.61	4.4	$ 5.2

(a) The pound sterling equivalent amounts for the aggregate intrinsic value for outstanding Liberty Global Class A and Class C SARs are £3.5 million and £8.5 million, respectively.

PSARs — Class A ordinary shares	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2014	267,498	$ 36.00		
Granted	10,000	$ 43.58		
Exercised	(6,248)	$ 35.03		
Transfers	(10,000)	$ 35.03		
Outstanding at December 31, 2014 (a)	261,250	$ 35.59	5.5	$ 3.8
Exercisable at December 31, 2014	—	$ —	—	$ —

PSARs — Class C ordinary shares	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2014	802,494	$ 34.35		
Granted	30,000	$ 43.03		
Exercised	(18,744)	$ 33.41		
Transfers	(30,000)	$ 33.41		
Outstanding at December 31, 2014 (a)	783,750	$ 34.02	5.5	$ 11.2
Exercisable at December 31, 2014	—	$ —	—	$ —

(a) The pound sterling equivalent amounts for the aggregate intrinsic value for outstanding Liberty Global Class A and Class C PSARs are £2.4 million and £7.2 million, respectively.

RSUs — Class A ordinary shares	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2014	453,087	$ 38.85	
Granted	51,632	$ 41.04	
Forfeited	(13,803)	$ 39.03	
Released from restrictions	(211,313)	$ 38.68	
Transfers	(20,601)	$ 39.99	
Outstanding at December 31, 2014	259,002	$ 39.00	6.3

RSUs — Class C ordinary shares	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2014	1,134,213	$ 36.27	
Granted	103,264	$ 39.23	
Forfeited	(33,094)	$ 36.55	
Released from restrictions	(526,538)	$ 36.22	
Transfers	(50,177)	$ 37.61	
Outstanding at December 31, 2014	627,668	$ 36.54	6.4

PSUs — Class A ordinary shares	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2014	109,571	$ 34.89	
Granted	61,654	$ 40.60	
Performance adjustment (a)	(4,004)	$ 26.18	
Released from restrictions	(8,578)	$ 26.94	
Transfers	(6,986)	$ 35.60	
Outstanding at December 31, 2014	151,657	$ 37.86	1.2

PSUs — Class C ordinary shares	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2014	301,737	$ 32.58	
Granted	135,378	$ 38.60	
Performance adjustment (a)	(12,012)	$ 24.74	
Released from restrictions	(25,734)	$ 25.42	
Transfers	(17,984)	$ 33.29	
Outstanding at December 31, 2014	381,385	$ 36.71	1.2

(a) Represents the reduction in PSUs associated with the first quarter 2014 determination that 66.3% of the PSUs that were granted in 2012 (the 2012 PSUs) had been earned. As of December 31, 2014, all of the earned 2012 PSUs have been released from restrictions.

(12) Related-party Transactions

Our related-party transactions during the Successor periods consist of the following:

	Successor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013
	in millions	
Revenue	£ 0.3	£ —
Operating expenses	3.9	(0.9)
SG&A expenses	(5.5)	(0.4)
Allocated share-based compensation expense	(28.8)	(69.5)
Fees and allocations, net	(4.9)	0.3
Included in operating income (loss)	(35.0)	(70.5)
Interest income	229.7	107.0
Realized gain (loss) on derivative instruments	(1.9)	0.3
Interest expense	—	(5.8)
Included in net loss	£ 192.8	£ 31.0

General. Virgin Media charges fees and allocates costs and expenses to certain other Liberty Global subsidiaries and certain Liberty Global subsidiaries outside of Virgin Media charge fees and allocate costs and expenses to Virgin Media. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. Although we believe that the related-party charges and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our consolidated statements of operations are reflective of the costs that we would incur on a standalone basis. Our related-party transactions are generally cash settled.

Revenue. Amounts consist of network access charges to UPC Broadband Ireland Ltd. (UPC Ireland), a subsidiary of Liberty Global that was outside of Virgin Media as of December 31, 2014. Subsequent to December 31, 2014, we acquired a 65.0% controlling interest in UPC Ireland. For additional information, see note 20.

Operating expenses. Amounts primarily consist of the net effect of (i) personnel costs of £6.7 million and nil primarily charged to Liberty Global Operations B.V. (LGO B.V.) and (ii) network-related expenses, information technology-related expenses and other costs of £2.5 million and £0.7 million primarily charged by UPC Ireland, LGO B.V. and Liberty Global Services B.V. (LGS B.V.). LGO B.V. and LGS B.V. are each subsidiaries of Liberty Global that are outside of Virgin Media.

SG&A expenses. Amounts primarily consist of the net effect of (i) insurance-related expenses of £3.8 million and nil charged by Liberty Global Insurance Company Limited, a subsidiary of Liberty Global that is outside of Virgin Media, (ii) information technology-related expenses of £3.6 million and £0.3 million charged by LGS B.V. and (iii) personnel costs of £2.2 million and nil primarily charged to LGO B.V.

Allocated share-based compensation expense. As further described in note 11, Liberty Global allocates share-based compensation expense to our company.

Fees and allocations, net. These amounts, which are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by other Liberty Global subsidiaries, represent the aggregate net effect of charges between subsidiaries of Virgin Media and various Liberty Global subsidiaries that are outside of Virgin Media. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to our subsidiaries and are included in impairment, restructuring and other operating items, net, in our consolidation statements of operations.

Interest income. Amounts represent interest income on related-party notes, as further described below.

Realized gain (loss) on derivative instruments. As further described in note 5, these amounts primarily relate to related-party foreign currency forward contracts with LGE Financing.

Interest expense. Amount represents interest expense on a related-party note to LGI that we entered into in connection with the LG/VM Transaction. During the Successor period from June 8 to December 31, 2013, repayments were made on the note aggregating £832.2 million and as of December 31, 2013, the note was fully repaid. This note bore interest at a rate of 7.5%.

The following table provides details of our related-party balances:

	Successor	
	December 31,	
	2014	2013
	in millions	
Current note receivable (a)	£ 688.0	£ —
Current receivables (b)	57.0	88.1
Long-term notes receivable (c)	2,322.3	2,373.5
Total	£ 3,067.3	£ 2,461.6
Other payables (d)	£ 21.5	£ 87.6

(a) Amount represents a note receivable from Lynx Europe 2, that is owed to our subsidiary, Virgin Media Finco Limited. Pursuant to the loan agreement the maturity date is July 16, 2023, however Virgin Media Finco Limited may agree to advance additional amounts to Lynx Europe 2 at any time and Lynx Europe 2 may, with agreement from Virgin Media Finco Limited, repay all or part of the outstanding principal at any time prior to the maturity date. The note receivable is subject to further borrowings and repayments. The interest rate on this loan, which is subject to adjustment, was 5.855% as of December 31, 2014.

(b) Amounts represent (i) accrued interest on notes receivable from Lynx Europe 2, including £42.2 million (equivalent) and £40.1 million (equivalent), respectively, owed to our subsidiary, Virgin Media Finco Limited, and £0.4 million (equivalent) and £0.1 million (equivalent), respectively, owed to Virgin Media, (ii) employee withholding taxes collected by Liberty

Global on our behalf of £8.5 million (equivalent) and £43.3 million (equivalent), respectively, and (iii) certain receivables from other Liberty Global subsidiaries arising in the normal course of business. The accrued interest on the long-term notes receivable is payable semi-annually on April 15 and October 15 and may be cash settled or, if mutually agreed, loan settled. The accrued interest on the current note receivable is payable on various dates as noted in the agreement and may be loan settled. The withholding taxes and other receivables are settled periodically.

(c) Amounts represent:

(i) notes receivable from Lynx Europe 2 that are owed to Virgin Media Finco Limited (the 2023 8.5% Lynx Europe 2 Notes Receivable). These notes mature on April 15, 2023 and bear interest at a rate of 8.5%. At each of December 31, 2014 and 2013, the principal amount outstanding under these notes was £2,297.3 million. During the fourth quarter of 2013, the portion of these notes that was denominated in U.S. dollars (£947.3 million) was redenominated to pound sterling. The net increase during the period from June 8 to December 31, 2013 primarily relates to a cash loan of £2,290.6 million (equivalent at the transaction date) and a non-cash loan relating to deferred financing costs of £40.6 million (equivalent at the transaction date) that were paid by us on behalf of Lynx Europe 2 and reflected as an increase to the loan balance. Lynx Europe 2 subsequently contributed the amount related to the deferred financing costs to us. These increases were somewhat offset by declines from foreign exchange rate movements. The cash loan funded a transaction that occurred shortly after the LG/VM Transaction date, whereby a subsidiary of Liberty Global contributed cash to Virgin Media that was subsequently used to repay amounts outstanding under the MergerCo Bridge Facility Agreement;

(ii) a note receivable from Lynx Europe 2 that is owed to us. At December 31, 2014 and 2013, this note, which matures on or before April 15, 2023, had a principal balance of $19.9 million (£12.8 million) and $107.5 million (£69.0 million), respectively. This note bears interest at a rate of 7.875%. The net decrease during 2014 relates to a cash borrowing of £97.0 million (equivalent at the transaction date), cash repayments of £165.0 million, £8.3 million (equivalent at the transaction date) in capitalized accrued interest and an increase of £7.7 million due to the cumulative translation adjustment; and

(iii) a note receivable from Liberty Global that is owed to us. At December 31, 2014 and 2013, this note, which matures on June 4, 2018, had a principal balance of $18.8 million (£12.2 million) and $18.6 million (£11.9 million), respectively. This note bears interest at a rate of 1.74%. The increase during 2014 relates to an increase of (i) £0.7 million due to the cumulative translation adjustment and (ii) £0.2 million (equivalent at the transaction date) in capitalized accrued interest. This note receivable originated as a result of a non-cash transaction on the date of the LG/VM Transaction that resulted in a corresponding increase to our additional paid-in capital. This non-cash transaction involved the transfer of shares of Old Virgin Media held in a trust to a trust consolidated by Liberty Global in exchange for this note.

(d) Amounts represent (i) £13.7 million (equivalent) and £66.0 million (equivalent), respectively, arising from capital charges from Liberty Global, as described below, (ii) nil and £16.3 million (equivalent), respectively, related to deferred financing costs paid by LGI on our behalf and (iii) certain payables to other Liberty Global subsidiaries arising in the normal course of business. The payables related to the capital charges and deferred financing costs are settled periodically. None of these payables are currently interest bearing. In addition, we repaid a $1,615.5 million (£987.4 million at the transaction date) demand note to Liberty Global during the fourth quarter of 2013. This note, which did not bear interest, arose from the settlement of the VM Convertible Notes with Liberty Global ordinary shares following the LG/VM Transaction.

During the year ended December 31, 2014, we entered into notes receivable from (i) LGE Holdco V BV, a subsidiary of Liberty Global, and (ii) Liberty Global Incorporated Limited, a subsidiary of Liberty Global, the balances of which were converted to equity during the fourth quarter of 2014. The activity of the note receivable from LGE Holdco V BV included cash borrowings of £270.6 million (equivalent at the transaction date) and various non-cash decreases of £4.1 million. During the fourth quarter of 2014, the outstanding balance of £266.5 million was converted to equity. The activity of the note receivable from Liberty Global Incorporated Limited included cash borrowings of £115.0 million (equivalent at the transaction date) and various non-cash increases of £8.1 million. During the fourth quarter of 2014, the outstanding balance of £123.1 million was converted to equity.

During the year ended December 31, 2014 and the period from June 8 to December 31, 2013, we recorded capital charges of $47.8 million (£28.8 million at the applicable rate) and $109.4 million (£69.5 million at the applicable rate), respectively, in our consolidated statements of equity in connection with the exercise of Liberty Global options and the vesting of Liberty Global restricted share awards held by employees of our subsidiaries. These capital charges, which we and Liberty Global have agreed will not exceed the cumulative amount of share-based compensation allocated to our company by Liberty Global following the LG/VM Transaction, are based on the fair value of the underlying Liberty Global shares on the exercise or vesting date, as applicable.

During 2014, tax losses with an aggregate tax effect of £147.4 million were surrendered by Liberty Global and its U.K. subsidiaries outside of Virgin Media to our U.K. subsidiaries. For additional information, see note 9.

(13) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2014 is set forth in the table below:

	Employee severance and termination	Office closures	Contract termination and other	Total
	in millions			
Successor:				
Restructuring liability as of January 1, 2014	£ 5.3	£ 7.5	£ 0.2	£ 13.0
Restructuring charges (a)	10.6	5.6	—	16.2
Cash paid	(14.3)	(6.2)	—	(20.5)
Other	(0.4)	—	(0.2)	(0.6)
Restructuring liability as of December 31, 2014	£ 1.2	£ 6.9	£ —	£ 8.1
Current portion (b)	£ 1.2	£ 2.6	£ —	£ 3.8
Noncurrent portion (b)	—	4.3	—	4.3
Total	£ 1.2	£ 6.9	£ —	£ 8.1

(a) Our restructuring costs relate to certain organizational and staffing changes that we implemented during the Successor period, primarily in connection with our ongoing integration with Liberty Global.

(b) Our current restructuring liability is included in other current liabilities and our noncurrent restructuring liability is included in other long-term liabilities in our consolidated balance sheets.

A summary of changes in our restructuring liabilities during 2013 is set forth in the table below:

	Employee severance and termination	Office closures	Contract termination and other	Total
		in millions		
Predecessor:				
Restructuring liability as of January 1, 2013	£ —	£ 16.3	£ —	£ 16.3
Restructuring charges	—	0.5	—	0.5
Cash paid	—	(1.8)	—	(1.8)
Restructuring liability as of June 7, 2013	£ —	£ 15.0	£ —	£ 15.0
Successor:				
Restructuring liability as of June 7, 2013	£ —	£ 15.0	£ —	£ 15.0
Restructuring charges (a)	29.1	(0.2)	3.8	32.7
Cash paid	(23.7)	(7.7)	(1.9)	(33.3)
Other	(0.1)	0.4	(1.7)	(1.4)
Restructuring liability as of December 31, 2013 (b)	£ 5.3	£ 7.5	£ 0.2	£ 13.0

(a) Our restructuring costs relate to certain organizational and staffing changes that we implemented during the Successor period, primarily in connection with our ongoing integration with Liberty Global.

(b) Our December 31, 2013 restructuring liability is included in other current liabilities in our consolidated balance sheet.

(14) Defined Benefit Plans

We operate two defined benefit plans in the U.K. Annual service cost and the projected benefit obligation for these employee benefit plans is determined using the projected unit credit actuarial method. The trustees of the plans have established investment policies for plan assets. The investment strategies are long-term in nature and designed to meet the following objectives:

- Ensure that funds are available to pay benefits as they become due;
- Maximize the total returns on plan assets subject to prudent risk taking; and
- Preserve or improve the funded status of the trusts over time.

We review the asset allocation within their respective portfolios on a regular basis. Generally, the portfolios will be rebalanced to a target allocation when an individual asset class approaches its minimum or maximum targeted level.

The following is a summary of the funded status of our defined benefit plans (in millions):

	Successor		Predecessor
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013
Projected benefit obligation at beginning of period (a)	£ 447.0	£ 442.0	£ 431.1
Service cost	0.1	1.0	0.7
Interest cost	19.6	11.1	7.8
Actuarial loss (gain)	53.8	1.8	(0.8)
Participants' contributions	—	0.2	0.1
Benefits paid	(12.3)	(9.1)	(5.2)
Projected benefit obligation at end of period	£ 508.2	£ 447.0	£ 433.7
Accumulated benefit obligation at end of period	£ 503.3	£ 443.6	
Fair value of plan assets at beginning of period (a)	£ 420.1	£ 403.0	£ 384.6
Actual earnings of plan assets	49.1	12.3	8.6
Company contributions	28.5	13.7	9.3
Participants' contributions	—	0.2	0.1
Benefits paid	(12.3)	(9.1)	(5.2)
Fair value of plan assets at end of period	£ 485.4	£ 420.1	£ 397.4
Net liability (b)	£ 22.8	£ 26.9	£ 36.3

(a) The opening projected benefit obligation and the opening fair value of plan assets for the period from June 8 to December 31, 2013 includes purchase accounting adjustments made in connection with the LG/VM Transaction of £8.3 million and £5.6 million, respectively. For more information regarding the LG/VM Transaction, see note 4.

(b) The net liability related to our defined benefit plans is included in other long-term liabilities in our consolidated balance sheets.

The change in the amount of net actuarial gain (loss) not yet recognized as a component of net periodic pension costs in our consolidated statements of operations is as follows:

	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
		in millions	
Predecessor:			
Balance at January 1, 2012	£ (94.1)	£ 6.6	£ (87.5)
Net actuarial loss	(14.3)	3.3	(11.0)
Balance at December 31, 2012	(108.4)	9.9	(98.5)
Net actuarial gain	0.8	(0.2)	0.6
Balance at June 7, 2013	£ (107.6)	£ 9.7	£ (97.9)
Successor:			
Balance at June 8, 2013	£ —	£ —	£ —
Net actuarial loss	(2.0)	0.4	(1.6)
Balance at December 31, 2013	(2.0)	0.4	(1.6)
Net actuarial loss	(30.8)	6.9	(23.9)
Balance at December 31, 2014	£ (32.8)	£ 7.3	£ (25.5)

We expect none of the net actuarial loss will be recognized in our 2015 consolidated statement of operations.

The measurement dates used to determine our defined benefit plan assumptions were December 31, 2014, December 31, 2013, June 7, 2013 and December 31, 2012. The actuarial assumptions used to compute the net periodic pension cost are based on information available as of the beginning of the period, specifically market interest rates, past experience and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. In computing future costs and obligations, management must make assumptions about such items as employee mortality and turnover, expected salary and wage increases, discount rate, expected long-term rate of return on plan assets and expected future cost increases.

The expected rates of return on the assets of the plans are the long-term rates of return management expects the trust assets to earn. The rates of return are determined by the investment composition of the plan assets and the long-term risk and return forecast for each asset category. The forecasts for each asset class are generated using historical information as well as an analysis of current and expected market conditions. The expected risk and return characteristics for each asset class are reviewed annually and revised, as necessary, to reflect changes in the financial markets. To compute the expected return on plan assets, management applies an expected rate of return to the fair value of the plan assets.

The weighted average assumptions used in determining benefit obligations and net periodic pension cost are as follows:

	December 31,		
	2014	2013	2012
Expected rate of salary increase	3.6%	3.9%	3.5%
Discount rate	3.6%	4.5%	4.8%
Expected rate of return on plan assets	4.9%	6.1%	5.4%

The components of net periodic pension cost recorded in our consolidated statements of operations are as follows (in millions):

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Service cost	£ 0.1	£ 1.0	£ 0.7	£ 1.8
Interest cost	19.6	11.1	7.8	20.1
Expected return on plan assets	(25.9)	(12.5)	(8.6)	(18.3)
Other	—	—	0.8	2.6
Net periodic pension cost	£ (6.2)	£ (0.4)	£ 0.7	£ 6.2

The asset allocation by asset category and by fair value hierarchy level (as further described in note 6) of our plan assets is as follows:

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
	in millions			
Equity securities	£ 152.6	£ 152.6	£ —	£ —
Debt securities	134.0	134.0	—	—
Insurance contract (a)	101.4	—	—	101.4
Hedge funds	87.6	77.1	10.5	—
Real estate	4.5	—	—	4.5
Other	5.3	5.3	—	—
Total	£ 485.4	£ 369.0	£ 10.5	£ 105.9

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
	in millions			
Equity securities	£ 138.9	£ 138.9	£ —	£ —
Debt securities	101.5	101.5	—	—
Insurance contract (a)	92.6	—	—	92.6
Hedge funds	80.3	71.1	9.2	—
Real estate	4.7	—	—	4.7
Other	2.1	2.1	—	—
Total	£ 420.1	£ 313.6	£ 9.2	£ 97.3

(a) Relates to the purchase of an insurance contract authorized by the trustee of one of our defined benefit plans. The insurance contract will pay an income stream to the plan that is expected to match all future cash outflows with respect to certain liabilities. The fair value of this insurance contract is presented as an asset of the plan and is measured based on the future cash flows to be received under the contract discounted using the same discount rate used to measure the associated liabilities.

