Consolidated Financial Statements
December 31, 2015

VIRGIN MEDIA INC.
1550 Wewatta Street, Suite 1000
Denver, Colorado 80202

VIRGIN MEDIA INC.

TABLE OF CONTENTS

	Page Number
Forward-looking Statements	I - 1
Business	I - 3
Risk Factors	I - 23
Independent Auditors' Reports	II - 1
Consolidated Balance Sheets as of December 31, 2015 and 2014	II - 3
Consolidated Statements of Operations for the Year Ended December 31, 2015, the Year Ended December 31, 2014, the Period from June 8 to December 31, 2013 and the Period from January 1 to June 7, 2013	II - 5
Consolidated Statements of Comprehensive Earnings (Loss) for the Year Ended December 31, 2015, the Year Ended December 31, 2014, the Period from June 8 to December 31, 2013 and the Period from January 1 to June 7, 2013	II - 6
Consolidated Statements of Owners' Equity for the Year Ended December 31, 2015, the Year Ended December 31, 2014, the Period from June 7 to December 31, 2013 and the Period from January 1 to June 7, 2013	II - 7
Consolidated Statements of Cash Flows for the Year Ended December 31, 2015, the Year Ended December 31, 2014, the Period from June 8 to December 31, 2013 and the Period from January 1 to June 7, 2013	II - 9
Notes to Consolidated Financial Statements	II - 11
Management's Discussion and Analysis of Financial Condition and Results of Operations	III - 1
Quantitative and Qualitative Disclosures about Market Risk	III - 30

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 our network extension), the percentage of revenue represented by our property and equipment additions in future periods, the amount of our anticipated non-functional currency transactions in 2016, our business, product, foreign currency and finance strategies, property and equipment additions in 2016 and beyond, 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 changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, target leverage levels, our future projected contractual commitments and cash flows and other information and statements that are not historical fact.

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 United Kingdom (**U.K.**) and Ireland, 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 video, 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 video, 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;

- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;

- 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 capital and the derivative instruments that hedge certain of our financial risks;

- the ability of suppliers and vendors (including our third-party wireless network providers under our mobile virtual network operator (**MVNO**) arrangements) to timely deliver quality products, equipment, software, services and access;

- the availability of attractive programming for our digital video 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 our network extension in the U.K.;

- the availability of capital for the acquisition and/or development of telecommunications networks and services;

- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;

- our ability to successfully integrate and realize anticipated efficiencies from the LG/VM Transaction (as defined in this annual report), the VM Ireland Acquisition (as defined in this annual report) and from other businesses we may acquire;

- the 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, 2015.

Introduction

We are a subsidiary of Liberty Global plc (**Liberty Global**) that provides video, broadband internet, fixed-line telephony and mobile services in the U.K. and Ireland. We are one of the U.K.'s and Ireland's largest providers of residential video, 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 television services available in the U.K. and Irish markets.

Our residential broadband subscribers generally access the internet at various download speeds ranging up to 200 Mbps in the U.K. and up to 360 Mbps in Ireland, 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 (**PPV**) programming (including digital cable-on-demand), digital cable recorders, high definition (**HD**), and 3D programming and access to over-the-top (**OTT**) content.

We provide mobile services to our customers in the U.K. and Ireland using third-party networks through MVNO arrangements.

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

We are a wholly-owned subsidiary of Liberty Global, 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 products are provided through next-generation networks and innovative technology platforms that connected 27 million customers subscribing to 57 million television, broadband internet and telephony services as of December 31, 2015. In addition, Liberty Global served five million mobile subscribers and offered WiFi service across six million access points.

Operating Statistics

The following table shows our operating statistics as of December 31, 2015:

CABLE	U.K.	Ireland	Combined
Footprint			
Homes Passed[1]	12,908,500	856,500	13,765,000
Two-way Homes Passed[2]	12,891,300	772,000	13,663,300
Subscribers (RGUs)[3]			
Basic Video[4]	—	32,100	32,100
Enhanced Video[5]	3,727,000	311,200	4,038,200
MMDS[6]	—	22,200	22,200
Total Video	3,727,000	365,500	4,092,500
Internet[7]	4,694,900	371,200	5,066,100
Telephony[8]	4,310,500	358,100	4,668,600
Total RGUs	12,732,400	1,094,800	13,827,200
Customer Relationships			
Customer Relationships[9]	5,115,200	497,400	5,612,600
RGUs per Customer Relationship	2.49	2.20	2.46
Customer Bundling			
Single-Play	16.1%	25.7%	17.0%
Double-Play	18.8%	28.6%	19.7%
Triple-Play	65.1%	45.7%	63.3%
Quad-Play[10]	17.0%	0.7%	15.5%
MOBILE			
Mobile Subscribers[11]			
Postpaid	2,260,600	7,600	2,268,200
Prepaid	755,800	—	755,800
Total Mobile subscribers	3,016,400	7,600	3,024,000