A reconciliation of the beginning and ending balances of our plan assets measured at fair value using Level 3 inputs is as follows (in millions):

Successor:		
Balance at January 1, 2014	£	97.3
Actual return on plan assets:		
Gains relating to assets still held at year-end		9.4
Purchases, sales and settlements of investments, net		(0.8)
Balance at December 31, 2014	£	105.9

The trustees of the defined benefit pension plans have in place weighted average target asset allocations of 27% equities, 21% bonds, 29% insurance contracts, 14% hedge funds and 9% other at December 31, 2014. As markets move relative to each other, the asset allocation may move away from the target investment strategy. Rebalancing of the assets may be carried out from time to time by the trustees.

Contributions to the respective defined benefit plans in 2015 are expected to aggregate £24.8 million.

As of December 31, 2014, the benefits that we currently expect to pay during the next ten years with respect to our defined benefit plans are as follows (in millions):

2015	£	14.5
2016	£	15.4
2017	£	16.9
2018	£	17.9
2019	£	18.5
2020 through 2024	£	108.1

(15) Accumulated Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) included in our consolidated balance sheets and statements of equity reflect the aggregate impact of foreign currency translation adjustments, unrealized gains and losses on cash flow hedges and pension-related adjustments. The changes in the components of accumulated other comprehensive earnings (loss), net of taxes, are summarized as follows:

	Foreign currency translation adjustments	Unrealized losses on cash flow hedges	Pension-related adjustments	Total accumulated other comprehensive earnings (loss)
		in millions		
Predecessor:				
Balance at January 1, 2012	£ 149.9	£ (32.4)	£ (87.5)	£ 30.0
Other comprehensive loss	11.3	(36.1)	(11.0)	(35.8)
Balance at December 31, 2012	161.2	(68.5)	(98.5)	(5.8)
Other comprehensive loss	(9.8)	(7.6)	0.6	(16.8)
Balance at June 7, 2013	£ 151.4	£ (76.1)	£ (97.9)	£ (22.6)
Successor:				
Balance at June 8, 2013 (a)	£ —	£ —	£ —	£ —
Other comprehensive earnings	147.2	—	(1.6)	145.6
Balance at December 31, 2013	147.2	—	(1.6)	145.6
Other comprehensive loss	(73.4)	—	(23.9)	(97.3)
Balance at December 31, 2014	£ 73.8	£ —	£ (25.5)	£ 48.3

(a) As a result of the application of acquisition accounting in connection with the LG/VM Transaction, the accumulated other comprehensive loss balance was eliminated. For more information regarding the LG/VM Transaction, see note 4.

The components of other comprehensive earnings (loss), net of taxes, are reflected in our consolidated statements of comprehensive earnings (loss). The following table summarizes the tax effects related to each component of other comprehensive earnings (loss), net of amounts reclassified to our consolidated statements of operations:

	Pre-tax amount	Tax benefit	Net-of-tax amount
		in millions	
Successor:			
Year ended December 31, 2014:			
Foreign currency translation adjustments	£ (73.4)	£ —	£ (73.4)
Pension related adjustments	(30.8)	6.9	(23.9)
Other comprehensive loss	£ (104.2)	£ 6.9	£ (97.3)
Period from June 8, 2013 to December 31, 2013:			
Foreign currency translation adjustments	£ 147.2	£ —	£ 147.2
Pension related adjustments	(2.0)	0.4	(1.6)
Other comprehensive earnings	£ 145.2	£ 0.4	£ 145.6
Predecessor:			
Period from January 1, 2013 to June 7, 2013:			
Foreign currency translation adjustments	£ (9.8)	£ —	£ (9.8)
Net unrealized gains on cash flow hedges	63.6	3.2	66.8
Reclassification of cash flow hedge gains to net income	(74.4)	—	(74.4)
Pension related adjustments	0.8	(0.2)	0.6
Other comprehensive loss	£ (19.8)	£ 3.0	£ (16.8)
Year ended December 31, 2012:			
Foreign currency translation adjustments	£ 11.3	£ —	£ 11.3
Net unrealized losses on cash flow hedges	(141.9)	11.6	(130.3)
Reclassification of cash flow hedge losses to net income	94.2	—	94.2
Pension related adjustments	(14.3)	3.3	(11.0)
Other comprehensive loss	£ (50.7)	£ 14.9	£ (35.8)

(16) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, network and connectivity commitments, purchases of customer premises and other equipment, non-cancelable operating leases and other items. The pound sterling equivalents of such commitments as of December 31, 2014 are presented below:

	Payments due during:						
	2015	2016	2017	2018	2019	Thereafter	Total
				in millions			
Programming commitments	£ 374.5	£ 336.1	£ 297.1	£ 294.2	£ 143.1	£ 1.1	£ 1,446.1
Network and connectivity commitments	92.2	77.7	76.1	18.6	0.6	4.6	269.8
Purchase commitments	245.4	4.2	—	—	—	—	249.6
Operating leases	36.1	29.8	22.9	17.0	11.1	41.3	158.2
Other commitments	91.4	41.3	28.4	11.0	—	—	172.1
Total (a)	£ 839.6	£ 489.1	£ 424.5	£ 340.8	£ 154.8	£ 47.0	£ 2,295.8

____

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2014 consolidated balance sheet.

Programming commitments consist of obligations associated with certain of our programming and sports rights contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium film or sports services. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, the programming costs incurred aggregated £574.2 million, £307.9 million, £232.3 million and £505.9 million, respectively. The ultimate amount payable in excess of the contractual minimums of our content contracts is dependent upon the number of subscribers to our service.

Network and connectivity commitments include, among other items, the fixed minimum commitments associated with our mobile virtual network operator (MVNO) agreement. As such, the commitments shown in the above table may be significantly less than the actual amounts we ultimately pay in these periods.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2014, 2013 and 2012, see note 5. For information regarding our defined benefit plans, see note 14.

Rental expense under non-cancelable operating lease arrangements amounted to £44.7 million, £24.9 million, £18.2 million and £49.8 million during the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

We have established defined contribution benefit plans for our subsidiaries' employees. The aggregate expense for matching contributions under the defined contribution employee benefit plans was £17.6 million, £11.2 million, £7.7 million and £13.7 million during the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, respectively.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide indemnifications to our lenders, our vendors and certain other parties and performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

Legal and Regulatory Proceedings and Other Contingencies

VAT Matters. Our application of the VAT with respect to certain revenue generating activities has been challenged by the U.K. tax authorities. We have estimated our maximum exposure in the event of an unfavorable outcome to be £40.3 million as of December 31, 2014. No portion of this exposure has been accrued by our company as the likelihood of loss is not considered to be probable. A court hearing was held at the end of September 2014 in relation to the U.K. tax authorities' challenge and the court's decision is expected at some point prior to March 31, 2015.

On March 19, 2014, the U.K. government announced a change in legislation with respect to the charging of VAT in connection with prompt payment discounts such as those that we offer to our fixed-line telephony customers. The changes, which took effect on May 1, 2014, impacted our company and as a result of this legislation, our revenue was £28.9 million lower during 2014, as compared to 2013. Recent correspondence from the U.K. government indicates that it may seek to challenge our application of the prompt payment discount rules prior to the May 1, 2014 change in legislation. If such a challenge were to be issued by the U.K. government, we could be required to make a payment of the challenged amount in order to make an appeal. We currently estimate that the challenged amount could be up to approximately £65 million before any penalties or interest. Any challenge and subsequent appeal would likely be subject to court proceedings that could delay the ultimate resolution of this matter for an extended period of time. No portion of this potential exposure has been accrued by our company as no claim has been asserted or assessed and the likelihood of loss is not considered to be probable.

Other Regulatory Issues. Broadband communications and mobile businesses are subject to significant regulation and supervision by various regulatory bodies in the jurisdictions in which we operate, and other U.K. and European Union authorities. Adverse regulatory developments could subject our businesses to a number of risks. Regulation could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

We have security accreditations across a range of B2B products and services in order to increase our offerings to public sector organizations in the U.K. These accreditations are granted subject to periodic reviews of our policies and procedures by U.K. governmental authorities. If we were to fail to maintain these accreditations or obtain new accreditations when required, it could impact our ability to provide certain offerings to the public sector.

Other. In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and wage, property and other tax issues and (iii) disputes over interconnection, programming, copyright and carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

(17) Segment Reporting

We operate in one geographical area, the U.K., within which we provide digital cable, broadband internet, fixed-line telephony and mobile services to both residential and business customers.

Our revenue by major category is set forth below (in millions):

	Successor		Predecessor	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Subscription revenue:				
Digital cable	£ 955.5	£ 553.1	£ 423.6	£ 886.9
Broadband internet	1,023.9	495.3	377.8	801.6
Fixed-line telephony	949.0	548.1	433.2	1,000.3
Cable subscription revenue (a)	2,928.4	1,596.5	1,234.6	2,688.8
Mobile subscription revenue (b)	479.9	252.8	187.5	437.9
Total subscription revenue	3,408.3	1,849.3	1,422.1	3,126.7
B2B revenue (c)	616.0	326.8	275.0	667.0
Other revenue (d)	189.9	134.1	113.1	306.8
Total revenue	£ 4,214.2	£ 2,310.2	£ 1,810.2	£ 4,100.5

(a) Cable subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, mobile services revenue and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) Mobile subscription revenue excludes mobile interconnect revenue of £80.2 million, £45.8 million, £38.9 million and £106.5 million, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

(c) B2B revenue includes revenue from business broadband internet, voice, wireless and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

(d) Other revenue includes, among other items, interconnect revenue, revenue from non-cable services, revenue from late fees and installation revenue.

(18) Condensed Consolidating Financial Information — Senior Notes

We present the following condensed consolidating financial information as of December 31, 2014 and December 31, 2013 and for the year ended December 31, 2014, the Successor period from June 8 to December 31, 2013, the Predecessor period from January 1 to June 7, 2013 and the year ended December 31, 2012 as required by the applicable underlying indentures.

As of December 31, 2014, Virgin Media Finance is the issuer of the following senior notes:

- $118.7 million (£76.2 million) aggregate principal amount of 2022 VM 4.875% Dollar Senior Notes
- $95.0 million (£61.0 million) aggregate principal amount of 2022 VM 5.25% Dollar Senior Notes;
- £44.1 million aggregate principal amount of 2022 VM Sterling Senior Notes;
- $530.0 million (£340.2 million) aggregate principal amount of 2023 VM Dollar Senior Notes;
- £250.0 million aggregate principal amount of 2023 VM Sterling Senior Notes;
- $500.0 million (£320.9 million) aggregate principal amount of 2024 VM Dollar Senior Notes; and
- £300.0 million aggregate principal amount of 2024 VM Sterling Senior Notes.

Virgin Media and certain of its subsidiaries, namely Virgin Media Group LLC (Virgin Media Group), Virgin Media (UK) Group LLC (Virgin Media (UK) Group) and Virgin Media Communications, have guaranteed the senior notes on a senior basis. Each of VMIH and VMIL are conditional guarantors and have guaranteed the senior notes on a senior subordinated basis.

	Successor							
	December 31, 2014							
Balance sheets	**Virgin Media**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Eliminations**	**Total**
	in millions							
ASSETS								
Current assets:								
Cash and cash equivalents	£ 0.5	£ —	£ —	£ —	£ —	£ 34.6	£ —	£ 35.1
Related-party note and other receivables	0.4	—	—	—	—	744.6	—	745.0
Other current assets	—	—	—	28.0	—	522.3	—	550.3
Other current assets – intercompany	—	1.4	—	—	—	2.6	(4.0)	—
Total current assets	0.9	1.4	—	28.0	—	1,304.1	(4.0)	1,330.4
Property and equipment, net	—	—	—	—	—	5,796.2	—	5,796.2
Goodwill	—	—	—	—	—	5,793.7	—	5,793.7
Intangible assets subject to amortization, net	—	—	—	—	—	1,951.2	—	1,951.2
Investments in, and loans to, parent and subsidiary companies	8,620.9	9,674.3	8,853.0	12,358.7	12,527.8	(7,081.8)	(44,952.9)	—
Deferred income taxes	—	—	—	—	—	1,506.2	—	1,506.2
Related-party notes receivable	25.1	—	—	—	—	2,297.2	—	2,322.3
Other assets, net	58.3	16.6	—	102.0	—	104.8	—	281.7
Other assets, net – intercompany	—	—	—	21.0	—	4.2	(25.2)	—
Total assets	£ 8,705.2	£ 9,692.3	£ 8,853.0	£ 12,509.7	£ 12,527.8	£ 11,675.8	£ (44,982.1)	£ 18,981.7
LIABILITIES AND EQUITY								
Current liabilities:								
Intercompany and related-party payables	£ 13.7	£ 59.6	£ 5.1	£ 115.6	£ —	£ 615.2	£ (787.7)	£ 21.5
Other current liabilities	116.4	20.9	—	290.7	—	1,329.3	—	1,757.3
Other current liabilities – intercompany	—	—	—	4.0	—	—	(4.0)	—
Total current liabilities	130.1	80.5	5.1	410.3	—	1,944.5	(791.7)	1,778.8
Long-term debt and capital lease obligations	—	1,393.8	—	—	—	6,955.1	—	8,348.9
Other long-term liabilities	—	—	—	101.6	—	177.3	—	278.9
Other long-term liabilities – intercompany	—	7.3	—	4.2	—	13.7	(25.2)	—
Total liabilities	130.1	1,481.6	5.1	516.1	—	9,090.6	(816.9)	10,406.6
Equity	8,575.1	8,210.7	8,847.9	11,993.6	12,527.8	2,585.2	(44,165.2)	8,575.1
Total liabilities and equity	£ 8,705.2	£ 9,692.3	£ 8,853.0	£ 12,509.7	£ 12,527.8	£ 11,675.8	£ (44,982.1)	£ 18,981.7

Balance sheets	Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Eliminations	Total
	Successor							
	December 31, 2013							
	in millions							
ASSETS								
Current assets:								
Cash and cash equivalents	£ 313.3	£ 0.1	£ 0.2	£ 0.3	£ —	£ 29.1	£ —	£ 343.0
Related-party receivables	0.2	—	—	—	—	87.9	—	88.1
Other current assets	0.1	—	—	27.7	—	532.6	(0.1)	560.3
Total current assets	313.6	0.1	0.2	28.0	—	649.6	(0.1)	991.4
Property and equipment, net	—	—	—	—	—	6,112.6	—	6,112.6
Goodwill	—	—	—	—	—	5,793.7	—	5,793.7
Intangible assets subject to amortization, net	—	—	—	—	—	2,321.5	—	2,321.5
Investments in, and loans to, parent and subsidiary companies	8,787.5	9,345.4	8,616.4	11,895.1	12,152.3	(7,491.0)	(43,305.7)	—
Deferred income taxes	—	—	—	—	—	1,407.4	—	1,407.4
Related-party notes receivable	76.2	—	—	—	—	2,297.3	—	2,373.5
Other assets, net	79.8	11.3	—	137.9	—	82.1	—	311.1
Other assets, net – intercompany	—	—	—	45.3	—	—	(45.3)	—
Total assets	£ 9,257.1	£9,356.8	£ 8,616.6	£12,106.3	£12,152.3	£ 11,173.2	£ (43,351.1)	£ 19,311.2
LIABILITIES AND EQUITY								
Current liabilities:								
Intercompany and related-party payables	£ 126.1	£ 2.7	£ 5.3	£ 67.8	£ —	£ 613.0	£ (727.3)	£ 87.6
Other current liabilities	102.8	21.4	—	107.7	—	1,217.2	(0.1)	1,449.0
Total current liabilities	228.9	24.1	5.3	175.5	—	1,830.2	(727.4)	1,536.6
Long-term debt and capital lease obligations	—	1,358.4	—	—	—	6,930.9	—	8,289.3
Other long-term liabilities	—	—	—	253.7	—	203.4	—	457.1
Other long-term liabilities – intercompany	—	15.7	—	—	—	29.6	(45.3)	—
Total liabilities	228.9	1,398.2	5.3	429.2	—	8,994.1	(772.7)	10,283.0
Equity	9,028.2	7,958.6	8,611.3	11,677.1	12,152.3	2,179.1	(42,578.4)	9,028.2
Total liabilities and equity	£ 9,257.1	£9,356.8	£ 8,616.6	£12,106.3	£12,152.3	£ 11,173.2	£ (43,351.1)	£ 19,311.2

Statements of operations	Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Eliminations	Total
	Successor							
	Year ended December 31, 2014							
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 4,214.2	£ —	£ 4,214.2
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	1,824.5	—	1,824.5
SG&A (including share-based compensation)	3.6	—	—	—	—	592.7	—	596.3
Depreciation and amortization	—	—	—	—	—	1,555.9	—	1,555.9
Impairment, restructuring and other operating items, net	—	—	—	—	—	17.4	—	17.4
	3.6	—	—	—	—	3,990.5	—	3,994.1
Operating income (loss)	(3.6)	—	—	—	—	223.7	—	220.1
Non-operating income (expense):								
Interest expense:								
Third-party	(10.5)	(87.9)	—	(11.7)	—	(347.0)	—	(457.1)
Intercompany	(186.8)	(6.7)	(11.2)	(340.6)	—	(1,074.9)	1,620.2	—
Interest income – related-party and intercompany	25.3	62.0	14.1	282.5	—	1,466.0	(1,620.2)	229.7
Gains (losses) on debt modification and extinguishment, net	—	20.2	—	—	—	(0.1)	—	20.1
Realized and unrealized gains (losses) on derivative instruments, net:								
Third-party	(8.8)	—	—	59.3	—	—	—	50.5
Related-party and intercompany	—	10.1	—	(38.0)	—	26.0	—	(1.9)
Foreign currency transaction gains (losses), net	(30.9)	(13.0)	(12.7)	(43.7)	—	10.2	(61.8)	(151.9)
Other income (expense), net	0.3	—	0.5	(0.1)	—	0.7	—	1.4
	(211.4)	(15.3)	(9.3)	(92.3)	—	80.9	(61.8)	(309.2)
Earnings (loss) before income taxes	(215.0)	(15.3)	(9.3)	(92.3)	—	304.6	(61.8)	(89.1)
Income tax expense	(1.7)	—	(0.1)	—	—	(19.7)	—	(21.5)
Earnings (loss) after income taxes	(216.7)	(15.3)	(9.4)	(92.3)	—	284.9	(61.8)	(110.6)
Equity in net earnings of subsidiaries	106.1	120.8	115.4	274.9	241.6	—	(858.8)	—
Net earnings (loss)	£ (110.6)	£ 105.5	£ 106.0	£ 182.6	£ 241.6	£ 284.9	£ (920.6)	£ (110.6)
Total comprehensive earnings (loss)	£ (207.9)	£ 92.0	£ 89.1	£ 169.1	£ 228.1	£ 271.4	£ (849.7)	£ (207.9)

Statements of operations	Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Eliminations	Total
	Successor							
	Period from June 8 to December 31, 2013							
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 2,310.2	£ —	£ 2,310.2
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	1,051.7	—	1,051.7
SG&A (including share-based compensation)	1.6	—	—	—	—	378.5	—	380.1
Depreciation and amortization	—	—	—	—	—	910.2	—	910.2
Impairment, restructuring and other operating items, net	0.6	—	—	—	—	35.9	—	36.5
	2.2	—	—	—	—	2,376.3	—	2,378.5
Operating loss	(2.2)	—	—	—	—	(66.1)	—	(68.3)
Non-operating income (expense):								
Interest expense:								
Third-party	(9.1)	(50.4)	—	(4.9)	—	(199.2)	—	(263.6)
Related-party and intercompany	(99.3)	(3.7)	(6.3)	(226.5)	—	(546.3)	876.3	(5.8)
Interest income – related-party and intercompany	0.2	48.3	7.9	186.5	—	740.4	(876.3)	107.0
Gains (losses) on debt modification and extinguishment, net	—	(0.3)	—	—	—	0.9	—	0.6
Realized and unrealized gains (losses) on derivative instruments, net:								
Third-party	27.0	—	—	(230.7)	—	—	—	(203.7)
Related-party and intercompany	—	(15.7)	—	45.5	—	(29.5)	—	0.3
Foreign currency transaction gains (losses), net	27.0	17.8	(3.0)	65.7	—	12.5	22.6	142.6
Other income, net	0.2	—	—	0.1	—	0.1	—	0.4
	(54.0)	(4.0)	(1.4)	(164.3)	—	(21.1)	22.6	(222.2)
Loss before income taxes	(56.2)	(4.0)	(1.4)	(164.3)	—	(87.2)	22.6	(290.5)
Income tax expense	—	—	—	—	—	(197.5)	—	(197.5)
Loss after income taxes	(56.2)	(4.0)	(1.4)	(164.3)	—	(284.7)	22.6	(488.0)
Equity in net loss of subsidiaries	(431.8)	(414.6)	(430.4)	(272.9)	(297.3)	—	1,847.0	—
Net loss	£ (488.0)	£ (418.6)	£ (431.8)	£ (437.2)	£ (297.3)	£ (284.7)	£ 1,869.6	£ (488.0)
Total comprehensive loss	£ (342.4)	£ (432.3)	£ (441.6)	£ (450.9)	£ (311.0)	£ (298.4)	£ 1,934.2	£ (342.4)

	Predecessor							
	Period from January 1 to June 7, 2013							
Statements of operations	Old Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Eliminations	Total
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 1,810.2	£ —	£ 1,810.2
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	845.4	—	845.4
SG&A (including share-based compensation)	8.4	—	—	—	—	247.7	—	256.1
Depreciation and amortization	—	—	—	—	—	432.8	—	432.8
Impairment, restructuring and other operating items, net	53.8	—	—	—	—	(2.6)	—	51.2
	62.2	—	—	—	—	1,523.3	—	1,585.5
Operating income (loss)	(62.2)	—	—	—	—	286.9	—	224.7
Non-operating income (expense):								
Interest expense:								
Third-party	(26.4)	(52.2)	—	7.7	—	(85.8)	—	(156.7)
Intercompany	(29.5)	(1.9)	(4.8)	(134.9)	—	(285.5)	456.6	—
Interest income – intercompany	—	53.6	6.0	62.7	—	334.3	(456.6)	—
Losses on debt modification and extinguishment, net	(0.1)	—	—	—	—	—	—	(0.1)
Realized and unrealized gains on derivative instruments, net	50.0	—	—	1.8	—	—	—	51.8
Foreign currency transaction gains (losses), net	(0.1)	2.6	5.6	23.7	—	(3.9)	(30.0)	(2.1)
Other income, net	—	—	—	0.2	—	0.2	—	0.4
	(6.1)	2.1	6.8	(38.8)	—	(40.7)	(30.0)	(106.7)
Earnings (loss) before income taxes	(68.3)	2.1	6.8	(38.8)	—	246.2	(30.0)	118.0
Income tax expense	—	—	—	(0.7)	—	(17.4)	—	(18.1)
Earnings (loss) after income taxes	(68.3)	2.1	6.8	(39.5)	—	228.8	(30.0)	99.9
Equity in net earnings of subsidiaries	168.2	140.2	161.2	209.7	222.9	—	(902.2)	—
Net earnings	£ 99.9	£ 142.3	£ 168.0	£ 170.2	£ 222.9	£ 228.8	£ (932.2)	£ 99.9
Total comprehensive earnings	£ 83.1	£ 135.3	£ 161.0	£ 163.2	£ 223.5	£ 229.4	£ (912.4)	£ 83.1

	Predecessor							
	Year ended December 31, 2012							
Statements of operations	Old Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Eliminations	Total
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 4,100.5	£ —	£ 4,100.5
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	1,872.9	—	1,872.9
SG&A (including share-based compensation)	15.3	—	—	—	—	558.9	—	574.2
Depreciation and amortization	—	—	—	—	—	966.4	—	966.4
Impairment, restructuring and other operating items, net	—	—	—	—	—	(11.8)	—	(11.8)
	15.3	—	—	—	—	3,386.4	—	3,401.7
Operating income (loss)	(15.3)	—	—	—	—	714.1	—	698.8
Non-operating income (expense):								
Interest expense:								
Third-party	(57.7)	(150.8)	—	8.8	—	(198.5)	—	(398.2)
Intercompany	(54.7)	(4.4)	(10.9)	(353.2)	—	(740.4)	1,163.6	—
Interest income – intercompany	—	167.2	15.5	185.8	—	795.1	(1,163.6)	—
Losses on debt modification and extinguishment, net	—	(187.8)	—	—	—	—	—	(187.8)
Realized and unrealized gains (losses) on derivative instruments, net	174.2	—	—	(26.1)	—	—	—	148.1
Foreign currency transaction losses, net	(0.1)	(7.8)	(2.8)	(24.5)	—	(4.5)	33.4	(6.3)
Other income, net	—	—	—	0.4	—	6.4	—	6.8
	61.7	(183.6)	1.8	(208.8)	—	(141.9)	33.4	(437.4)
Earnings (loss) before income taxes	46.4	(183.6)	1.8	(208.8)	—	572.2	33.4	261.4
Income tax benefit (expense)	—	—	0.1	(0.6)	—	2,652.5	—	2,652.0
Earnings (loss) after income taxes	46.4	(183.6)	1.9	(209.4)	—	3,224.7	33.4	2,913.4
Equity in net earnings of subsidiaries	2,867.0	2,963.2	2,865.0	3,139.2	3,137.2	—	(14,971.6)	—
Net earnings	£ 2,913.4	£ 2,779.6	£ 2,866.9	£ 2,929.8	£ 3,137.2	£ 3,224.7	£ (14,938.2)	£ 2,913.4
Total comprehensive earnings	£ 2,877.6	£ 2,732.5	£ 2,822.0	£ 2,882.6	£ 3,137.8	£ 3,225.3	£ (14,800.2)	£ 2,877.6

Statements of cash flows	Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Total
	Successor						
	Year ended December 31, 2014						
	in millions						
Cash flows from operating activities:							
Net cash provided (used) by operating activities	£ (153.3)	£ (47.1)	£ 1.8	£ (22.8)	£ —	£ 1,787.4	£ 1,566.0
Cash flows from investing activities:							
Loans to related-party	(317.6)	—	—	—	—	(688.0)	(1,005.6)
Capital expenditures	—	—	—	—	—	(604.0)	(604.0)
Other investing activities, net	—	—	—	—	—	(6.3)	(6.3)
Net cash used by investing activities	(317.6)	—	—	—	—	(1,298.3)	(1,615.9)
Cash flows from financing activities:							
Repayments and repurchases of debt and capital lease obligations	—	(569.0)	—	(59.4)	—	(1,657.7)	(2,286.1)
Borrowings of debt	—	610.9	—	—	—	1,535.5	2,146.4
Contributions (distributions)	159.2	37.8	(2.0)	109.8	—	(304.8)	—
Net cash received (paid) related to derivative instruments	0.8	—	—	(27.9)	—	—	(27.1)
Payment of financing costs and debt premiums	—	(32.7)	—	—	—	(56.6)	(89.3)
Net cash provided (used) by financing activities	160.0	47.0	(2.0)	22.5	—	(483.6)	(256.1)
Effect of exchange rates on cash and cash equivalents	(1.9)	—	—	—	—	—	(1.9)
Net increase (decrease) in cash and cash equivalents	(312.8)	(0.1)	(0.2)	(0.3)	—	5.5	(307.9)
Cash and cash equivalents:							
Beginning of period	313.3	0.1	0.2	0.3	—	29.1	343.0
End of period	£ 0.5	£ —	£ —	£ —	£ —	£ 34.6	£ 35.1

	Successor						
	Period from June 8 to December 31, 2013						
Statements of cash flows	**Virgin Media**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Total**
				in millions			
Cash flows from operating activities:							
Net cash provided (used) by operating activities	£ (98.4)	£ (12.4)	£ 0.1	£ (77.2)	£ —	£ 750.4	£ 562.5
Cash flows from investing activities:							
Loan to related-party	(65.7)	—	—	—	—	(2,290.6)	(2,356.3)
Capital expenditures	—	—	—	—	—	(418.9)	(418.9)
Other investing activities, net	—	—	—	—	—	1.8	1.8
Net cash used by investing activities	(65.7)	—	—	—	—	(2,707.7)	(2,773.4)
Cash flows from financing activities:							
Repayments and repurchases of debt and capital lease obligations	(2,832.7)	(1,116.8)	—	—	—	(101.3)	(4,050.8)
Borrowings of debt	—	—	—	—	—	1,983.4	1,983.4
Repayments of related-party notes	(1,819.6)	—	—	—	—	—	(1,819.6)
Capital contribution from parent	3,278.0	—	—	—	—	—	3,278.0
Release of restricted cash from escrow	—	586.0	—	—	—	1,727.6	2,313.6
Contributions (distributions)	1,508.9	537.1	—	32.3	—	(2,078.3)	—
Net cash received related to derivative instruments	343.2	—	—	21.1	—	—	364.3
Payment of financing costs and debt premiums	(30.9)	(16.6)	—	(0.6)	—	(16.2)	(64.3)
Other financing activities, net	(0.1)	—	—	—	—	—	(0.1)
Net cash provided (used) by financing activities	446.8	(10.3)	—	52.8	—	1,515.2	2,004.5
Effect of exchange rates on cash and cash equivalents	3.2	(1.5)	—	0.5	—	(7.6)	(5.4)
Net increase (decrease) in cash and cash equivalents	285.9	(24.2)	0.1	(23.9)	—	(449.7)	(211.8)
Cash and cash equivalents:							
Beginning of period	27.4	24.3	0.1	24.2	—	478.8	554.8
End of period	£ 313.3	£ 0.1	£ 0.2	£ 0.3	£ —	£ 29.1	£ 343.0

	Predecessor						
	Period from January 1 to June 7, 2013						
Statements of cash flows	Old Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Total
	in millions						
Cash flows from operating activities:							
Net cash provided (used) by operating activities	£ (106.9)	£ 3.3	£ 3.8	£ (55.1)	£ —	£ 743.0	£ 588.1
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	—	(313.4)	(313.4)
Other investing activities, net	—	—	—	—	—	4.1	4.1
Net cash used by investing activities	—	—	—	—	—	(309.3)	(309.3)
Cash flows from financing activities:							
Repayments and repurchases of debt and capital lease obligations	(1.5)	—	—	—	—	(45.0)	(46.5)
Contributions (distributions)	94.3	(3.1)	(3.8)	78.8	—	(166.2)	—
Payment of financing costs and debt premiums	(0.6)	(0.2)	—	—	—	(0.3)	(1.1)
Other financing activities, net	8.7	—	—	—	—	—	8.7
Net cash provided (used) by financing activities	100.9	(3.3)	(3.8)	78.8	—	(211.5)	(38.9)
Effect of exchange rates on cash and cash equivalents	0.9	—	—	0.4	—	(0.4)	0.9
Net increase (decrease) in cash and cash equivalents	(5.1)	—	—	24.1	—	221.8	240.8
Cash and cash equivalents:							
Beginning of period	10.3	1.0	0.1	0.1	—	194.8	206.3
End of period	£ 5.2	£ 1.0	£ 0.1	£ 24.2	£ —	£ 416.6	£ 447.1

	Predecessor						
	Year ended December 31, 2012						
Statements of cash flows	**Old Virgin Media**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Total**
	in millions						
Cash flows from operating activities:							
Net cash provided (used) by operating activities	£ (91.5)	£ 16.7	£ (3.0)	£ (187.5)	£ —	£ 1,464.2	£ 1,198.9
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	—	(782.5)	(782.5)
Other investing activities, net	—	—	—	—	—	(0.5)	(0.5)
Net cash used by investing activities	—	—	—	—	—	(783.0)	(783.0)
Cash flows from financing activities:							
Borrowings of debt	—	1,279.7	—	175.0	—	—	1,454.7
Repayments and repurchases of debt and capital lease obligations	—	(1,141.9)	—	(175.0)	—	(98.0)	(1,414.9)
Contributions (distributions)	436.5	14.8	2.8	214.3	—	(668.4)	—
Repurchase of common stock	(330.2)	—	—	—	—	—	(330.2)
Payment of financing costs and debt premiums	—	(165.0)	—	—	—	(0.1)	(165.1)
Net cash paid related to derivative instruments	—	—	—	(26.0)	—	—	(26.0)
Other financing activities, net	(19.1)	—	—	—	—	—	(19.1)
Net cash provided (used) by financing activities	87.2	(12.4)	2.8	188.3	—	(766.5)	(500.6)
Effect of exchange rates on cash and cash equivalents	(1.6)	(5.2)	—	(0.8)	—	(1.8)	(9.4)
Net decrease in cash and cash equivalents	(5.9)	(0.9)	(0.2)	—	—	(87.1)	(94.1)
Cash and cash equivalents:							
Beginning of period	16.2	1.9	0.3	0.1	—	281.9	300.4
End of period	£ 10.3	£ 1.0	£ 0.1	£ 0.1	£ —	£ 194.8	£ 206.3

(19) Condensed Consolidating Financial Information — Senior Secured Notes

We present the following condensed consolidating financial information as of December 31, 2014 and December 31, 2013 and for the year ended December 31, 2014, the Successor period from June 8 to December 31, 2013, the Predecessor period from January 1 to June 7, 2013 and the year ended December 31, 2012 as required by the applicable underlying indentures.

As of December 31, 2014, Virgin Media Secured Finance is the issuer of the following senior secured notes:

- £628.4 million aggregate principal amount of January 2021 VM Sterling Senior Secured Notes;
- $447.9 million (£287.5 million) aggregate principal amount of January 2021 VM Dollar Senior Secured Notes;
- £1.1 billion aggregate principal amount of April 2021 VM Sterling Senior Secured Notes;
- $1.0 billion (£641.8 million) aggregate principal amount of April 2021 VM Dollar Senior Secured Notes;
- £430.0 million aggregate principal amount of 2025 VM 5.5% Sterling Senior Secured Notes;
- $425.0 million (£272.8 million) aggregate principal amount of 2025 VM 5.5% Dollar Senior Secured Notes;
- £400.0 million aggregate principal amount of 2029 VM Senior Secured Notes.

Our senior secured notes are issued by Virgin Media Secured Finance and are guaranteed on a senior basis by Virgin Media, Virgin Media Group, Virgin Media (UK) Group and Virgin Media Communications and on a senior subordinated basis by VMIH and VMIL. They also rank pari passu with and, subject to certain exceptions, share in the same guarantees and security which has been granted in favor of our VM Credit Facility.

Balance sheets	Virgin Media	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	Successor					
	December 31, 2014					
	in millions					
ASSETS						
Current assets:						
Cash and cash equivalents	£ 0.5	£ 5.4	£ 7.5	£ 21.7	£ —	£ 35.1
Related-party note and other receivables	0.4	—	14.4	730.2	—	745.0
Other current assets	—	—	545.4	4.9	—	550.3
Other current assets – intercompany	—	2.6	1.4	—	(4.0)	—
Total current assets	0.9	8.0	568.7	756.8	(4.0)	1,330.4
Property and equipment, net	—	—	4,816.0	980.2	—	5,796.2
Goodwill	—	—	5,793.7	—	—	5,793.7
Intangible assets subject to amortization, net	—	—	1,837.4	113.8	—	1,951.2
Investments in, and loans to, parent and subsidiary companies	8,620.9	3,950.4	(4,049.8)	7,532.8	(16,054.3)	—
Deferred income taxes	—	—	1,506.2	—	—	1,506.2
Related-party notes receivable	25.1	—	—	2,297.2	—	2,322.3
Other assets, net	58.3	33.0	184.5	5.9	—	281.7
Other assets, net – intercompany	—	4.2	21.0	—	(25.2)	—
Total assets	£ 8,705.2	£ 3,995.6	£ 10,677.7	£ 11,686.7	£ (16,083.5)	£ 18,981.7
LIABILITIES AND EQUITY						
Current liabilities:						
Intercompany and related-party payables	£ 13.7	£ 0.2	£ 265.3	£ 530.0	£ (787.7)	£ 21.5
Other current liabilities	116.4	91.9	1,546.9	2.1	—	1,757.3
Other current liabilities – intercompany	—	—	4.0	—	(4.0)	—
Total current liabilities	130.1	92.1	1,816.2	532.1	(791.7)	1,778.8
Long-term debt and capital lease obligations	—	3,779.7	4,569.1	0.1	—	8,348.9
Other long-term liabilities	—	—	267.9	11.0	—	278.9
Other long-term liabilities – intercompany	—	13.8	11.4	—	(25.2)	—
Total liabilities	130.1	3,885.6	6,664.6	543.2	(816.9)	10,406.6
Equity	8,575.1	110.0	4,013.1	11,143.5	(15,266.6)	8,575.1
Total liabilities and equity	£ 8,705.2	£ 3,995.6	£ 10,677.7	£ 11,686.7	£ (16,083.5)	£ 18,981.7