(1) Homes Passed are homes, residential multiple dwelling units or commercial units that can be connected to our networks without materially extending the distribution plant, except for multi-channel multi-point (microwave) distribution system (**MMDS**). Our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results. With respect to countries that offer MMDS, one MMDS customer is equal to one Home Passed. During 2015, we made inorganic revisions to increase our U.K. Homes Passed by 30,800.

(2) Two-way Homes Passed are Homes Passed by those sections of our networks that are technologically capable of providing two-way services, including video, internet and telephony services. During 2015, we made inorganic revisions to increase our U.K. Two-way Homes Passed by 30,700.

(3) Revenue Generating Unit (**RGU**) is separately a Basic Video Subscriber, Enhanced Video Subscriber, MMDS Subscriber, Internet Subscriber or Telephony Subscriber (each as defined and described below). A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer subscribed to our enhanced video service, telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Basic Video, Enhanced Video, MMDS, Internet and Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g. a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as

subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g., VIP subscribers, free service to employees) generally are not counted as RGUs. We do not include subscriptions to mobile services in our externally reported RGU counts. In this regard, our December 31, 2015 RGU counts exclude our separately reported postpaid and prepaid mobile subscribers.

(4) Basic Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network either via an analog video signal or via a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Encryption-enabling technology includes smart cards, or other integrated or virtual technologies that we use to provide our enhanced service offerings. With the exception of RGUs that we count on an equivalent billing unit (**EBU**) basis, we count RGUs on a unique premises basis. In other words, a subscriber with multiple outlets in one premises is counted as one RGU and a subscriber with two homes and a subscription to our video service at each home is counted as two RGUs. During the first quarter of 2015, we modified certain video subscriber definitions to better align these definitions with the underlying services received by our subscribers and have replaced our "Digital Cable" and "Analog Cable" subscriber definitions with "Enhanced Video" and "Basic Video," respectively.

(5) Enhanced Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network or through a partner network via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Enhanced Video Subscribers that are not counted on an EBU basis are counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives our video service in one premises is generally counted as just one subscriber. An Enhanced Video Subscriber is not counted as a Basic Video Subscriber. As we migrate customers from basic to enhanced video services, we report a decrease in our Basic Video Subscribers equal to the increase in our Enhanced Video Subscribers. During the first quarter of 2015, we modified certain video subscriber definitions to better align these definitions with the underlying services received by our subscribers and have replaced our "Digital Cable" and "Analog Cable" subscriber definitions with "Enhanced Video" and "Basic Video," respectively.

(6) MMDS Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video programming via a MMDS.

(7) Internet Subscriber is a home, residential multiple dwelling unit or commercial unit that receives internet services over our networks. Our Internet Subscribers do not include customers that receive services from dial-up connections.

(8) Telephony Subscriber is a home, residential multiple dwelling unit or commercial unit that receives voice services over our networks. Telephony Subscribers exclude mobile telephony subscribers.

(9) Customer Relationships are the number of customers who receive at least one of our video, internet or telephony services that we count as RGUs, without regard to which or to how many services they subscribe. To the extent that RGU counts include EBU adjustments, we reflect corresponding adjustments to our Customer Relationship counts. 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-only customers from Customer Relationships.

(10) Quad-play penetration represents the number of customers who subscribe to our four primary services: video, internet, fixed-line telephony, and postpaid or prepaid mobile telephony, divided by customer relationships.

(11) Our mobile subscriber count represents the number of active subscriber identification module (**SIM**) cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop (via a dongle) would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from our mobile telephony subscriber counts after periods of inactivity ranging from 30 to 90 days, based on industry standards within the respective country.

Products and Services in the U.K.

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, 2015, 84% of our cable customers received multiple services from us and 65% were "triple-play" customers, receiving broadband internet, video and fixed-line telephony services.