	Successor					
	December 31, 2013					
Balance sheets	**Virgin Media**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
	in millions					
ASSETS						
Current assets:						
Cash and cash equivalents	£ 313.3	£ 0.1	£ 21.4	£ 8.2	£ —	£ 343.0
Related-party receivables	0.2	—	47.8	40.1	—	88.1
Other current assets	0.1	0.1	559.7	0.5	(0.1)	560.3
Total current assets	313.6	0.2	628.9	48.8	(0.1)	991.4
Property and equipment, net	—	—	5,037.3	1,075.3	—	6,112.6
Goodwill	—	—	5,793.7	—	—	5,793.7
Intangible assets subject to amortization, net	—	—	2,185.6	135.9	—	2,321.5
Investments in, and loans to, parent and subsidiary companies	8,787.5	4,257.8	(5,507.1)	7,937.7	(15,475.9)	—
Deferred income taxes	—	—	1,407.4	—	—	1,407.4
Related-party notes receivable	76.2	—	—	2,297.3	—	2,373.5
Other assets, net	79.8	31.6	199.7	—	—	311.1
Other assets, net intercompany	—	—	45.3	—	(45.3)	—
Total assets	£ 9,257.1	£ 4,289.6	£ 9,790.8	£ 11,495.0	£ (15,521.3)	£ 19,311.2
LIABILITIES AND EQUITY						
Current liabilities:						
Intercompany and related-party payables	£ 126.1	£ 1.4	£ 158.7	£ 528.8	£ (727.4)	£ 87.6
Other current liabilities	102.8	47.6	1,294.1	4.6	(0.1)	1,449.0
Total current liabilities	228.9	49.0	1,452.8	533.4	(727.5)	1,536.6
Long-term debt and capital lease obligations	—	4,164.9	4,124.4	—	—	8,289.3
Other long-term liabilities	—	—	446.8	10.3	—	457.1
Other long-term liabilities intercompany	—	29.6	15.7	—	(45.3)	—
Total liabilities	228.9	4,243.5	6,039.7	543.7	(772.8)	10,283.0
Equity	9,028.2	46.1	3,751.1	10,951.3	(14,748.5)	9,028.2
Total liabilities and equity	£ 9,257.1	£ 4,289.6	£ 9,790.8	£ 11,495.0	£ (15,521.3)	£ 19,311.2

	Successor					
	Year ended December 31, 2014					
Statements of operations	Virgin Media	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	in millions					
Revenue	£ —	£ —	£ 3,958.6	£ 255.6	£ —	£ 4,214.2
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	1,728.1	96.4	—	1,824.5
SG&A (including share-based compensation)	3.6	—	561.4	31.3	—	596.3
Depreciation and amortization	—	—	1,393.9	162.0	—	1,555.9
Impairment, restructuring and other operating items, net	—	—	16.0	1.4	—	17.4
	3.6	—	3,699.4	291.1	—	3,994.1
Operating income (loss)	(3.6)	—	259.2	(35.5)	—	220.1
Non-operating income (expense):						
Interest expense:						
Third-party	(10.5)	(224.3)	(222.3)	—	—	(457.1)
Intercompany	(186.8)	—	(669.8)	(781.7)	1,638.3	—
Interest income – related-party and intercompany	25.3	278.8	806.4	757.5	(1,638.3)	229.7
Losses on debt modification and extinguishment, net	—	4.3	15.8	—	—	20.1
Realized and unrealized gains (losses) on derivative instruments, net:						
Third-party	(8.8)	—	59.3	—	—	50.5
Related-party and intercompany	—	25.9	(27.8)	—	—	(1.9)
Foreign currency transaction gains (losses), net	(30.9)	(56.5)	51.3	(54.0)	(61.8)	(151.9)
Other income, net	0.3	0.1	0.3	0.7	—	1.4
	(211.4)	28.3	13.2	(77.5)	(61.8)	(309.2)
Earnings (loss) before income taxes	(215.0)	28.3	272.4	(113.0)	(61.8)	(89.1)
Income tax expense	(1.7)	—	(19.8)	—	—	(21.5)
Earnings (loss) after income taxes	(216.7)	28.3	252.6	(113.0)	(61.8)	(110.6)
Equity in net earnings (loss) of subsidiaries	106.1	—	(137.4)	219.1	(187.8)	—
Net earnings (loss)	£ (110.6)	£ 28.3	£ 115.2	£ 106.1	£ (249.6)	£ (110.6)
Total comprehensive earnings (loss)	£ (207.9)	£ 28.3	£ 126.5	£ 118.2	£ (273.0)	£ (207.9)

Statements of operations	Successor					
	Period from June 8 to December 31, 2013					
	Virgin Media	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	in millions					
Revenue	£ —	£ —	£ 2,167.3	£ 142.9	£ —	£ 2,310.2
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	981.7	70.0	—	1,051.7
SG&A (including share-based compensation)	1.6	—	360.2	18.3	—	380.1
Depreciation and amortization	—	—	813.1	97.1	—	910.2
Impairment, restructuring and other operating items, net	0.6	—	33.9	2.0	—	36.5
	2.2	—	2,188.9	187.4	—	2,378.5
Operating loss	(2.2)	—	(21.6)	(44.5)	—	(68.3)
Non-operating income (expense):						
Interest expense:						
Third-party	(9.1)	(133.7)	(120.8)	—	—	(263.6)
Related-party and intercompany	(99.3)	—	(410.7)	(394.3)	898.5	(5.8)
Interest income – related-party and intercompany	0.2	170.9	435.4	399.0	(898.5)	107.0
Gains (losses) on debt modification and extinguishment, net	—	1.0	(0.4)	—	—	0.6
Realized and unrealized gains (losses) on derivative instruments, net:						
Third-party	27.0	—	(230.7)	—	—	(203.7)
Related-party and intercompany	—	(29.6)	29.9	—	—	0.3
Foreign currency transaction gains, net	27.0	34.4	48.6	10.0	22.6	142.6
Other income, net	0.2	—	0.2	—	—	0.4
	(54.0)	43.0	(248.5)	14.7	22.6	(222.2)
Earnings (loss) before income taxes	(56.2)	43.0	(270.1)	(29.8)	22.6	(290.5)
Income tax expense	—	—	(197.5)	—	—	(197.5)
Earnings (loss) after income taxes	(56.2)	43.0	(467.6)	(29.8)	22.6	(488.0)
Equity in net earnings (loss) of subsidiaries	(431.8)	—	106.8	(401.9)	726.9	—
Net earnings (loss)	£ (488.0)	£ 43.0	£ (360.8)	£ (431.7)	£ 749.5	£ (488.0)
Total comprehensive earnings (loss)	£ (342.4)	£ 43.0	£ (374.5)	£ (439.9)	£ 771.4	£ (342.4)

	Predecessor					
	Period from January 1 to June 7, 2013					
Statements of operations	**Old Virgin Media**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
	in millions					
Revenue	£ —	£ —	£ 1,703.5	£ 106.7	£ —	£ 1,810.2
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	807.4	38.0	—	845.4
SG&A (including share-based compensation)	8.4	—	229.8	17.9	—	256.1
Depreciation and amortization	—	—	396.1	36.7	—	432.8
Impairment, restructuring and other operating items, net	53.8	—	(2.7)	0.1	—	51.2
	62.2	—	1,430.6	92.7	—	1,585.5
Operating income (loss)	(62.2)	—	272.9	14.0	—	224.7
Non-operating income (expense):						
Interest expense:						
Third-party	(26.4)	(71.6)	(58.7)	—	—	(156.7)
Intercompany	(29.5)	—	(283.2)	(155.6)	468.3	—
Interest income – intercompany	—	70.7	230.7	166.9	(468.3)	—
Losses on debt modification and extinguishment, net	(0.1)	—	—	—	—	(0.1)
Realized and unrealized gains on derivative instruments, net	50.0	—	1.8	—	—	51.8
Foreign currency transaction gains (losses), net	(0.1)	—	27.5	0.5	(30.0)	(2.1)
Other income, net	—	—	0.4	—	—	0.4
	(6.1)	(0.9)	(81.5)	11.8	(30.0)	(106.7)
Earnings (loss) before income taxes	(68.3)	(0.9)	191.4	25.8	(30.0)	118.0
Income tax expense	—	—	(18.1)	—	—	(18.1)
Earnings (loss) after income taxes	(68.3)	(0.9)	173.3	25.8	(30.0)	99.9
Equity in net earnings of subsidiaries	168.2	—	0.3	142.4	(310.9)	—
Net earnings (loss)	£ 99.9	£ (0.9)	£ 173.6	£ 168.2	£ (340.9)	£ 99.9
Total comprehensive earnings (loss)	£ 83.1	£ (0.9)	£ 166.6	£ 161.2	£ (326.9)	£ 83.1

	Predecessor					
	Year ended December 31, 2012					
Statements of operations	**Old Virgin Media**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
	in millions					
Revenue	£ —	£ —	£ 3,854.8	£ 245.7	£ —	£ 4,100.5
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	1,774.0	98.9	—	1,872.9
SG&A (including share-based compensation)	15.3	—	529.1	29.8	—	574.2
Depreciation and amortization	—	—	876.7	89.7	—	966.4
Impairment, restructuring and other operating items, net	—	—	(14.3)	2.5	—	(11.8)
	15.3	—	3,165.5	220.9	—	3,401.7
Operating income (loss)	(15.3)	—	689.3	24.8	—	698.8
Non-operating income (expense):						
Interest expense:						
Third-party	(57.7)	(162.0)	(178.5)	—	—	(398.2)
Intercompany	(54.7)	—	(749.5)	(393.6)	1,197.8	—
Interest income – intercompany	—	163.5	606.3	428.0	(1,197.8)	—
Losses on debt modification and extinguishment, net	—	—	(187.8)	—	—	(187.8)
Realized and unrealized gains (losses) on derivative instruments, net	174.2	—	(26.1)	—	—	148.1
Foreign currency transaction gains (losses), net	(0.1)	—	(46.6)	7.0	33.4	(6.3)
Other income, net	—	—	6.8	—	—	6.8
	61.7	1.5	(575.4)	41.4	33.4	(437.4)
Earnings before income taxes	46.4	1.5	113.9	66.2	33.4	261.4
Income tax benefit	—	—	2,651.9	0.1	—	2,652.0
Earnings after income taxes	46.4	1.5	2,765.8	66.3	33.4	2,913.4
Equity in net earnings of subsidiaries	2,867.0	—	70.4	2,800.8	(5,738.2)	—
Net earnings	£ 2,913.4	£ 1.5	£ 2,836.2	£ 2,867.1	£ (5,704.8)	£ 2,913.4
Total comprehensive earnings	£ 2,877.6	£ 1.5	£ 2,789.0	£ 2,821.9	£ (5,612.4)	£ 2,877.6

Statements of cash flows	Successor				
	Year ended December 31, 2014				
	Virgin Media	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Total
			in millions		
Cash flows from operating activities:					
Net cash provided (used) by operating activities	£ (153.3)	£ 54.4	£ 1,583.8	£ 81.1	£ 1,566.0
Cash flows from investing activities:					
Loans to related-party	(317.6)	—	—	(688.0)	(1,005.6)
Capital expenditures	—	—	(567.4)	(36.6)	(604.0)
Other investing activities, net	—	—	(6.8)	0.5	(6.3)
Net cash used by investing activities	(317.6)	—	(574.2)	(724.1)	(1,615.9)
Cash flows from financing activities:					
Repayments and repurchases of debt and capital lease obligations	—	(1,467.7)	(818.4)	—	(2,286.1)
Borrowings of debt	—	1,088.9	1,057.5	—	2,146.4
Contributions (distributions)	159.2	383.2	(1,198.9)	656.5	—
Net cash received (paid) related to derivative instruments	0.8	—	(27.9)	—	(27.1)
Payment of financing costs and debt premiums	—	(53.5)	(35.8)	—	(89.3)
Net cash provided (used) by financing activities	160.0	(49.1)	(1,023.5)	656.5	(256.1)
Effect of exchange rates on cash and cash equivalents	(1.9)	—	—	—	(1.9)
Net increase (decrease) in cash and cash equivalents	(312.8)	5.3	(13.9)	13.5	(307.9)
Cash and cash equivalents:					
Beginning of period	313.3	0.1	21.4	8.2	343.0
End of period	£ 0.5	£ 5.4	£ 7.5	£ 21.7	£ 35.1

	Successor				
	Period from June 8 to December 31, 2013				
Statements of cash flows	**Virgin Media**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Total**
			in millions		
Cash flows from operating activities:					
Net cash provided (used) by operating activities	£ (98.4)	£ (6.1)	£ 606.0	£ 61.0	£ 562.5
Cash flows from investing activities:					
Loans to related-party	(65.7)	—	—	(2,290.6)	(2,356.3)
Capital expenditures	—	—	(393.0)	(25.9)	(418.9)
Other investing activities, net	—	—	1.8	—	1.8
Net cash used by investing activities	(65.7)	—	(391.2)	(2,316.5)	(2,773.4)
Cash flows from financing activities:					
Repayments and repurchases of debt and capital lease obligations	(2,832.7)	(56.0)	(1,162.1)	—	(4,050.8)
Borrowings of debt	—	—	1,983.4	—	1,983.4
Repayments of related-party notes	(1,819.6)	—	—	—	(1,819.6)
Capital contribution from parent	3,278.0	—	—	—	3,278.0
Release of restricted cash from escrow	—	1,727.6	586.0	—	2,313.6
Contributions (distributions)	1,508.9	(1,707.7)	(2,064.6)	2,263.4	—
Net cash received related to derivative instruments	343.2	—	21.1	—	364.3
Payment of financing costs and debt premiums	(30.9)	(16.2)	(17.2)	—	(64.3)
Other financing activities, net	(0.1)	—	—	—	(0.1)
Net cash provided (used) by financing activities	446.8	(52.3)	(653.4)	2,263.4	2,004.5
Effect of exchange rates on cash and cash equivalents	3.2	(3.7)	0.3	(5.2)	(5.4)
Net increase (decrease) in cash and cash equivalents	285.9	(62.1)	(438.3)	2.7	(211.8)
Cash and cash equivalents:					
Beginning of period	27.4	62.2	459.7	5.5	554.8
End of period	£ 313.3	£ 0.1	£ 21.4	£ 8.2	£ 343.0

	Predecessor				
	Period from January 1 to June 7, 2013				
Statements of cash flows	**Old Virgin Media**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Total**
			in millions		
Cash flows from operating activities:					
Net cash provided (used) by operating activities	£ (106.9)	£ 1.5	£ 595.6	£ 97.9	£ 588.1
Cash flows from investing activities:					
Capital expenditures	—	—	(282.5)	(30.9)	(313.4)
Other investing activities, net	—	—	3.7	0.4	4.1
Net cash used by investing activities	—	—	(278.8)	(30.5)	(309.3)
Cash flows from financing activities:					
Repayments and repurchases of debt and capital lease obligations	(1.5)	—	(45.0)	—	(46.5)
Contributions (distributions)	94.3	(1.6)	(27.1)	(65.6)	—
Payment of financing costs and debt premiums	(0.6)	(0.3)	(0.2)	—	(1.1)
Other financing activities, net	8.7	—	—	—	8.7
Net cash provided (used) by financing activities	100.9	(1.9)	(72.3)	(65.6)	(38.9)
Effect of exchange rates on cash and cash equivalents	0.9	0.4	—	(0.4)	0.9
Net increase (decrease) in cash and cash equivalents	(5.1)	—	244.5	1.4	240.8
Cash and cash equivalents:					
Beginning of period	10.3	—	191.9	4.1	206.3
End of period	£ 5.2	£ —	£ 436.4	£ 5.5	£ 447.1

Statements of cash flows	Predecessor — Year ended December 31, 2012 — Old Virgin Media	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Total
			in millions		
Cash flows from operating activities:					
Net cash provided (used) by operating activities	£ (91.5)	£ 1.5	£ 1,167.9	£ 121.0	£ 1,198.9
Cash flows from investing activities:					
Capital expenditures	—	—	(678.0)	(104.5)	(782.5)
Other investing activities, net	—	—	2.6	(3.1)	(0.5)
Net cash used by investing activities	—	—	(675.4)	(107.6)	(783.0)
Cash flows from financing activities:					
Borrowings of debt	—	—	1,454.7	—	1,454.7
Repayments and repurchases of debt and capital lease obligations	—	—	(1,414.9)	—	(1,414.9)
Repurchase of common stock	(330.2)	—	—	—	(330.2)
Payment of financing costs and debt premiums	—	(0.2)	(164.9)	—	(165.1)
Contributions (distributions)	436.5	(1.3)	(405.5)	(29.7)	—
Net cash paid related to derivative instruments	—	—	(26.0)	—	(26.0)
Other financing activities, net	(19.1)	—	—	—	(19.1)
Net cash provided (used) by financing activities	87.2	(1.5)	(556.6)	(29.7)	(500.6)
Effect of exchange rates on cash and cash equivalents	(1.6)	—	(7.8)	—	(9.4)
Net decrease in cash and cash equivalents	(5.9)	—	(71.9)	(16.3)	(94.1)
Cash and cash equivalents:					
Beginning of period	16.2	—	263.8	20.4	300.4
End of period	£ 10.3	£ —	£ 191.9	£ 4.1	£ 206.3

(20) Subsequent Events

Overview

During the first quarter of 2015, Liberty Global undertook various financing transactions in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe. As part of these reorganizations, on February 12, 2015, (i) we paid aggregate cash consideration of €1,341.3 million (£993.8 million at the transaction date) to acquire (a) a 65.0% controlling interest in UPC Ireland and its subsidiaries from a subsidiary of Liberty Global outside of the Virgin Media borrowing group (the UPC Ireland Acquisition) and (b) 100% of a €634.3 million (£470.0 million at the transaction date) note receivable from a subsidiary of UPC Ireland and (ii) we received a €165.6 million (£122.7 million at the transaction date) cash payment from Lynx Europe 2 on the 2023 8.5% Lynx Europe 2 Notes Receivable. The remaining 35.0% noncontrolling interest in UPC Ireland was acquired by another subsidiary of Liberty Global outside the Virgin Media borrowing group. The note receivable from a subsidiary of UPC Ireland will be eliminated in consolidation after giving effect to the common control transfer accounting described in note 1.

UPC Ireland Acquisition

In contemplation of the UPC Ireland Acquisition, certain of our subsidiaries issued the following senior notes on January 28, 2015:

- Virgin Media Secured Finance issued £300.0 million principal amount of 5.125% senior secured notes due January 15, 2025 (the 2025 VM 5.125% Senior Secured Notes); and
- Virgin Media Finance issued (i) $400.0 million (£256.7 million) principal amount of 5.75% senior notes (the 2025 VM Dollar Senior Notes) and (ii) €460.0 million (£357.2 million) principal amount of 4.50% senior notes (the 2025 VM Euro Senior Notes and, together with the 2025 VM Dollar Senior Notes, the 2025 VM Senior Notes), each of which are due January 15, 2025.

A portion of the proceeds from the 2025 VM 5.125% Senior Secured Notes and the 2025 VM Senior Notes were ultimately used to redeem a portion of the outstanding indebtedness at UPC Holding B.V., a wholly-owned subsidiary of Liberty Global, which, prior to the UPC Ireland Acquisition, owned 100% of UPC Ireland.

The 2025 VM 5.125% Senior Secured Notes contain terms that are similar to the VM Senior Secured Notes with respect to ranking and covenant requirements and are guaranteed on the same basis as the VM Senior Secured Notes. The 2025 VM Senior Notes contain terms that are similar to the VM Senior Notes with respect to ranking and covenant requirements and are guaranteed on the same basis as the VM Senior Notes. For more information, see note 8.

Subject to the circumstances described below, the 2025 VM 5.125% Senior Secured Notes and the 2025 VM Senior Notes are non-callable until January 15, 2020. At any time prior to January 15, 2020, Virgin Media Secured Finance or Virgin Media Finance (as applicable) may redeem some or all of the 2025 VM 5.125% Senior Secured Notes and 2025 VM Senior Notes by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments to the first call date using the discount rate (as specified in the indenture) as of the redemption date plus 50 basis points.

Virgin Media Secured Finance or Virgin Media Finance (as applicable) may redeem some or all of the 2025 VM 5.125% Senior Secured Notes or the 2025 VM Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the redemption date, if redeemed during the twelve-month period commencing on January 15 of the years set forth below:

	Redemption price		
Year	2025 VM 5.125% Senior Secured Notes	2025 VM Dollar Senior Notes	2025 VM Euro Senior Notes
2020	102.563%	102.875%	102.250%
2021	101.708%	101.917%	101.500%
2022	100.854%	100.958%	100.750%
2023 and thereafter	100.000%	100.000%	100.000%

Prior to January 15, 2020, during each 12-month period commencing on the date on which the 2025 VM 5.125% Senior Secured Notes are issued, Virgin Media Secured Finance may redeem up to 10% of the principal amount of the 2025 VM 5.125% Senior Secured Notes at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest up to (but excluding) the redemption date.

If Virgin Media Secured Finance or Virgin Media Finance (as applicable) or the restricted subsidiaries (as specified in the indenture) sell certain assets, Virgin Media Secured Finance or Virgin Media Finance must offer to repurchase the 2025 VM 5.125% Senior Secured Notes or the 2025 VM Senior Notes, as applicable, at par, or if Virgin Media Communications or certain of its subsidiaries experience changes in control (as specified in the indenture), Virgin Media Secured Finance or Virgin Media Finance (as applicable) must offer to repurchase the 2025 VM 5.125% Senior Secured Notes and the 2025 VM Senior Notes at a redemption price of 101%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read in conjunction with our consolidated financial statements. This discussion is organized as follows:

- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2014, 2013 and 2012.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity, consolidated statements of cash flows and contractual commitments.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that contain uncertainties and require significant judgment in their application.
- *Quantitative and Qualitative Disclosures about Market Risk*. This section provides discussion and analysis of the foreign currency, interest rate and other market risk that our company faces.

The capitalized terms used below have been defined in the notes to our consolidated financial statements. In the following text, the terms, "we," "our," "our company" and "us" may refer, as the context requires, to Virgin Media (or Old Virgin Media) or collectively to Virgin Media (or Old Virgin Media) and its subsidiaries.

Unless otherwise indicated, convenience translations into pound sterling are calculated, and operational data (including subscriber statistics) are presented, as of December 31, 2014.

Overview

We are a subsidiary of Liberty Global that provides digital cable, broadband internet, fixed-line telephony and mobile services in the U.K. to both residential and B2B customers. We are 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. We believe our advanced, deep-fiber cable access network enables us to offer faster and higher quality broadband services than our digital subscriber line (DSL) competitors. As a result, we provide our customers with a leading next generation broadband service and one of the most advanced interactive TV services available in the U.K. market.

Our residential broadband subscribers generally access the internet at various download speeds ranging up to 152 Mbps depending on the tier of service selected. We determine pricing for each different tier of broadband internet service through analysis of speed, market conditions and other factors.

Our digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view programming (including digital cable-on-demand), digital cable recorders, high definition and 3D programming and access to over-the-top content.

We provide mobile services to our customers using a third-party network through an MVNO arrangement.

In addition, we provide broadband internet, fixed-line and mobile telephony and other connectivity services to businesses, public sector organizations and service providers.

We strive to achieve organic revenue and customer growth in our operations by developing and marketing bundled entertainment and information and communications services, and extending and upgrading the quality of our network where appropriate. As we use the term, organic growth excludes the estimated impact of acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet, fixed-line telephony and mobile services with existing customers through product bundling and upselling.

We completed a small acquisition during the first three months of 2014 that has an impact on the comparability of our 2014 and 2013 results of operations.

As of December 31, 2014, our network passed 12,627,400 homes and served 12,513,500 revenue generating units (RGUs), consisting of 4,536,600 broadband internet subscribers, 4,216,600 fixed-line telephony subscribers, and 3,760,300 digital cable subscribers. We also served 3,053,000 mobile subscribers. Effective October 1, 2014, we began including certain small office and home office RGUs in our externally-reported subscriber statistics. As a result of this change, we recorded a non-organic adjustment to increase the number of our RGUs at October 1, 2014 by 36,100.

Including the effect of an acquisition, we added a total of 215,700 RGUs during 2014. Excluding the effect of this acquisition (RGUs added on the acquisition date), but including post-acquisition date RGU additions, we added 201,000 RGUs on an organic basis during 2014, as compared to 19,500 RGUs added on an organic basis during 2013. The organic RGU growth during 2014 is attributable to the growth in our broadband internet, fixed-line telephony and digital cable services of 141,800, 52,200 and 7,000 RGUs, respectively.

We added 62,800 mobile subscribers during 2014, as compared to a loss of 7,400 mobile subscribers during 2013. The organic growth during 2014 is attributable to the net impact of gowth in our postpaid mobile services, which added 230,300 subscribers, and a decline of our prepaid mobile services of 167,500 subscribers.

In addition to competition, our operations are subject to macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S. and several European countries, combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company.

The digital cable, broadband internet and fixed-line telephony businesses in which we operate are capital intensive. Significant additions to our property and equipment are required to add customers to our network and to upgrade our broadband communications network and customer premises equipment to enhance our service offerings and improve the customer experience, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies, the expansion of existing technologies such as fiber-to-the-home, -cabinet, -building or -node and advanced DSL technologies, or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our networks and customer premises equipment in impacted markets. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned additions to our property and equipment, our growth could be limited and our competitive position could be harmed.

In order to achieve what we believe will be attractive returns, we plan to undertake a network extension program in the U.K. pursuant to which we may connect up to an estimated four million additional homes and businesses to our broadband communications network from 2015 through 2020 (the Network Extension). These additional premises were identified through a detailed review of our existing network in the U.K. that highlighted an opportunity to drive further scale by targeting accretive network extensions. The Network Extension will be completed in phases and will initially focus on the most accretive expansion opportunities. Depending on a variety of factors, including the financial and operational results of the earlier phases of the program, the Network Extension may be modified or cancelled at our discretion. Assuming the full completion of the Network Extension, we estimate that we will incur total incremental property and equipment additions ranging from approximately £2.9 billion to £3.1 billion from 2015 through 2020, including expenditures related to (i) the build-out of our network, which we estimate will account for approximately 80% of our total investment, and (ii) the purchase and installation of related customer premises equipment. We currently expect that these expenditures will be predominantly funded through debt financing and will (a) positively impact the organic growth in our consolidated revenue and operating cash flow, with meaningful benefits beginning in 2017, and (b) increase the percentage of revenue represented by our aggregate consolidated property and equipment additions over this time frame. Including the full estimated impact of the Network Extension, the UPC Ireland Acquisition and assuming no changes to our current long-range capital plan, we expect that our aggregate consolidated property and equipment additions as a percentage of our revenue will range from (1) 21% to 23% during 2015 and (2) 25% to 28% during the period from 2016 through 2020. Operating cash flow is defined as revenue less operating and SG&A expenses (excluding share-based compensation, depreciation and amortization and impairment, restructuring and other operating items). For additional information regarding our property and equipment additions, see *Liquidity and Capital Resources — Consolidated Statements of Cash Flows* below.

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. Our suppliers often conduct business worldwide and their ability to meet our needs is subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services, and accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows.

LG/VM Transaction

Virgin Media became a wholly-owned subsidiary of Liberty Global as a result of the LG/VM Transaction, pursuant to which Liberty Global became the publicly-held parent company of the successors by merger of Old Virgin Media and LGI. For further information, see note 4 to our consolidated financial statements.

As a result of Liberty Global's push-down of its investment basis in Virgin Media arising from the LG/VM Transaction, a new basis of accounting was created on June 7, 2013. In the following discussion, the results of operations and cash flows of Old Virgin Media for the periods ended on or prior to June 7, 2013 are referred to as "Predecessor" consolidated financial information and the results of operations and cash flows of Virgin Media for periods beginning on June 8, 2013 and the financial position of Virgin Media as of June 7, 2013 and subsequent balance sheet dates are referred to as "Successor" consolidated financial information.

The Predecessor and Successor consolidated financial information presented within the consolidated financial statements and accompanying notes is not comparable primarily due to the fact that the Successor consolidated financial information reflects:

- the application of acquisition accounting as of June 7, 2013, as further described in note 4 to our consolidated financial statements, of which the most significant implications are (i) increased depreciation expense, (ii) increased amortization expense and (iii) increased share-based compensation expense;

- conforming accounting policy changes, primarily to align to Liberty Global's accounting policy for the recognition of installation fees received on B2B contracts, as further described in note 1 to our consolidated financial statements; and

- additional interest expense associated with debt financing arrangements entered into in connection with the LG/VM Transaction and subsequently pushed down to our balance sheet, as further described in note 8 to our consolidated financial statements.

Combined Results

In order to provide a more meaningful basis for comparing the results of operations for the years ended December 31, 2014 and 2013 to the corresponding prior year periods, we have presented financial information for the year ended December 31, 2013 that reflects the combination of the results for the 2013 Predecessor and Successor periods. The combination of Predecessor and Successor periods is not permitted by U.S. GAAP and has not been prepared with a view towards complying with Article 11 of Regulation S-X (in millions):

	Successor		Predecessor	Combined	Change	
Consolidated Statements of Operations	**Year ended December 31, 2014**	**Period from June 8 to December 31, 2013**	**Period from January 1 to June 7, 2013**	**Year ended December 31, 2013**	**£**	**%**
Revenue	£ 4,214.2	£ 2,310.2	£ 1,810.2	£ 4,120.4	£ 93.8	2.3
Operating costs and expenses:						
Operating (other than depreciation and amortization)	1,824.5	1,051.7	845.4	1,897.1	(72.6)	(3.8)
SG&A (including share-based compensation)	596.3	380.1	256.1	636.2	(39.9)	(6.3)
Depreciation and amortization	1,555.9	910.2	432.8	1,343.0	212.9	15.9
Impairment, restructuring and other operating items, net	17.4	36.5	51.2	87.7	(70.3)	N.M.
	3,994.1	2,378.5	1,585.5	3,964.0	30.1	0.8
Operating income (loss)	220.1	(68.3)	224.7	156.4	63.7	40.7
Non-operating income (expense):						
Interest expense:						
Third-party	(457.1)	(263.6)	(156.7)	(420.3)	(36.8)	(8.8)
Related-party	—	(5.8)	—	(5.8)	5.8	N.M.
Interest income – related-party	229.7	107.0	—	107.0	122.7	N.M.
Gains (losses) on debt modification and extinguishment, net	20.1	0.6	(0.1)	0.5	19.6	N.M.
Realized and unrealized gains (losses) on derivative instruments, net	48.6	(203.4)	51.8	(151.6)	200.2	N.M.
Foreign currency transaction gains (losses), net	(151.9)	142.6	(2.1)	140.5	(292.4)	N.M.
Other income, net	1.4	0.4	0.4	0.8	0.6	N.M.
	(309.2)	(222.2)	(106.7)	(328.9)	19.7	6.0
Earnings (loss) before income taxes	(89.1)	(290.5)	118.0	(172.5)	83.4	N.M.
Income tax expense	(21.5)	(197.5)	(18.1)	(215.6)	194.1	N.M.
Net earnings (loss)	£ (110.6)	£ (488.0)	£ 99.9	£ (388.1)	£ 277.5	N.M.

Consolidated Statements of Operations	Successor Period from June 8 to December 31, 2013	Predecessor Period from January 1 to June 7, 2013	Combined Year ended December 31, 2013	Predecessor Year ended December 31, 2012	Change £	Change %
Revenue	£ 2,310.2	£ 1,810.2	£ 4,120.4	£ 4,100.5	£ 19.9	0.5
Operating costs and expenses:						
Operating (other than depreciation and amortization)	1,051.7	845.4	1,897.1	1,872.9	24.2	1.3
SG&A (including share-based compensation)	380.1	256.1	636.2	574.2	62.0	10.8
Depreciation and amortization	910.2	432.8	1,343.0	966.4	376.6	39.0
Impairment, restructuring and other operating items, net	36.5	51.2	87.7	(11.8)	99.5	N.M.
	2,378.5	1,585.5	3,964.0	3,401.7	562.3	16.5
Operating income (loss)	(68.3)	224.7	156.4	698.8	(542.4)	(77.6)
Non-operating income (expense):						
Interest expense:						
Third-party	(263.6)	(156.7)	(420.3)	(398.2)	(22.1)	(5.5)
Related-party	(5.8)	—	(5.8)	—	(5.8)	N.M.
Interest income – related-party	107.0	—	107.0	—	107.0	N.M.
Gains (losses) on debt modification and extinguishment, net	0.6	(0.1)	0.5	(187.8)	188.3	N.M.
Realized and unrealized gains (losses) on derivative instruments, net	(203.4)	51.8	(151.6)	148.1	(299.7)	N.M.
Foreign currency transaction gains (losses), net	142.6	(2.1)	140.5	(6.3)	146.8	N.M.
Other income, net	0.4	0.4	0.8	6.8	(6.0)	N.M.
	(222.2)	(106.7)	(328.9)	(437.4)	108.5	N.M.
Earnings (loss) before income taxes	(290.5)	118.0	(172.5)	261.4	(433.9)	N.M.
Income tax benefit (expense)	(197.5)	(18.1)	(215.6)	2,652.0	(2,867.6)	N.M.
Net earnings (loss)	£ (488.0)	£ 99.9	£ (388.1)	£ 2,913.4	£ (3,301.5)	N.M.

N.M. — Not Meaningful.

Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2014 and 2013 is affected by an acquisition. In the following discussion, we quantify the estimated impact of the acquisition on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, variances attributed to an acquired entity during the first twelve months following the acquisition date represent differences between the estimated acquisition impact and the actual results.

Discussion and Analysis

Revenue

Revenue includes amounts received from residential subscribers for ongoing services as well as revenue earned from B2B services, interconnect fees and other categories of non-subscription revenue. We use the term "subscription revenue" in the following discussion to refer to amounts received from cable and mobile residential subscribers for ongoing services, excluding installation fees and late fees. In the below table, mobile subscription revenue excludes the related interconnect revenue.

Most of our revenue is subject to VAT or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our operating cash flow and operating cash flow margins to the extent of any such tax increases. In this regard, certain changes regarding VAT took effect on January 1, 2015, including an increase in the VAT applicable to certain components of our operations. As compared to 2014 levels, these changes are expected to result in increases in annual VAT payments during 2015 ranging from approximately £30 million to £35 million.

We pay interconnection fees to other telephony providers when calls or text messages from our subscribers terminate on another network, and we receive similar fees from such providers when calls or text messages from their customers terminate on our networks or networks that we access through MVNO or other arrangements. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnection fees are subject to regulatory oversight. To the extent that regulatory authorities introduce fixed-line or mobile termination rate changes, we would experience prospective changes in our interconnect revenue and costs. The ultimate impact of any such changes in termination rates on our operating cash flow would be dependent on the call or text messaging patterns that are subject to the changed termination rates.

2014 compared to 2013

Our revenue by major category is set forth below:

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2014	2013	£	%	%
	in millions				
Subscription revenue:					
Digital cable	£ 955.5	£ 976.7	£ (21.2)	(2.2)	(2.2)
Broadband internet	1,023.9	873.1	150.8	17.3	17.2
Fixed-line telephony	949.0	981.3	(32.3)	(3.3)	(3.4)
Cable subscription revenue (a)	2,928.4	2,831.1	97.3	3.4	3.4
Mobile subscription revenue (b)	479.9	440.3	39.6	9.0	9.0
Total subscription revenue	3,408.3	3,271.4	136.9	4.2	4.1
B2B revenue (c)	616.0	601.8	14.2	2.4	2.3
Other revenue (d)	189.9	247.2	(57.3)	(23.2)	(23.3)
Total revenue	£ 4,214.2	£ 4,120.4	£ 93.8	2.3	2.2

(a) Cable subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, mobile services revenue and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) Mobile subscription revenue excludes mobile interconnect revenue of £80.2 million and £84.7 million, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

(c) B2B revenue includes revenue from business broadband internet, voice, wireless and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

(d) Other revenue includes, among other items, interconnect revenue, revenue from non-cable services, revenue from late fees and installation revenue.

The details of our revenue increase for 2014, as compared to 2013, are as follows (in millions):

Increase in cable subscription revenue due to change in:		
Average number of RGUs (a)	£	19.1
Average monthly subscription revenue per RGU (ARPU) (b)		75.7
Total increase in cable subscription revenue		94.8
Increase in mobile subscription revenue (c)		39.6
Total increase in subscription revenue		134.4
Increase in B2B revenue		14.1
Decrease in other revenue (d)		(57.6)
Total organic increase		90.9
Impact of acquisition		2.9
Total	£	93.8

(a) The increase in our cable subscription revenue related to a change in the average number of RGUs is primarily attributable to an increase in the average number of broadband internet RGUs that was only partially offset by declines in the average numbers of digital cable and fixed-line telephony RGUs.

(b) The increase in our cable subscription revenue related to a change in ARPU is primarily due to a net increase resulting from the following factors: (i) higher ARPU due to (a) February 2014 and February 2013 price increases for broadband internet, digital cable and fixed-line telephony services and (b) an October 2013 price increase for certain broadband internet services, (ii) lower ARPU due to the impact of higher discounts, (iii) lower ARPU due to lower fixed-line telephony call volumes, (iv) higher ARPU due to increased penetration of TiVo set-top boxes, (v) lower ARPU due to a change in legislation with respect to the charging of VAT, as discussed below, and (vi) higher ARPU due to the net effect of increases in the proportion of subscribers receiving (1) higher-priced tiers of broadband internet services in our bundles and (2) lower-priced tiers of digital cable services in our bundles.

(c) The increase in mobile subscription revenue is primarily due to the net effect of (i) an increase in the number of customers taking postpaid mobile services, (ii) a decline in the number of prepaid mobile customers, (iii) July 2013 and July 2014 price increases, (iv) a decrease due to a higher proportion of our postpaid customers taking lower-priced subscriber identification module or "SIM"-only contracts and (v) a reduction in chargeable usage, primarily attributable to the net effect of (a) a higher proportion of subscribers moving to higher-limit and unlimited usage bundles for voice and short message service (or SMS) and (b) an increase in the amount of chargeable data. In addition, the growth in mobile subscription revenue was partially offset by the impact of certain nonrecurring net adjustments of £3.9 million and £1.2 million during the first and second quarters of 2013, respectively, that positively impacted 2013.

(d) The decrease in other revenue is primarily attributable to the net effect of (i) a decrease in interconnect revenue, primarily due to a reduction in (a) fixed-line termination rates in February 2014 and (b) mobile termination rates in April 2013, (ii) a decrease of £18.5 million related to a decline in our non-cable subscriber base, (iii) a decrease in installation revenue and (iv) an increase in mobile handset sales, primarily attributable to the net effect of (1) a £7.2 million increase related to the November 2014 introduction of a new mobile program whereby customers can elect to purchase a mobile handset pursuant to a contract that is independent of a mobile airtime services contract and (2) a decrease in sales to third-party retailers and prepaid handset sales. Under the new mobile program, we generally recognize the full sales price for the mobile handset upon delivery, regardless of whether the sales price is received upfront or in installments.

On March 19, 2014, the U.K. government announced a change in legislation with respect to the charging of VAT in connection with prompt payment discounts such as those that we offer to our fixed-line telephony customers. The changes, which took effect on May 1, 2014, impacted our company and some of our competitors. As a result of this legislation, our revenue was £28.9 million lower during 2014, as compared to 2013. For additional information regarding a potential challenge from the U.K. government regarding our application of the prompt payment discount rules prior to the May 1, 2014 change in legislation, see note 16 to our consolidated financial statements.