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 490 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, 2015, we employed approximately 2,700 staff members in our 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, 2015, we provided cable broadband services to approximately 4.7 million subscribers. We are one of the leading providers of broadband internet access in the U.K.

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 200 Mbps.

Television

Our digital cable platform includes access to over 290 linear television channels, advanced interactive features and a range of premium subscription-based and PPV services. As of December 31, 2015, we provided digital cable services to approximately 3.7 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 Virgin TV Anywhere, one of the most comprehensive cloud-based entertainment services in the U.K. which is described below.

We also offer interactive "red button" applications from the British Broadcasting Corporation (**BBC**) and other commercial broadcasters, such as Sky plc (**Sky**) and BT Sport. 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.

TiVo and Digital Cable Recorders

We offer two 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, 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 first 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. It brings together television, digital cable-on-demand and OTT services through a single user experience and features unique content discovery and personalization tools. The TiVo box is 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, 2015, we had approximately 2.9 million TiVo customers, or 78% of our television 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, 2015, we had approximately 0.2 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 PPV events. Content is available in broadcast standard definition (**SD**) and HD. Our HD content is available to all of our digital cable customers who have an 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 television customers. The BBC iPlayer is the largest catch-up television service we offer, enabling viewers to view more than 700 hours of BBC programs. Our Catch-Up television also includes content from All 4, Demand 5, ITV Player and other linear channels.

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.

The Sky On Demand service allows our customers to access approximately 1,000 hours of television content from across Sky's range of basic channels, and around 1,000 movie titles being made available to Virgin Media subscribers of Sky Movies. Other content providers include BBC Worldwide, Sony, Viacom, NBCU and A&E Networks. Tailored advertising is also inserted across many providers within the basic television SVOD and free catch-up services.

Virgin Movies. Our PPV movie service, Virgin Movies, offers a further 400 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 and may be viewed when customers are offline. The Virgin Movies online service is available to both subscribers and non-subscribers to our digital cable service.

Virgin TV Anywhere

In November 2012, we launched Virgin TV Anywhere, one of the U.K.’s most comprehensive internet streaming television services that allows our television customers to stream up to 117 live television 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 117 live television channels, manage their TiVo box and discover new shows on 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. As of December 31, 2015, we provided fixed-line telephony services to approximately 4.3 million residential subscribers.

Mobile

Our mobile communication services are provided using the mobile network owned by EE Limited (**EE**) through an MVNO arrangement. 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, Microsoft Windows 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 alongside a 'Freestyle' handset purchase agreement, and prepaid customers, who top up their accounts prior to using the services and have no minimum contracted term. We also offer 'Freestyle' mobile contracts, providing customers with the flexibility to purchase a handset independently of an airtime contract.

As of December 31, 2015, we had approximately 3.0 million mobile services customers, of which approximately 2.3 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 business-to-business (**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 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 provide a mobile service to public and private sector B2B customers, providing voice and 3G and 4G data services as a reseller of EE's business services. As a result, we now 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 ultrafast 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. In January 2016, Virgin Media Business launched the U.K.'s fastest, widely available broadband speed for small businesses, a service offering up to 300 Mbps speed service.

Our Network in the U.K.

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 200 Mbps. We have also conducted trials of 300 Mbps, 1 Gbps and 1.5 Gbps downstream speeds. For fixed-line telephony 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 hybrid fiber coaxial access network footprint. As of December 31, 2015, virtually all of the homes served by our cable network could receive all our broadband, digital television and fixed-line telephony services.

During 2015, we initiated the Network Extension pursuant to which we may connect up to an estimated four million additional homes and businesses to our broadband communications network by the end of 2019. 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 internet protocol television (**IPTV**) 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 (which now owns and operates mobile operator, EE), Sky, TalkTalk Telecom Group plc (**TalkTalk**), Vodafone Limited (**Vodafone**) 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 20% 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 90% 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 trialed G.Fast technology, which may allow its retail arm, and its wholesale customers, to offer ultrafast 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 WiFi and Worldwide Interoperability for Microwave Access (**Wi-Max**). For example, EE has also announced that its 4G coverage has reached over 93% of the U.K. population.