The details of the changes in our B2B revenue categories are as follows:

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2014	2013	£	%	
		in millions			
Data (a)	£ 443.8	£ 398.6	£ 45.2	11.3	11.3
Voice (b)	129.8	147.8	(18.0)	(12.2)	(12.2)
Other (c)	42.4	55.4	(13.0)	(23.5)	(23.5)
Total B2B revenue	£ 616.0	£ 601.8	£ 14.2	2.4	2.3

(a) The increase in data revenue is primarily attributable to increased volumes and an increase of £14.9 million in the amortization of deferred upfront fees on B2B contracts that is primarily attributable to the application during the Successor period of Liberty Global's accounting policy with respect to these fees. During the Predecessor period, we generally treated upfront fees received from B2B customers as a separate deliverable and recognized revenue upon completion of the upfront installation activity in an amount that was based on the relative standalone selling price methodology. Our current accounting policy is generally to defer upfront and nonrecurring fees on B2B contracts where we maintain ownership of the installed equipment and recognize the associated revenue on a straight line basis over the life of the underlying service contract as a component of our data and voice B2B revenue, as applicable. Accordingly, no portion of any upfront or nonrecurring B2B fees are included in the other B2B revenue category following the adoption of Liberty Global's accounting policy. For additional information, see note 1 to our consolidated financial statements. In addition, the growth in data revenue also benefitted from the positive impact of certain nonrecurring net adjustments of £3.1 million during the third quarter of 2013.

(b) The decrease in voice revenue is primarily due to (i) lower termination rates and (ii) declines in usage.

(c) Other revenue includes (i) equipment sales and (ii) during the Predecessor period, certain upfront, contract termination and modification fees. As discussed in (a) above, the decrease in revenue from upfront fees of £16.2 million during the year is attributable to the application of Liberty Global's accounting policy during the Successor period.

Operating expenses

Operating expenses include programming, network operations, interconnect, customer operations, customer care and other costs related to our operations. Programming costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (i) higher costs associated with the expansion of our digital cable content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (ii) rate increases. In addition, we are subject to inflationary pressures with respect to our labor and other costs. Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

Our total operating expenses decreased £72.6 million or 3.8% during 2014, as compared to 2013. This decrease is net of £1.7 million attributable to the impact of an acquisition. Excluding the effect of this acquisition, operating expenses decreased £74.3 million or 3.9%. This decrease includes the following factors:

- A decrease in network-related expenses of £36.5 million or 17.9%, due in part to a retroactive reduction in local authority charges for network infrastructure following a review by the U.K. government that resulted in a benefit of £29.9 million during 2014. This benefit consists of (i) a £22.7 million nonrecurring benefit related to periods prior to the third quarter of 2014, of which £21.6 million was recorded during the third quarter of 2014, and (ii) benefits of £3.6 million related to each of the third and fourth quarters of 2014. We expect a benefit similar to the fourth quarter amount to recur in future quarters. The decrease in network-related expenses also includes the net effect of (a) decreased network and customer premises equipment maintenance costs, (b) higher power costs and (c) lower outsourced labor costs associated with customer-facing activities;

- An increase in programming and related costs of £30.6 million or 5.6%, primarily due to the net effect of (i) increased costs for sports rights, (ii) increased costs due to higher rates for certain basic and premium services, (iii) lower costs arising from the cancellation and renegotiation of certain programming agreements and (iv) a £6.9 million nonrecurring reduction of programming costs that resulted from the favorable resolution of an operational contingency during the second quarter of 2014;

- A decrease in mobile access and interconnect costs of £22.8 million or 6.4%, primarily due to the net effect of (i) decreased costs due to lower fixed-line call volumes, (ii) lower rates, (iii) an increase in mobile access costs, primarily due to the net effect of (a) higher data usage and call volume and (b) lower rates, (iv) lower costs of £5.8 million relating to the amortization of an acquisition accounting adjustment to reflect an unfavorable capacity arrangement at fair value in connection with the LG/VM Transaction, (v) decreased costs associated with our non-cable subscriber base and (vi) an increase of £2.0 million related to the impact of the release of an accrual associated with the settlement of an operational contingency during the second quarter of 2013;

- A decrease in personnel costs of £18.2 million or 7.9%, primarily due to the net effect of (i) decreased staffing levels, primarily as a result of integration and reorganization activities, (ii) higher incentive compensation costs, (iii) decreased costs related to functions performed during 2014 on behalf of and therefore recharged to other subsidiaries of Liberty Global, (iv) annual wage increases and (v) increased costs due to a net decrease in capitalizable costs, as a decrease in the level of other capitalizable activities more than offset an increase in capitalizable costs associated with the adoption of Liberty Global's accounting policies during the Successor periods;

- A decrease in mobile handset costs of £7.9 million or 6.2%, primarily due to the net effect of (i) decreased mobile handset costs as a result of continued growth of SIM-only contracts, (ii) increased costs associated with higher value handsets and (iii) decreased mobile handset sales to third-party retailers;

- An increase in installation and other direct costs of £7.2 million associated with B2B services;

- A decrease in certain direct costs of £6.5 million associated with our non-cable subscriber base;

- A decrease in outsourced labor and professional fees of £4.8 million or 5.4%, primarily due to lower call center costs; and

- An increase in information technology related expenses of £2.9 million, primarily due to increased costs from contract renewals and additional support requirements.

SG&A expenses

SG&A expenses include human resources, information technology, general services, management, finance, legal and sales and marketing costs, share-based compensation and other general expenses. We do not include share-based compensation in the following discussion and analysis of our SG&A expenses as share-based compensation expense is discussed separately below. As noted above, we are subject to inflationary pressures with respect to our labor and other costs.

Our total SG&A expenses (exclusive of share-based compensation) increased £33.9 million or 6.4% during 2014, as compared to 2013. This increase includes £1.0 million attributable to the impact of an acquisition. Excluding the effect of this acquisition, SG&A expenses increased £32.9 million or 6.2%. This increase includes the following factors:

- An increase in marketing and advertising costs of £9.6 million or 4.5%, primarily due to the net effect of (i) higher costs associated with advertising campaigns and (ii) lower third-party sales commissions;

- An increase in information technology-related expenses of £4.6 million, primarily due to higher software and other information technology-related maintenance costs;

- An increase in outsourced labor and professional fees of £3.8 million or 16.2%, primarily due to the net effect of (i) the negative impact of a £4.7 million increase associated with the nonrecurring consulting fee that was incurred during the third quarter of 2014 in connection with the retroactive reduction in local authority charges, as discussed above, (ii) increased legal and consulting costs and (iii) a lower level of integration activities in connection with the LG/VM Transaction;

- An increase in staff-related costs of £1.0 million or 0.5%, primarily due to the net effect of (i) higher incentive compensation costs, (ii) a net decrease in defined benefit and contribution plan costs, (iii) decreased staffing levels as a result of integration and reorganization activities and (iv) annual wage increases; and

- A net increase resulting from individually insignificant changes in other SG&A expense categories.

Share-based compensation expense (included in SG&A expenses)

Our share-based compensation expense after the LG/VM Transaction represents amounts allocated to our company by Liberty Global and related employer taxes. The amounts allocated by Liberty Global to our company represent share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries. Share-based compensation expense allocated to our company by Liberty Global is reflected as an increase to shareholder's equity and is offset by any amounts recharged to us by Liberty Global, as further described in note 12 to our consolidated financial statements. Share-based compensation expense prior to the LG/VM Transaction includes amounts for options, shares and performance shares related to the common stock of Old Virgin Media. A summary of the share-based compensation expense that is included in our SG&A expenses is set forth below:

	Year ended December 31,	
	2014	2013
	in millions	
Performance-based incentive awards (a)	£ 7.0	£ 13.0
Other share-based incentive awards	26.8	94.6
Total (b)	£ 33.8	£ 107.6

(a) Includes share-based compensation expense related to (i) Liberty Global PSUs and (ii) the Challenge Performance Awards, which were issued on June 24, 2013.

(b) In connection with the LG/VM Transaction, Liberty Global issued Liberty Global Virgin Media Replacement Awards to employees and former directors of our company in exchange for corresponding Old Virgin Media awards. During the 2013 period following the LG/VM Transaction, £51.1 million of the June 7, 2013 estimated fair value of the Virgin Media Replacement Awards was charged to expense in recognition of the Virgin Media Replacement Awards that were fully vested on June 7, 2013 or for which vesting was accelerated pursuant to the terms of the LG/VM Transaction Agreement on or prior to December 31, 2013.

For additional information concerning our share-based compensation, see note 11 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased £212.9 million or 15.9% during 2014, as compared to 2013, primarily due to the net effect of (i) higher cost bases of our intangible assets and property and equipment as a result of the push-down of acquisition accounting in connection with the LG/VM Transaction, (ii) a decrease associated with certain assets becoming fully depreciated and (iii) an increase associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net of £17.4 million and £87.7 million during 2014 and 2013, respectively. The 2014 amount includes severance and other costs of £16.2 million. The 2013 amount includes (i) severance and other costs of £33.2 million, (ii) direct acquisition costs associated with the LG/VM Transaction of £54.3 million, (iii) a £9.2 million charge related to the impairment of certain network assets and (iv) a £8.5 million gain related to the disposal of certain assets. Substantially all of the severance and other costs during 2014 and 2013 were recorded in connection with certain organizational and staffing changes that we implemented following the completion of the LG/VM Transaction.

Interest expense – third-party

Our third-party interest expense increased £36.8 million or 8.8% during 2014, as compared to 2013, primarily due to the net effect of (i) higher average outstanding third-party debt balances and (ii) lower weighted average interest rates. The decrease in our weighted average interest rate is primarily related to the completion of certain financing transactions that resulted in extended maturities and net decreases to certain of our interest rates.

For additional information regarding our outstanding third-party indebtedness, see note 8 to our consolidated financial statements.

Interest expense – related-party

Our related-party interest expense decreased £5.8 million during 2014, as compared to 2013, due to the interest expense incurred during 2013 on a related-party note payable to LGI that we entered into in connection with the LG/VM Transaction. This note was repaid in full during the third quarter of 2013. For additional information regarding our related-party indebtedness, see note 12 to our consolidated financial statements.

Interest income – related-party

Our related-party interest income increased £122.7 million during 2014, as compared to 2013, primarily due to interest income earned on related-party notes receivable from Lynx Europe 2 that we entered into following the LG/VM Transaction. For additional information, see note 12 to our consolidated financial statements.

Gains (losses) on debt modification and extinguishment, net

We recognized gains on debt modification and extinguishment, net, of £20.1 million and £0.5 million during 2014 and 2013, respectively. The gain during 2014 primarily relates to a £20.3 million gain during the fourth quarter related to the repayment of the 2019 VM Senior Notes, which includes (a) the write-off of £46.9 million of unamortized premium, (b) the payment of £24.5 million of redemption premium and (c) the write-off of £2.1 million of deferred financing costs. For additional information concerning our losses on debt modification and extinguishment, net, see note 8 to our consolidated financial statements.

Realized and unrealized gains (losses) on derivative instruments, net

Our realized and unrealized gains or losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
	in millions	
Cross-currency and interest rate derivative contracts (a)	£ 53.9	£ (231.0)
Equity-related derivative instruments (b)	(6.0)	81.1
Foreign currency forward contracts	0.7	(1.7)
Total	£ 48.6	£ (151.6)

(a) The gain during 2014 is primarily attributable to the net effect of (i) gains associated with a decrease in the value of the pound sterling relative to the U.S. dollar and (ii) losses associated with decreases in market interest rates in the pound sterling market. In addition, the gain during 2014 includes a net loss of £25.3 million resulting from changes in our credit risk valuation adjustments. The loss during 2013 is primarily attributable to the net effect of (a) losses associated with an increase in the value of the pound sterling relative to the U.S. dollar and (b) gains associated with increases in market interest rates in the pound sterling market. In addition, the loss during 2013 includes a net gain of £30.4 million resulting from changes in our credit risk valuation adjustments.

(b) These amounts represent activity related to the Virgin Media Capped Calls and, during the Successor period, the derivative embedded in the VM Convertible Notes. The fair values of our equity-related derivative instruments are primarily impacted by the trading prices of the underlying security.

For additional information concerning our derivative instruments, see notes 5 and 6 to our consolidated financial statements and *Quantitative and Qualitative Disclosures about Market Risk* below.

Foreign currency transaction gains (losses), net

Our foreign currency transaction gains or losses primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity. Unrealized foreign currency transaction gains or losses are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled. The details of our foreign currency transaction gains (losses), net, are as follows:

	Year ended December 31,	
	2014	2013
	in millions	
U.S. dollar denominated debt issued by our company	£ (109.7)	£ 155.4
Related-party payables and receivables denominated in a currency other than the entity's functional currency (a)	(36.4)	(38.5)
Cash and restricted cash denominated in a currency other than the entity's functional currency	(1.7)	21.5
Other	(4.1)	2.1
Total	£ (151.9)	£ 140.5

(a) The 2014 amount primarily relates to our euro-denominated notes receivable from LGE Holdco V BV that were entered into during 2014. Accordingly, this amount is a function of movements of the euro against the pound sterling. During the fourth quarter of 2014, the euro-denominated notes receivable from LGE Holdco V BV were converted to equity and as a result, we no longer record foreign currency transaction gains (losses) related to these notes. The 2013 amount primarily relates to our U.S. dollar-denominated notes receivable from Lynx Europe 2. Accordingly, this amount is a function of movements of the U.S. dollar against the pound sterling. During the fourth quarter of 2013, the U.S. dollar-denominated notes receivable from Lynx Europe 2 were redenominated to pound sterling and as a result, we no longer record foreign currency transaction gains (losses) related to these notes.

For information regarding how we manage our exposure to foreign currency risk, see *Quantitative and Qualitative Disclosures about Market Risk — Foreign Currency Risk* below.

Income tax benefit (expense)

We recognized income tax expense of £21.5 million and £215.6 million during 2014 and 2013, respectively.

The income tax expense during 2014 differs from the expected income tax benefit of £31.2 million (based on the U.S. federal income tax rate of 35%) primarily due to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries and (ii) non-deductible or non-taxable foreign currency exchange results. The negative impacts of these items were partially offset by the positive impact of statutory tax rates in certain jurisdictions in which we operate that are lower than the U.S. federal income tax rate.

The income tax expense during 2013 differs from the expected income tax benefit of £60.4 million (based on the U.S. federal income tax rate of 35%) primarily due to the negative impacts of (i) a reduction in net deferred tax assets in the U.K. due to enacted changes in tax law, (ii) a net increase in valuation allowances and (iii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries. The negative impact of these items was partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest and other items.

For additional information concerning our income taxes, see note 9 to our consolidated financial statements.

Net earnings (loss)

During 2014 and 2013, we reported net losses of £110.6 million and £388.1 million, respectively, including (i) operating income of £220.1 million and £156.4 million, respectively, (ii) non-operating expense of £309.2 million and £328.9 million, respectively, and (iii) income tax expense of £21.5 million and £215.6 million, respectively.

Gains or losses associated with (i) changes in the fair values of derivative instruments and (ii) movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve earnings from continuing operations is largely dependent on our ability to increase our aggregate operating cash flow to a level that more than offsets the aggregate amount of our (a) share-based compensation expense, (b) depreciation and amortization, (c) impairment, restructuring and other operating items, net, (d) interest expense, (e) other net non-operating expenses and (f) income tax expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will cause our company to maintain our debt at current levels relative to our consolidated operating cash flow for the foreseeable future. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our consolidated statements of operations, see the above discussion.

2013 compared to 2012

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase (decrease)	
	2013	2012	£	%
		in millions		
Subscription revenue:				
Digital cable	£ 976.7	£ 886.9	£ 89.8	10.1
Broadband internet	873.1	801.6	71.5	8.9
Fixed-line telephony	981.3	1,000.3	(19.0)	(1.9)
Cable subscription revenue (a)	2,831.1	2,688.8	142.3	5.3
Mobile subscription revenue (b)	440.3	437.9	2.4	0.5
Total subscription revenue	3,271.4	3,126.7	144.7	4.6
B2B revenue (c)	601.8	667.0	(65.2)	(9.8)
Other revenue (d)	247.2	306.8	(59.6)	(19.4)
Total revenue	£ 4,120.4	£ 4,100.5	£ 19.9	0.5

____

(a) Cable subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, mobile services revenue and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) Mobile subscription revenue excludes mobile interconnect revenue of £84.7 million and £106.5 million, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

(c) B2B revenue includes revenue from business broadband internet, voice, wireless and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

(d) Other revenue includes, among other items, interconnect revenue, revenue from non-cable services, mobile handset sales and installation revenue.

The details of our revenue increase for 2013, as compared to 2012, are as follows (in millions):

Increase in cable subscription revenue due to change in:	
Average number of RGUs (a)	£ 33.1
ARPU (b)	109.2
Total increase in cable subscription revenue	142.3
Increase in mobile subscription revenue (c)	2.4
Total increase in subscription revenue	144.7
Decrease in B2B revenue	(65.2)
Decrease in other revenue (d)	(59.6)
Total	£ 19.9

(a) The increase in our cable subscription revenue related to a change in the average number of RGUs is primarily attributable to increases in the average numbers of broadband internet RGUs.

(b) The increase in our cable subscription revenue related to a change in ARPU is due to the net effect of (i) a net increase resulting from the following factors: (a) higher ARPU due to February 2013 price increases for certain broadband internet, digital cable and telephony services and an October 2013 price increase for certain broadband internet services, (b) lower ARPU due to the impact of higher discounts, (c) lower ARPU due to lower usage of fixed-line telephony, (d) higher ARPU due to the net impact of an increase in the proportion of subscribers receiving (1) higher-priced tiers of broadband internet services and (2) lower-priced tiers of digital cable services and (e) higher ARPU due to increased penetration of TiVo-enabled set-top boxes and (ii) an adverse change in RGU mix attributable to lower proportions of digital cable RGUs. In addition, fixed-line telephony revenue includes an increase of £23.7 million attributable to a reduction in VAT in connection with prompt payment discounts, which were offered by us to our customers beginning in August 2012.

(c) The increase in mobile subscription revenue is due to the net effect of (i) an increase in the number of customers taking postpaid mobile services, (ii) a decrease in the number of prepaid mobile customers, (iii) a reduction in chargeable usage as subscribers move to unlimited usage bundles, (iv) a July 2013 price increase and (v) a decrease due to higher proportions of our postpaid customers taking lower-priced SIM-only contracts. In addition, mobile subscription revenue is (a) positively impacted by the £5.1 million net impact of certain nonrecurring adjustments during 2013 and (b) negatively impacted by a non-recurring adjustment of £2.8 million during 2012.

(d) The decrease in other revenue is primarily due to (i) a decline in interconnect revenue as the result of lower mobile, SMS and fixed-line telephony termination rates, (ii) lower cable installation activities and (iii) a decline in our non-cable subscriber base.

Our B2B revenue by category is set forth below:

	Year ended December 31,		Increase (decrease)	
	2013	2012	£	%
	in millions			
Data (a)	£ 398.6	£ 391.8	£ 6.8	1.7
Voice (b)	147.8	160.1	(12.3)	(7.7)
Other (c)	55.4	115.1	(59.7)	(51.9)
Total B2B revenue	£ 601.8	£ 667.0	£ (65.2)	(9.8)

(a) The increase in data revenue is primarily due to the net impact of (i) higher contract acquisitions leading to increased rental revenue, (ii) price reductions on the renewal of certain contracts and (iii) a £2.7 million reduction during 2013 as a result of nonrecurring adjustments to certain revenue-related accrual balances.

(b) The decrease in voice revenue is primarily due to the net effect of (i) lower termination rates, (ii) lower pricing and (iii) the favorable impact during 2013 of a reduction in revenue of £2.8 million during the third quarter of 2012 as a result of a regulatory ruling.

(c) Other revenue includes (i) equipment sales, (ii) certain nonrecurring contract termination and modification fees and (iii) installation revenue in periods prior to our adoption of Liberty Global's accounting policy for installation fees. Previously, we generally treated installation fees received from B2B customers as a separate deliverable and recognized revenue upon completion of the installation activity in an amount that was based on the relative standalone selling price methodology. Our current accounting policy is generally to defer upfront installation fees on B2B contracts where we maintain ownership of the installed equipment and recognize the associated revenue on a straight line basis over the life of the underlying service contract as a component of our data and voice B2B revenue, as applicable. Accordingly, no portion of any upfront or nonrecurring B2B fees are included in this category following the adoption of Liberty Global's accounting policy. For additional information, see note 1 to our consolidated financial statements. Other revenue decreased by £59.7 million or 51.9% during 2013, as compared to 2012, primarily due to the net effect of (i) a £31.9 million decrease associated with the adoption of Liberty Global's accounting policy for installation fees on B2B contracts, (ii) a decrease due to nonrecurring contract termination and modification fees and other non-recurring items aggregating £19.2 million that were recognized during 2012 and (iii) an increase in low margin equipment sales.

Operating expenses

Our total operating expenses increased £24.2 million or 1.3% during 2013, as compared to 2012. This increase includes the following factors:

- An increase in programming and related costs of £33.8 million or 6.7%, primarily due to the impact of (i) growth in digital services and (ii) rate increases for live sports content and, to a lesser degree, other premium content;

- A decrease in interconnect and access costs of £22.1 million or 5.9%, primarily due to the net effect of (i) lower mobile and fixed-line telephony termination rates, (ii) an increase due to the net negative impact of (a) higher costs due to the net releases of accruals associated with favorable settlements of operational contingencies of £2.0 million during the second quarter of 2013 and £6.0 million during the fourth quarter of 2012 and (b) the release of accruals associated with the reassessment of operational contingencies of £1.0 million and £5.6 million in the first and third quarters of 2012, respectively, and (iii) a decline in B2B and residential telephony call volumes;

- A decrease in other direct costs of £17.5 million, primarily due to the net effect of (i) lower B2B circuit rental costs primarily associated with the migration of the traffic of one of our customers to our network and (ii) a decline in DSL usage as a result of a decline in our non-cable operations;

- An increase in equipment costs of £12.7 million or 9.1%, primarily due to (i) an increase in mobile handset costs as a result of our growing postpaid customer base and the introduction of higher value handsets and (ii) increased B2B local area network equipment sales;

- An increase in facilities costs of £10.4 million or 33.3%, primarily due to the impact of property tax refunds of £9.6 million received during 2012;

- A decrease in network-related costs of £5.0 million or 2.4%, primarily due to the net effect of (i) adjustments made to our capitalization policy in the fourth quarter of 2012 to begin capitalizing certain upgrade activities that had not previously been capitalized, which had an impact of reducing costs during 2013 by £9.4 million, (ii) a £2.0 million decrease associated with the adoption of Liberty Global's accounting policies during the Successor period and (iii) individually insignificant increases in other network-related costs including higher maintenance costs;

- An increase in personnel costs of £3.6 million or 1.5%, primarily due to the net effect of (i) an increase in staffing levels and (ii) an increase in capitalized costs due to the impact of (a) an increase in the level of capitalizable activities and (b) an increase due to adjustments associated with the adoption of Liberty Global's accounting policies during the Successor period; and

- A net increase resulting from individually insignificant changes in other operating expense categories.

SG&A expenses

Our total SG&A expenses (exclusive of share-based compensation) decreased £19.8 million or 3.6% during 2013, as compared to 2012. This decrease includes the following factors:

- A decrease in marketing and advertising costs of £16.4 million or 7.9%, primarily due to lower advertising and promotional activities;

- A decrease in staff-related costs of £5.0 million or 2.4%, primarily due to the net impact of (i) an increase in staffing levels, (ii) lower achievement levels for certain of our 2013 bonus plans, (iii) a decrease in employee severance costs that are not classified as restructuring expenses and (iv) a net decrease in defined benefit and contribution plan costs; and

- An increase in outsourced labor and professional fees associated with integration activities in connection with the LG/VM Transaction of £4.2 million.

Share-based compensation expense (included in SG&A expenses)

Our share-based compensation expense after the LG/VM Transaction represents amounts allocated to our company by Liberty Global and related employer taxes. The amounts allocated by Liberty Global to our company represent share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries. Share-based compensation expense allocated to our company by Liberty Global is reflected as an increase to shareholder's equity and is offset by any amounts recharged to us by Liberty Global, as further described in note 12 to our consolidated financial statements. Share-based compensation expense prior to the LG/VM Transaction includes amounts for options, shares and performance shares related to the common stock of Old Virgin Media. A summary of the share-based compensation expense that is included in our SG&A expenses is set forth below:

	Year ended December 31, 2013	Year ended December 31, 2012
	in millions	
Performance-based incentive awards	£ 13.0	£ 7.2
Other share-based incentive awards	94.6	18.6
Total (a)	£ 107.6	£ 25.8

(a) In connection with the LG/VM Transaction, the Virgin Media Replacement Awards were remeasured as of June 7, 2013, resulting in an aggregate estimated fair value attributable to the post-transaction period of £123.8 million. During the 2013 period following the LG/VM Transaction, £51.1 million of the June 7, 2013 estimated fair value of the Virgin Media Replacement Awards was charged to expense in recognition of the Virgin Media Replacement Awards that were fully vested on June 7, 2013 or for which vesting was accelerated pursuant to the terms of the LG/VM Transaction Agreement on or prior to December 31, 2013. In addition, £3.5 million was charged to share-based compensation expense with respect to awards issued subsequent to June 7, 2013 or issued by Liberty Global prior to June 7, 2013 for individuals who are now Virgin Media employees.

For additional information concerning our share-based compensation, see note 11 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased £376.6 million or 39.0% during 2013, as compared to 2012, primarily due to the impacts of higher cost bases of our intangible assets and property and equipment as a result of the push-down of acquisition accounting in connection with the LG/VM Transaction and, to a lesser extent, increases associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net of £87.7 million and (£11.8 million) during 2013 and 2012, respectively. The 2013 amount includes (i) severance and other costs of £33.2 million, substantially all of which were recorded in connection with certain organizational and staffing changes that we implemented in connection with our ongoing integration with Liberty Global, (ii) direct acquisition costs associated with the LG/VM Transaction of £54.3 million, (iii) a £9.2 million charge related to the impairment of certain network assets and (iv) a £8.5 million gain related to the disposal of certain assets. The 2012 amount includes a net gain of £12.5 million related to the termination of a capital lease during the second quarter of 2012.

Interest expense – third-party

Our third-party interest expense increased £22.1 million or 5.5% during 2013, as compared to 2012, primarily due to the net effect of (i) higher average outstanding third-party debt balances and (ii) lower weighted average interest rates. For additional information regarding our outstanding third-party indebtedness, see note 8 to our consolidated financial statements.

Interest expense – related-party

Our related-party interest expense increased £5.8 million during 2013, as compared to 2012, due to interest expense incurred on a related-party note payable to LGI that we entered into in connection with the LG/VM Transaction. This note was repaid in full during 2013. For additional information regarding our related-party indebtedness, see note 12 to our consolidated financial statements.

Interest income – related-party

Our related-party interest income increased £107.0 million during 2013, as compared to 2012, primarily due to interest income earned on related-party notes receivable from Lynx Europe 2 that we entered into following the LG/VM Transaction. For additional information regarding our related-party interest income, see note 12 to our consolidated financial statements.

Gains (losses) on debt modification and extinguishment, net

We recognized gains (losses) on debt modification and extinguishment, net, of £0.5 million and (£187.8 million) during 2013 and 2012, respectively. The loss during 2012 relates to the redemption of (i) $1,350.0 million (£866.4 million) principal amount of 9.5% senior notes, (ii) $92.9 million (£59.6 million) principal amount of the 2019 VM Dollar Senior Notes, (iii) €180.0 million (£139.8 million) principal amount of 9.5% senior notes and (iv) £96.5 million principal amount of the 2019 VM Sterling Senior Notes. In connection with these transactions, we recognized losses on debt extinguishment of £187.8 million representing (a) premiums paid of £152.1 million, (b) the write-off of unamortized original issue discounts of £22.6 million and (c) the write-off of £13.1 million of deferred financing costs.

Realized and unrealized gains (losses) on derivative instruments, net

The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Year ended December 31,	
	2013	2012
	in millions	
Cross-currency and interest rate derivative contracts (a)	£ (231.0)	£ (25.2)
Equity-related derivative instruments (b)	81.1	174.1
Foreign currency forward contracts	(1.7)	(0.8)
Total	£ (151.6)	£ 148.1

(a) The loss during 2013 is primarily attributable to the net effect of (i) losses associated with an increase in the value of the pound sterling relative to the U.S. dollar and (ii) gains associated with increases in market interest rates in the pound sterling market. In addition, the loss during 2013 includes a net gain of £30.4 million resulting from changes in our credit risk valuation adjustments. The loss during 2012 is primarily attributable to (i) losses associated with decreases in market interest rates in the pound sterling market and (ii) losses associated with an increase in the value of the pound sterling relative to the U.S. dollar. In addition, the loss during 2012 includes a net gain of £6.3 million resulting from changes in our credit risk valuation adjustments.

(b) These amounts primarily represent activity related to the Virgin Media Capped Calls and, in the Successor period, the derivative embedded in the VM Convertible Notes. The fair values of our equity-related derivative instruments are primarily impacted by the trading prices of the underlying security.

For additional information concerning our derivative instruments, see notes 5 and 6 to our consolidated financial statements and *Quantitative and Qualitative Disclosures about Market Risk* below.

Foreign currency transaction gains (losses), net

The details of our foreign currency transaction gains (losses), net, are as follows:

	Year ended December 31,	
	2013	2012
	in millions	
U.S. dollar denominated debt issued by our company	£ 155.4	£ (0.1)
Related-party payables and receivables denominated in a currency other than the entity's functional currency (a)	(38.5)	—
Cash and restricted cash denominated in a currency other than the entity's functional currency	21.5	(7.7)
Other	2.1	1.5
Total	£ 140.5	£ (6.3)

(a) Amount primarily relates to our U.S. dollar-denominated notes receivable from Lynx Europe 2. Accordingly, this amount is a function of movements of the U.S. dollar against the pound sterling. During the fourth quarter of 2013, the U.S. dollar-denominated notes receivable from Lynx Europe 2 were redenominated to pound sterling and as a result, we no longer record foreign currency transaction gains (losses) related to these notes.

For information regarding how we manage our exposure to foreign currency risk, see *Quantitative and Qualitative Disclosures about Market Risk — Foreign Currency Risk* below.

Other income, net

Our other income, net, decreased £6.0 million during 2013, as compared to 2012, primarily due to the reversal of a £5.5 million provision during the second quarter of 2012 that was originally recorded in connection with a contingency associated with certain of our legacy debt.

Income tax benefit (expense)

We recognized income tax expense of £215.6 million and income tax benefit of £2,652.0 million during 2013 and 2012, respectively.

The income tax expense during 2013 differs from the expected income tax benefit of £60.4 million (based on the U.S. federal income tax rate of 35%) primarily due to the negative impacts of (i) a reduction in net deferred tax assets in the U.K. due to enacted changes in tax law, (ii) a net increase in valuation allowances and (iii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries. The negative impact of these items was partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest and other items.

The income tax benefit during 2012 differs from the expected income tax expense of £91.5 million (based on the U.S. federal income tax rate of 35%) primarily due to the positive impacts of (i) a net decrease in valuation allowances of £2,675.7 million primarily related to the reversal of valuation allowances on certain of our U.K. deferred tax assets as these tax assets were deemed realizable in the period and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items. The reversal of the valuation allowance is attributable to the accumulation of positive evidence on the realizability of these deferred tax assets, including (a) pre-tax income generated for the each of the two years ended December 31, 2012, (b) capital allowances and net operating losses that do not expire, (c) improved financial performance and (d) our then forecasted projections of future taxable income, which, as of the fourth quarter of 2012, outweighed the negative evidence, which was primarily a history of taxable losses in periods prior to 2011.

For additional information concerning our income taxes, see note 9 to our consolidated financial statements.

Net earnings (loss)

During 2013 and 2012, we reported net earnings (loss) of (£388.1 million) and £2,913.4 million, respectively, including (i) operating income of £156.4 million and £698.8 million, respectively, (ii) non-operating expense of £328.9 million and £437.4 million, respectively, and (iii) income tax benefit (expense) of (£215.6 million) and £2,652.0 million, respectively.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash and cash equivalents

At December 31, 2014, we had cash and cash equivalents of £35.1 million, of which £34.6 million was held by our subsidiaries. The terms of the instruments governing the indebtedness of certain of these subsidiaries may restrict our ability to access the assets of these subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax and legal considerations and other factors.

Liquidity of Virgin Media

Our sources of liquidity at the parent level include (i) our cash and cash equivalents, (ii) funding from Lynx Europe 2 (and ultimately from Liberty Global or other Liberty Global subsidiaries) in the form of loans or contributions, as applicable, and (iii) subject to the restrictions noted above, proceeds in the form of distributions or loans from our subsidiaries. For information regarding limitations imposed by our subsidiaries' debt instruments, see note 8 to our consolidated financial statements.

The ongoing cash needs of Virgin Media include corporate general and administrative expenses and interest expense on the VM Convertible Notes. From time to time, Virgin Media may also require cash in connection with (i) the repayment of outstanding debt and related-party obligations, (ii) the satisfaction of contingent liabilities or (iii) acquisitions and other investment opportunities.

No assurance can be given that funding from Lynx Europe 2 (and ultimately from Liberty Global or other Liberty Global subsidiaries), our subsidiaries or external sources would be available on favorable terms, or at all.

Liquidity of our Subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of our operating subsidiaries are cash provided by operations and, in the case of VMIH, any borrowing availability under the VM Credit Facility. For details of the borrowing availability of the VM Credit Facility, see note 8 to our consolidated financial statements.

The liquidity of our operating subsidiaries generally is used to fund property and equipment additions, debt service requirements and other liquidity requirements that may arise from time to time. For additional information regarding our consolidated cash flows, see the discussion under *Consolidated Statements of Cash Flows* below. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to Virgin Media, Liberty Global or other Liberty Global subsidiaries. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Capitalization

As further discussed under *Quantitative and Qualitative Disclosures about Market Risk* below and in note 5 to our consolidated financial statements, we use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase the operating cash flow of our operating subsidiaries and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in the various debt instruments of our subsidiaries. In this regard, if our operating cash flow were to decline, we could be required to repay or limit our borrowings under the VM Credit Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. We do not anticipate any instances of non-compliance with respect to any of our subsidiaries' debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At December 31, 2014, our outstanding consolidated debt and capital lease obligations aggregated £8,682.8 million, including £333.9 million that is classified as current in our consolidated balance sheet and £7,916.4 million that is not due until 2020 or thereafter.

Notwithstanding our negative working capital position at December 31, 2014, we believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

With the exception of the VM Convertible Notes, all of our consolidated debt and capital lease obligations at December 31, 2014 have been borrowed or incurred by our subsidiaries. For additional information concerning our debt and capital lease obligations, see notes 8 and 20 to our consolidated financial statements.

Consolidated Statements of Cash Flows

Summary. The 2014 and 2013 consolidated statements of cash flows are summarized as follows (in millions):

	Successor		Predecessor	Combined	
	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2013 (a)	Change
Net cash provided by operating activities	£ 1,566.0	£ 562.5	£ 588.1	£ 1,150.6	£ 415.4
Net cash used by investing activities	(1,615.9)	(2,773.4)	(309.3)	(3,082.7)	1,466.8
Net cash provided (used) by financing activities	(256.1)	2,004.5	(38.9)	1,965.6	(2,221.7)
Effect of exchange rate changes on cash	(1.9)	(5.4)	0.9	(4.5)	2.6
Net increase (decrease) in cash and cash equivalents	£ (307.9)	£ (211.8)	£ 240.8	£ 29.0	£ (336.9)

(a) In order to provide a more meaningful basis for comparing the consolidated statements of cash flows for the year ended December 31, 2014 to the the corresponding prior year period, we have presented financial information for the year ended December 31, 2013 that reflects the combination of the results for the 2013 Predecessor and Successor periods. The combination of Predecessor and Successor periods is not permitted by U.S. GAAP and has not been prepared with a view towards complying with Article 11 of Regulation S-X.

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to (i) an increase in the cash provided by our operating cash flow and related working capital items and (ii) an increase in cash provided due to lower net cash payments for interest.

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to (i) a decrease in cash used to fund loans to subsidiaries of Liberty Global of £1,350.7 million and (ii) a decrease in cash used due to lower capital expenditures of £128.3 million.

The capital expenditures that we report in our consolidated statements of cash flows do not include amounts that are financed under capital-related vendor financing or capital lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the principal is repaid. In the following discussion, we refer to (i) our capital expenditures as reported in our consolidated statements of cash flows, which exclude amounts financed under capital-related vendor financing or capital lease arrangements, and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under capital-related vendor financing or capital lease arrangements. A reconciliation of our consolidated property and equipment additions to our consolidated capital expenditures as reported in our consolidated statements of cash flows is set forth below:

	Year ended December 31,	
	2014	2013 (a)
	in millions	
Property and equipment additions	£ 870.0	£ 867.6
Assets acquired under capital-related vendor financing arrangements	(219.3)	(34.8)
Assets acquired under capital leases	(28.7)	(93.0)
Changes in current liabilities related to capital expenditures	(18.0)	(7.5)
Capital expenditures	£ 604.0	£ 732.3

(a) In order to provide a more meaningful basis for comparing our property and equipment additions for the year ended December 31, 2014 to the corresponding prior year period, we have presented financial information for the year ended December 31, 2013 that reflects the combination of the results for the 2013 Predecessor and Successor periods. The combination of Predecessor and Successor periods is not permitted by GAAP and has not been prepared with a view towards complying with Article 11 of Regulation S-X.

The increase in our property and equipment additions is primarily due to the net impact of (i) an increase in expenditures for support capital, such as information technology upgrades and general support systems and (ii) a decrease in expenditures for the purchase and installation of customer premises equipment. During 2014 and 2013, our property and equipment additions represented 20.6% and 21.1% of our revenue, respectively. After giving effect to (a) the Network Extension as discussed under *Overview* and (b) the UPC Ireland Acquisition, as discussed in note 20 to our consolidated financial statements, we expect the percentage of revenue represented by our aggregate 2015 consolidated property and equipment additions to range from 21% to 23%. The actual amount of our 2015 consolidated property and equipment additions may vary from expected amounts for a variety of reasons, including (1) changes in (I) the competitive or regulatory environment, (II) business plans or (III) our current or expected future operating results and (2) the availability of sufficient capital. Accordingly, no assurance can be given that our actual property and equipment additions will not vary materially from our expectations.