Television

We are the largest cable television provider in the U.K. in terms of the number of video 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 we serve approximately 13% of the U.K. television market. Our digital television services compete primarily with those of Sky and BT. Sky is the primary pay satellite television platform in the U.K. with approximately 9.0 million subscribers, or 33% 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 launched its own premium BT Sport channels, providing a range of sports content including football from the English Premier League and, for 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 IPTV platform, Sky's satellite system and our cable network. BT is currently offering customers who subscribe to their BT television service free access to some of the SD version of BT Sport channels. BT has also launched a BT Sport Ultra HD channel.

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 television 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 (television, 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 television 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 television services under the brand Freetime, 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 television 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 and, in 2016, Vodafone will be launching its own television service to allow it to offer quad-play services in the U.K.

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 13%.

We compete with mobile telephone businesses 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 WiFi connections. These services are offered by independent providers, such as WhatsApp and Skype, as well as those affiliated with established competitors, such as BT (which now owns and operates 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 (**MNO**s), such as BT (and EE), O2, 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 these existing competitors.

In February 2015, BT announced that it had agreed to acquire EE, subject to regulatory clearance by the U.K.'s Competition and Markets Authority (**CMA**). On January 15, 2016, the CMA issued its final decision clearing the transaction unconditionally, enabling BT to close the transaction on January 29, 2016. In March 2015, Hutchison Whampoa (owners of 3 U.K.) announced that it had agreed to purchase O2 UK. This proposed transaction has been notified to the European Commission for in-depth regulatory scrutiny. If cleared, the proposed transaction will result in a reduction of MNOs from four to three in the U.K. The European Commission is expected to publish its final decision in mid-2016.

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.

Virgin Media Ireland

On February 12, 2015, we acquired a 65.0% controlling interest in Virgin Media Ireland Ltd. (**VM Ireland**), formerly known as UPC Broadband Ireland Ltd., and its subsidiaries from a subsidiary of Liberty Global outside of the Virgin Media borrowing group (the **VM Ireland Acquisition**). The remaining 35.0% noncontrolling interest in VM Ireland was acquired by another subsidiary of Liberty Global outside of the Virgin Media borrowing group.

In connection with the VM Ireland Acquisition, we (i) paid aggregate cash consideration of €1,341.3 million (£993.8 million at the transaction date) to acquire (a) the controlling interest in VM Ireland and (b) another Liberty Global's subsidiary's right to receive €634.3 million (£470.0 million at the transaction date) from a VM Ireland subsidiary pursuant to a promissory note (the **VM Ireland Note**) and (ii) received a €165.6 million (£122.7 million at the transaction date) cash payment from Liberty Global Europe 2 Limited (**LG Europe 2**), our immediate parent, formerly known as Lynx Europe 2 Limited, on an 8.5% note receivable due 2023. The €1,341.3 million (£993.8 million at the transaction date) of consideration issued in connection with the VM Ireland Acquisition was recorded as a capital transaction during the first quarter of 2015. Following our February 2015 acquisition of the right to receive €634.3 million (£470.0 million at the transaction date) pursuant to the VM Ireland Note, the amounts receivable and payable pursuant to the VM Ireland Note eliminate in consolidation. The impact of the elimination of the amount payable under the VM Ireland Note has been reflected as a deemed contribution in our consolidated statement of owners' equity for the year ended December 31, 2015.

VM Ireland is the largest cable television operator in Ireland by number of customers. VM Ireland provides video, broadband internet and fixed-line telephony services in five regional clusters in Ireland, including the cities of Dublin, Cork, Galway and

Limerick to both residential and B2B customers. As of December 31, 2015, VM Ireland provided services to an aggregate of 497,400 customers, comprising 1.1 million RGUs (including 365,500 video subscribers, 371,200 broadband internet subscribers, and 358,100 fixed-telephony subscribers) across a footprint of 856,500 homes passed. In addition, VM Ireland provided services to 7,600 mobile subscribers. VM Ireland provides digital and analog cable video services via cable. Its cable network is 90% upgraded to two-way capability, with 92% of its cable homes served by a network with a bandwidth of at least 750 Mhz. VM Ireland makes its digital video, broadband internet and fixed-line telephony services available to 97%, 90% and 89%, respectively, of its homes passed. Highlights of VM Ireland include:

- For enhanced video subscribers, different packages starting with a base package that includes 63 video channels and several radio channels, along with a variety of premium channels, HD programming, a PPV service, an electronic program guide, remote booking and a DVR service;
- Horizon TV (Liberty Global's next-generation set-top box platform), which is a family of media products that allows customers to view and share content across their television, computer, tablet and smartphone, and includes the Horizon TV app and Horizon TV online service;
- Download speeds of up to 360 Mbps for residential customers and up to 500 Mbps for business customers utilizing Euro DOCSIS 3.0 technology;
- Business WiFi distribution networks via VM Ireland's wholly-owned subsidiary, Bitbuzz Limited, which was acquired in December 2014 (primarily servicing the hospitality industry);
- Community WiFi networks in select markets, with plans to activate this network throughout our Ireland footprint;
- Digital telephony, via VoIP, with multiple value-added features; and
- A mobile telephony SIM-only service via an MVNO arrangement with Three Ireland (Hutchison) Limited (**Three Ireland**). This service was launched in October 2015 and is available to all consumers in the Republic of Ireland.

On December 7, 2015, we acquired Tullamore Beta Limited, the parent of TV3, a commercial broadcaster in Ireland, for a purchase price of €80 million (£58 million at the transaction date) with additional contingent consideration of up to €7 million (£5 million) payable dependent on the outcome of a regulatory matter. The purchase price was funded through existing liquidity.

Regulatory Matters

Overview

Legislative Framework

Our business activities are subject to the laws and regulations of the EU, the U.K. and Ireland. 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 comprises:

- 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, regulating 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 (i) the Communications Act 2003, which regulates all forms of communications technology, whether used for telecommunications or broadcasting, and (ii) the Wireless Telegraphy Act 2006, which regulates radio communications (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. Until December 31, 2015, on-demand programming was regulated by the Authority for Television On-Demand under a co-regulatory regime with Ofcom. Since January 1, 2016, Ofcom has taken over this function directly. The regulatory regime for on-demand programming is derived from the Audiovisual Media Services Directive.

In Ireland, the Regulatory Framework is implemented through (i) the Communications Regulation Act 2002, as amended, which regulates electronic communications networks, including cable television and traditional telephony networks and electronic communications service providers and (ii) the Wireless Telegraphy Act 1926 (as amended), which regulates radio communications in Ireland (including with respect to the spectrum, licensing arrangements, usage conditions and charges 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 Broadcasting Act 1990 and other Irish Acts and Statutory Instruments, including the Competition Acts 2002-2014.

U.K. Regulatory Authorities

Ofcom is the key regulatory authority for the communications sector in which we operate in the U.K. 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 CMA. The CMA's primary duty is to promote competition, both within and outside the U.K., for the benefit of consumers.

Irish Regulatory Authorities

ComReg is a key regulatory authority for the communications sector in which we operate in Ireland. It is responsible for furthering the interests of consumers by promoting competition. In particular, ComReg 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. In November 2015, ComReg signed a cooperation agreement with the Competition and Consumer Protection Commission in relation to consumer protection functions of both bodies. The purpose of the agreement being to ensure greater coordination between these two bodies on consumer related matters. The Broadcasting Authority of Ireland (**BAI**) is the key regulatory authority for broadcasting services licensed in Ireland. Further, it has a number of statutory duties that include oversight of public service broadcasters and the allocation of public funding; stimulating the provision of high quality, diverse, and innovative programming and promoting diversity of control in the commercial and community sectors. TV3 Group, the wholly owned subsidiary of Virgin Media Limited, has broadcasting licenses from the BAI for its television channels: TV3, TV3+1 and 3e.

Broadband Expansion

The U.K. government is attempting to drive the deployment of ultrafast 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. To achieve this aim, the government established: (i) 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 (ii) the Urban Broadband Fund, which intended to establish "super connected" cities with internet capabilities of between 80 Mbps to 100 Mbps and comprehensive mobile broadband coverage.

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 December 31, 2015. As an alternative, the U.K. government progressed a retail connectivity voucher scheme, in which we are participating.

In November 2015, the U.K. government announced that everyone will, by 2020, have a legal right to request a broadband connection of at least 10 Mbps regardless of where they live. The government intends to achieve this by introducing a broadband Universal Service Obligation (**USO**) and it is aimed, in particular, at addressing the final 5% of the population in the U.K. without access to a broadband connection. Details remain unclear at present, but we expect the government to consult on the form of any USO and the funding options for it in the first half of 2016.

The Irish Government is investing in a national broadband network which will guarantee the universal availability of high-speed broadband, with download speeds of up to 30 Mbps and upload speeds of 6 Mbps by 2020. The National Broadband Plan (**NBP**) forms part of a broader National Digital Strategy, which was published in 2013 and is aimed at encouraging and assisting more citizens and small businesses to get on-line.

The Irish Government has publicly stated it intends to allocate €275.0 million (£202.8 million) for the NBP, with further funding of €75.0 million (£55.3 million) committed through the European Regional Development Fund. However, the overall cost of the NBP will not be known until the supply contracts have been awarded in late 2016. Network build for the NBP will commence by early 2017 and is expected to be fully complete by 2020.

In line with EU State Aid rules, the coverage of the state-funded network will be limited to areas where there is unlikely to be an overlap between public and private sector investment. The NBP coverage map therefore does not overlap with our network footprint.

Regulation of Television and Video-on-Demand Services

In the U.K., 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 television 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.

As a provider of an On-Demand Programme Service (**ODPS**), we must comply with a number of statutory obligations in relation to "editorial content" and notify Ofcom of our intention to provide an ODPS. Failure to notify Ofcom 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 programming content. 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 was referred back to the CAT for further consideration, and the Supreme Court denied Sky the opportunity to appeal. BT also secured an extension of the WMO to cover distribution over the YouView platform. On December 19, 2014, Ofcom launched a consultation to review the WMO remedy and consider whether it remained an appropriate remedy. On November 19, 2015, Ofcom issued its final statement concluding that the WMO was no longer appropriate and removed the WMO obligation from Sky. Following Ofcom's decision, the CAT held a Case Management Conference on December 3, 2015, where it was agreed to withdraw the appeal against the CAT's judgment. An order permitting the withdrawal of the pay-TV appeals, on terms agreed to between the parties (including Virgin Media), was granted by the CAT on December 18, 2015. On January 19, 2016, it was confirmed that BT has lodged an appeal against Ofcom's latest decision of November 19, 2015. On February 18, 2016, Sky was given permission to intervene in BT's appeal by the CAT.

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 EU. 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.

In Ireland, we hold a BAI license for our barker channel and TV3 Group, the wholly owned subsidiary of Virgin Media Limited, holds broadcasting licenses for its television channels: TV3, TV3+1 and 3e.

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-television providers and the prominence of various services in platform providers' electronic program guides. A resulting consultation seeking evidence on the balance of payments between television platforms and public service broadcasters was published in March 2015. That consultation closed in May 2015, with the government expected to publish its conclusions in the first half of 2016.

Separately, Ofcom completed a review of Public Service Broadcasting in 2015, which also included some consideration of these factors, as a part of the broader assessment of the regime. The review concluded that Public Service Broadcasting continues, in general, to serve viewers well and proposed no immediate, material changes to the regime.

Regulation of Electronic Communication Services

In order to operate in the telecommunications sector in the U.K. and Ireland, a provider must comply with general conditions imposed by each country's respective national regulator, those being Ofcom and ComReg. 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 the national regulator and, ultimately, to the suspension or revocation of a company's right to provide electronic communications networks and services. Ofcom and ComReg also undertake 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 finalized its most recent triennial review of the Fixed Access markets in 2014 (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). This did not lead to any substantive change in its approach to regulation from the previous review period. Therefore, we do not anticipate significant consequences for our operations in the period leading up to the next review in 2017.

BT was again 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 therefore required to provide certain products and services on regulated terms, including providing access to its ducts and poles infrastructure.

Ofcom also imposed a new condition regulating BT's wholesale pricing of certain of its fiber products, whereby it is subject to an ongoing margin squeeze test. Ofcom published its final statement setting out the form that this test should take in March 2015. In its current form, BT has not had to undertake a major pricing realignment in order to comply with this additional obligation. However, both TalkTalk and BT have lodged an appeal against Ofcom's statement.

In Ireland, ComReg's review of the wholesale broadband markets is ongoing. In a previous broadband market analysis decision, the national incumbent telecommunications provider, Eircom Limited (**Eir**), was found to have significant market power in the wholesale broadband access market (virtual access) and the wholesale physical network access market. Eir remains subject to regulatory obligations in both of these markets, pending the outcome of its market reviews (expected in the first quarter of 2016).

Business Connectivity Services

Ofcom is in the process of reviewing the U.K. Business Connectivity Markets (leased lines and dedicated business connections, among others). BT has provisionally been found to hold significant market power in certain markets, with consequential regulatory remedies proposed by Ofcom. Among these is a proposed obligation for BT to provide access to its dark fiber. Virgin Media, in common with a number of other investors in network (including BT), is opposed to this proposed remedy. Ofcom is expected to publish final conclusions in the spring of 2016.