Financing Activities. The change in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) a decrease in cash of £3,278.0 million due to a reduction in the amount of cash contributions that we received from our parent company, (ii) a decrease in cash due to the release of restricted cash in connection with the LG/VM Transaction of £2,313.6 million during the 2013 period, (iii) an increase in cash of £1,974.2 million related to lower net repayments and repurchases of third-party debt and capital lease obligations, (iv) an increase in cash related to lower net repayments of related-party debt of £1,819.6 million and (v) a decrease in cash received on our derivative instruments of £391.4 million.

Summary. The 2013 and 2012 consolidated statements of cash flows are summarized as follows (in millions):

	Successor	Predecessor	Combined	Predecessor	
	Period from June 8 to December 31, 2013	**Period from January 1 to June 7, 2013**	**Year ended December 31, 2013 (a)**	**Year ended December 31, 2012**	**Change**
Net cash provided by operating activities	£ 562.5	£ 588.1	£ 1,150.6	£ 1,198.9	£ (48.3)
Net cash used by investing activities	(2,773.4)	(309.3)	(3,082.7)	(783.0)	(2,299.7)
Net cash provided (used) by financing activities	2,004.5	(38.9)	1,965.6	(500.6)	2,466.2
Effect of exchange rate changes on cash	(5.4)	0.9	(4.5)	(9.4)	4.9
Net increase (decrease) in cash and cash equivalents	£ (211.8)	£ 240.8	£ 29.0	£ (94.1)	£ 123.1

(a) In order to provide a more meaningful basis for comparing the consolidated statements of cash flows for the year ended December 31, 2013 to the corresponding prior year period, we have presented financial information for the year ended December 31, 2013 that reflects the combination of the results for the 2013 Predecessor and Successor periods. The combination of Predecessor and Successor periods is not permitted by GAAP and has not been prepared with a view towards complying with Article 11 of Regulation S-X.

Operating Activities. The decrease in net cash provided by our operating activities is primarily attributable to (i) a decrease in cash provided due to higher cash payments for interest and (ii) a decrease in cash provided due to higher cash payments related to derivative instruments.

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to the net effect of (i) an increase in cash used to fund a loan to a subsidiary of Liberty Global of £2,356.3 million and (ii) a decrease in cash used due to lower capital expenditures of £50.2 million.

A reconciliation of our consolidated property and equipment additions to our consolidated capital expenditures as reported in the consolidated statements of cash flows is set forth below:

	Year ended December 31,	
	2013 (a)	2012
	in millions	
Property and equipment additions	£ 867.6	£ 883.4
Assets acquired under capital leases	(93.0)	(88.9)
Assets acquired under capital-related vendor financing arrangements	(34.8)	—
Changes in current liabilities related to capital expenditures	(7.5)	(12.0)
Capital expenditures	£ 732.3	£ 782.5

(a) In order to provide a more meaningful basis for comparing our property and equipment additions for the year ended December 31, 2013 to the corresponding prior year period, we have presented financial information for the year ended December 31, 2013 that reflects the combination of the results for the 2013 Predecessor and Successor periods. The combination of Predecessor and Successor periods is not permitted by GAAP and has not been prepared with a view towards complying with Article 11 of Regulation S-X.

The decrease in our property and equipment additions is primarily due to the net impact of (i) a decrease in expenditures for the purchase and installation of customer premises equipment, (ii) an increase in expenditures for new build and upgrade projects to expand services and (iii) an increase in expenditures for support capital, such as information technology upgrades and general support systems. During 2013 and 2012, our property and equipment additions represented 21.1% and 21.5% of our revenue, respectively.

Financing Activities. The change in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) an increase in cash of £3,278.0 million due to an increase in the amount of cash contributions that we received from our parent company, (ii) an increase in cash due to the release of restricted cash in connection with the LG/VM Transaction of £2,313.6 million, (iii) a decrease in cash related to higher net repayments of third-party debt of £2,153.7 million, (iv) a decrease in cash related to higher net repayments of related-party debt of £1,819.6 million, (v) an increase in cash related to higher payments received on our derivative instruments of £390.3 million and (vi) an increase in cash due to lower repurchases of common stock of £330.2 million.

Contractual Commitments

The pound sterling equivalents of our contractual commitments as of December 31, 2014 are presented below:

	Payments due during:						
	2015	2016	2017	2018	2019	Thereafter	Total
				in millions			
Debt (excluding interest)	£ 260.9	£ —	£ —	£ —	£ 375.0	£ 7,870.4	£ 8,506.3
Capital leases (excluding interest)	71.6	40.1	15.9	1.5	0.1	34.6	163.8
Programming commitments	374.5	336.1	297.1	294.2	143.1	1.1	1,446.1
Network and connectivity commitments	92.2	77.7	76.1	18.6	0.6	4.6	269.8
Purchase commitments	245.4	4.2	—	—	—	—	249.6
Operating leases	36.1	29.8	22.9	17.0	11.1	41.3	158.2
Other commitments	91.4	41.3	28.4	11.0	—	—	172.1
Total (a)	£ 1,172.1	£ 529.2	£ 440.4	£ 342.3	£ 529.9	£ 7,952.0	£10,965.9
Projected cash interest payments on debt and capital lease obligations (b)	£ 459.0	£ 432.7	£ 429.0	£ 428.6	£ 419.0	£ 1,325.6	£ 3,493.9

____

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2014 consolidated balance sheet other than debt and capital lease obligations.

(b) Amounts are based on interest rates, interest payment dates and contractual maturities in effect as of December 31, 2014. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our interest rate derivative contracts, deferred financing costs, discounts or premiums, all of which affect our overall cost of borrowing.

Programming commitments consist of obligations associated with certain of our programming and sports rights contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium film or sports services. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during 2014, 2013 and 2012, the programming costs incurred aggregated £574.2 million, £540.2 million and £505.9 million, respectively. The ultimate amount payable in excess of the contractual minimums of our content contracts is dependent upon the number of subscribers to our service.

Network and connectivity commitments include, among other items, the fixed minimum commitments associated with our MVNO agreement. As such, the commitments shown in the above table may be significantly less than the actual amounts we ultimately pay in these periods.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with these derivative instruments, see *Quantitative and Qualitative Disclosures about Market Risk — Projected Cash Flows Associated with Derivatives* below. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2014, 2013 and 2012, see note 5 to our consolidated financial statements. For information regarding our defined benefit plans, see note 14 to our consolidated financial statements.

Critical Accounting Policies, Judgments and Estimates

In connection with the preparation of our consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are critical in the preparation of our consolidated financial statements because of the judgment necessary to account for these matters and the significant estimates involved, which are susceptible to change:

- Impairment of property and equipment and intangible assets (including goodwill);
- Costs associated with construction and installation activities;
- Useful lives of long-lived assets;
- Fair value measurements; and
- Income tax accounting.

We have discussed the selection of the aforementioned critical accounting policies with the audit committee of Liberty Global's board of directors. For additional information concerning our significant accounting policies, see note 3 to our consolidated financial statements.

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 71.3% of our total assets at December 31, 2014.

We review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate the goodwill for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill may not be recoverable. For impairment evaluations with respect to goodwill, we first make a qualitative assessment to determine if the goodwill may be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). We have identified one reporting unit to which all goodwill is assigned. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss.

When required, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans and, in some cases, a combination of an income-based approach and a market-based approach. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected property and equipment additions. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Our determination of the discount rate is based on a weighted average cost of capital approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. Based on the results of our 2014 qualitative assessment of our reporting unit carrying value, we determined that it was more-likely-than-not that fair value exceeded carrying value for the reporting unit.

During the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, we recorded no material impairments of our property and equipment and intangible assets (including goodwill). For additional information, see note 7 to our consolidated financial statements.

If, among other factors, (i) Liberty Global's equity values were to decline significantly, or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

Costs Associated with Construction and Installation Activities

We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services, and changes in the manner that installations or construction activities are performed.

Useful Lives of Long-Lived Assets

We depreciate our property and equipment on a straight-line basis over the estimated useful life of the assets. The determination of the useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological changes, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with finite lives consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment and is primarily based on historical and forecasted subscriber disconnect rates, adjusted when necessary for risk associated with demand, competition, technological changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with finite lives. Any changes to estimated useful lives are reflected prospectively. Depreciation and amortization expense during the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012 was £1,555.9 million, £910.2 million, £432.8 million and £966.4 million, respectively. A 10% increase in the aggregate amount of the depreciation and amortization expense during 2014 would have resulted in a £155.6 million or 70.7% decrease in our 2014 operating income.

Fair Value Measurements

U.S. GAAP provides guidance with respect to the recurring and nonrecurring fair value measurements and for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Recurring Valuations. We perform recurring fair value measurements with respect to our derivative instruments, each of which are carried at fair value. We use (i) cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments and (ii) a binomial option pricing model to determine the fair values of our equity-related derivative instruments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments, see note 6 to our consolidated financial statements. See also note 5 to our consolidated financial statements for information concerning our derivative instruments.

Changes in the fair values of our derivative instruments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During the year ended December 31, 2014, the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the year ended December 31, 2012, our operations included net gains (losses) of £48.6 million, (£203.4 million), £51.8 million and £148.1 million, respectively, attributable to changes in the fair values of these items.

As further described in note 5 to our consolidated financial statements, actual amounts received or paid upon the settlement of our derivative instruments may differ materially from the recorded fair values at December 31, 2014.

For information concerning the sensitivity of the fair value of certain of our more significant derivative instruments to changes in market conditions, see *Quantitative and Qualitative Disclosures About Market Risk — Sensitivity Information* below.

Nonrecurring Valuations. Our nonrecurring valuations are primarily associated with (i) the application of acquisition accounting and (ii) impairment assessments, both of which require that we make fair value determinations as of the applicable valuation date. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement or reproduction costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain. All of our long-lived assets were measured at fair value on June 7, 2013 due to the application of acquisition accounting from the LG/VM Transaction and all of our long-lived assets are subject to impairment assessments. For additional information, see notes 4, 6 and 7 to our consolidated financial statements.

Income Tax Accounting

We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items.

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2014, the aggregate valuation allowance provided against deferred tax assets was £2,819.7 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2014 balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax positions as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we have a presence are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2014, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was £8.2 million of which nil would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

We are required to continually assess our tax positions, and the results of tax examinations or changes in judgment can result in substantial changes to our unrecognized tax benefits.

We have taxable outside basis differences on certain investments in non-U.S. subsidiaries. We do not recognize the deferred tax liabilities associated with these outside basis differences when the difference is considered essentially permanent in duration. In order to be considered essentially permanent in duration, sufficient evidence must indicate that the foreign subsidiary has invested or will invest its undistributed earnings indefinitely, or that earnings will be remitted in a tax-free liquidation. If circumstances change and it becomes apparent that some or all of the undistributed earnings will be remitted on a taxable basis in the foreseeable future, a net deferred tax liability must be recorded for some or all of the outside basis difference. The assessment of whether these outside basis differences are considered permanent in nature requires significant judgment and is based on management's intentions to reinvest the earnings of a foreign subsidiary indefinitely in light of anticipated liquidity requirements and other relevant factors. At December 31, 2014, income and withholding taxes for which a net deferred tax liability might otherwise be required have not been provided on an estimated £6.6 billion of cumulative temporary differences on non-U.S. entities. If our plans or intentions change in the future due to liquidity or other relevant considerations, we could decide that it would be prudent to repatriate significant funds or other assets from one or more of our subsidiaries, even though we would incur a tax liability in connection with any such repatriation. If our plans or intentions were to change in this manner, the recognition of all or a part of these outside basis differences could have an adverse impact on our consolidated net earnings (loss).

For additional information concerning our income taxes, see note 9 to our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the normal course of our business operations due to our ongoing investing and financing activities. Market risk refers to the risk of loss arising from adverse changes in foreign currency exchange rates and interest rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. As further described below, we have established policies, procedures and processes governing our management of market risks and the use of derivative instruments to manage our exposure to such risks.

Cash

We invest our cash in highly liquid instruments that meet high credit quality standards. At December 31, 2014, predominantly all of our consolidated cash balances were denominated in pound sterling. However, from a pound sterling perspective, we are slightly exposed to exchange rate risk with respect to certain of our cash balances that are denominated in U.S. dollars. Subject to applicable debt covenants, certain tax considerations and other factors, these U.S. dollar cash balances are available to be used for future liquidity requirements that may be denominated in such currencies.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk with respect to our consolidated debt in situations where our debt is denominated in U.S. dollars. Although we generally seek to match the denomination of our and our subsidiaries' borrowings with our functional currency, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in our functional currency (unmatched debt). In these cases, our policy is to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At December 31, 2014, substantially all of our debt was either directly or synthetically matched to our functional currency. For additional information concerning the terms of our derivative instruments, see note 5 to our consolidated financial statements.

In addition to the exposure that results from the mismatch of our borrowings and our functional currency, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our functional currency (non-functional currency risk), such as equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) that are denominated in a currency other than our functional currency. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheets related to these items will result in unrealized (based upon period-end exchange rates) or realized foreign currency transaction gains and losses upon settlement of the transactions. Moreover, to the extent that our costs and expenses are denominated in currencies other than our functional currency, we will experience fluctuations in our costs and expenses solely as a result of changes in foreign currency exchange rates. In this regard, we currently expect that during 2015, (i) none of our revenue, (ii) approximately 1% to 3% of our aggregate operating and SG&A expenses (exclusive of share-based compensation expense) and (iii) approximately 2% to 4% of our property and equipment additions will be denominated in non-functional currencies, including amounts denominated in U.S. dollars. Our expectations with respect to our non-functional currency transactions in 2015 may differ from actual results. Generally, we will consider hedging non-functional currency risks when the risks arise from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts and the payments or receipts are not otherwise hedged. Certain non-functional currency risks related to our operating and SG&A expenses and property and equipment additions were not hedged as of December 31, 2014. For additional information concerning our derivative instruments, see note 5 to our consolidated financial statements.

The relationship between (i) the euro and the U.S. dollar and (ii) the pound sterling, which is our reporting currency, is shown below, per one pound sterling:

	As of December 31,	
	2014	2013
Spot rates:		
Euro	1.2877	1.2014
U.S. dollar	1.5581	1.6567

	Year ended December 31,		
	2014	2013	2012
Average rates:			
Euro	1.2405	1.1776	1.2326
U.S. dollar	1.6474	1.5644	1.5852

Inflation Risk

We are subject to inflationary pressures with respect to labor, programming and other costs. While we attempt to increase our revenue to offset increases in costs, there is no assurance that we will be able to do so. Therefore, costs could rise faster than associated revenue, thereby resulting in a negative impact on our operating results, cash flows and liquidity. The economic environment in the U.K. is a function of government, economic, fiscal and monetary policies and various other factors beyond our control that could lead to inflation. We are unable to predict the extent that price levels might be impacted in future periods by the current state of the economies in the U.K.

Interest Rate Risks

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include fixed-rate and variable-rate investments and borrowings by our subsidiaries. Our primary exposure to variable-rate debt is through our LIBOR-indexed VM Credit Facility and debt.

In general, we seek to enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. Accordingly, we have entered into various derivative transactions to reduce exposure to increases in interest rates. We use interest rate derivative contracts to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. From time to time, we may also use interest rate cap and collar agreements that lock in a maximum interest rate if variable rates rise, but also allow our company to benefit, to a limited extent in the case of collars, from declines in market rates. At December 31, 2014, we effectively paid a fixed interest rate on substantially all of our total debt after considering the impact of our interest rate derivative instruments that convert variable rates to fixed rates. The final maturity dates of our various portfolios of interest rate derivative instruments generally fall short of the respective maturities of the underlying variable-rate debt. In this regard, we use judgment to determine the appropriate maturity dates of our portfolios of interest rate derivative instruments, taking into account the relative costs and benefits of different maturity profiles in light of current and expected future market conditions, liquidity issues and other factors. For additional information concerning the terms of these interest rate derivative instruments, see note 5 to our consolidated financial statements.

Weighted Average Variable Interest Rate. At December 31, 2014, our variable-rate indebtedness aggregated £3.3 billion, and the weighted average interest rate (including margin) on such variable-rate indebtedness was approximately 3.8%, excluding the effects of interest rate derivative contracts, financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. Assuming no change in the amount outstanding, and without giving effect to any interest rate derivative contracts, financing costs, discounts or commitment fees, a hypothetical 50 basis point (0.50%) increase (decrease) in our weighted average variable interest rate would increase (decrease) our annual consolidated interest expense and cash outflows by £16.5 million. As discussed above and in note 5 to our consolidated financial statements, we use interest rate derivative contracts to manage our exposure to increases in variable interest rates. In this regard, increases in the fair value of these contracts generally would be expected to offset most of the economic impact of increases in the variable interest rates applicable to our indebtedness to the extent and during the period that principal amounts are matched with interest rate derivative contracts.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under the derivative instruments. Most of our cash currently is invested in either (i) AAA credit rated money market funds, including funds that invest in government obligations, or (ii) overnight deposits with banks having a minimum credit rating of A by Standard & Poor's or an equivalent rating by Moody's Investor Service. To date, neither the access to nor the value of our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions.

At December 31, 2014, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £151.7 million, (ii) cash and cash equivalent and restricted cash balances of £36.1 million and (iii) aggregate undrawn debt facilities of £660.0 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements under each of these master agreements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set-off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set-off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and/or compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and/or liquidity.

Although we actively monitor the creditworthiness of our key vendors, the financial failure of a key vendor could disrupt our operations and have an adverse impact on our revenue and cash flows.

Sensitivity Information

Information concerning the sensitivity of the fair value of certain of our more significant derivative instruments to changes in market conditions is set forth below. The potential changes in fair value set forth below do not include any amounts associated with the remeasurement of the derivative asset or liability into the applicable functional currency. For additional information, see notes 5 and 6 to our consolidated financial statements.

Cross-currency and Interest Rate Derivative Contracts

Holding all other factors constant, at December 31, 2014:

(i) an instantaneous increase (decrease) of 10% in the value of the British pound sterling relative to the U.S. dollar would have decreased (increased) the aggregate fair value of the cross-currency and interest rate derivative contracts by approximately £458 million; and

(ii) an instantaneous increase (decrease) in the relevant base rate of 50 basis points (0.50%) would have increased (decreased) the aggregate fair value of the cross-currency and interest rate derivative contracts by approximately £47 million.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The pound sterling equivalents presented below are based on interest rates and exchange rates that were in effect as of December 31, 2014. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 5 to our consolidated financial statements. For information concerning the counterparty credit risk associated with our derivative instruments, see the discussion under *Counterparty Credit Risk* above.

	Payments (receipts) due during:						
	2015	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
				in millions			
Projected derivative cash payments (receipts), net:							
Interest-related (a)	£ 33.6	£ 15.3	£ 15.3	£ 14.2	£ (4.6)	£ (14.5)	£ 59.3
Principal-related (b)	—	—	—	—	(7.1)	(52.8)	(59.9)
Other (c)	—	(23.2)	—	—	—	—	(23.2)
Total	£ 33.6	£ (7.9)	£ 15.3	£ 14.2	£ (11.7)	£ (67.3)	£ (23.8)

(a) Includes the interest-related cash flows of our cross-currency and interest rate swap contracts.

(b) Includes the principal-related cash flows of our cross-currency contracts.

(c) Includes amounts related to the Virgin Media Capped Calls and the derivative embedded in the VM Convertible Notes. For information regarding the settlement of these instruments, see notes 5 and 8 to our consolidated financial statements.