In Ireland, ComReg's review of the business connectivity services is ongoing. In a previous leased line market analysis decision (now called business connectivity market), Eir was found to have significant market power in the market for wholesale terminating segments of leased lines. Eir remains subject to regulatory obligations in this market, pending the outcome of ComReg's business connectivity market review, which is expected in the first quarter of 2016.

Call Origination and Call Transit Services

ComReg completed its review of the wholesale call transit and call origination markets in June 2015. Eir was considered to have significant market power in the market for call origination and wholesale line rental. However, ComReg deemed that Eir no longer had significant market power in the market for call transit. On that basis, Eir remains subject to regulatory obligations in its provision of wholesale call origination and wholesale line rental, but not with respect to its provision of call transit services.

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. On July 1, 2014, a measure was introduced that 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. In October 2015, further EU regulations were adopted, which will see EU roaming charges reduced to zero by June 2017 (subject to addressing inconsistencies in underlying wholesale charges). A preceding transitional period has been established such that roaming surcharges will reduce significantly beginning on April 30, 2016.

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. In March 2015, Ofcom completed its review of mobile termination charges for the period of 2015-2018 and concluded that rates should reduce to approximately half of their current levels by the end of this period. As a result we have experienced both a reduction in revenue from such charges and a reduction in cost.

Further to our entry into the mobile market, we have become subject to a range of regulations applicable to the provision of mobile services in Ireland. ComReg currently regulates mobile termination rates on seven mobile networks.

Ofcom Strategic Review of Digital Communications

In March 2015, Ofcom launched a strategic review of U.K. digital communications, with a stated objective of ensuring that digital communications markets continue to work for consumers and businesses, with wide availability of high-quality services (both fixed and mobile). A 'discussion document' was published in July 2015, inviting stakeholder comment and input. Key focus areas for Ofcom are: investment and innovation, delivering widespread availability of services; sustainable competition; empowering consumers; and targeted regulation where necessary, deregulation elsewhere.

A key area of consideration is the future regulatory treatment of BT, in particular whether BT should be fully (structurally) separated, with the Openreach network division becoming a separate, independent company.

An 'emerging thinking' document was published on February 25, 2016, setting out conclusions and Ofcom's proposed policy position relating to a number of aspects of the U.K. regulatory regime. These do not, currently, include enforced separation of Openreach from BT.

Regulation Requiring Co-Operation With Law Enforcement

Telecommunications operators are subject to various laws that can require them to store and disclose customer data to law enforcement and the security services. In the U.K., these laws are in the process of being updated. A new draft Investigatory Powers Bill has been published and is expected to come into effect by the end of 2016 with transitional provisions covering most of 2017.

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/or 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 17 to our consolidated financial statements included in Part II of this annual report.

VAT Matters

Our application of value-added taxes (**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 £45.2 million as of December 31, 2015. 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 prior to March 31, 2016.

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. This change, which took effect on May 1, 2014, impacted our company and some of our competitors. As a result of this legislation, our revenue was £14.4 million lower during 2015 as compared to 2014. The U.K. tax authority issued a decision in the fourth quarter of 2015 challenging our application of the prompt payment discount rules prior to the May 1, 2014 change in legislation. We have appealed this decision. As part of the appeal process, we were required to make aggregate payments of £67.0 million, which included the challenged amount of £63.7 million and related interest of £3.3 million. The aggregate amount paid does not include penalties, which could be significant in the unlikely event that penalties were to be assessed. This matter will likely be subject to court proceedings that could delay the ultimate resolution for an extended period of time.

Regulatory Developments

For a description of current regulatory developments in the EU, the U.K. and Ireland that 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 (i) legal proceedings, (ii) issues involving VAT, wage, property and other tax issues and (iii) 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 operations.

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 telephony 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. and Ireland. 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, 2015, we had approximately 13,450 employees in the U.K. and approximately 670 employees in Ireland. We also had approximately 450 temporary employees in the U.K. and approximately 65 temporary employees in Ireland. 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, 60, 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, 52, became Chief Operating Officer in April 2015. Prior to this, Mr. Buttery was Chief Customer, Technology and Networks Officer from September 2011 to April 2015 and Chief Customer and Networks Officer from January 2010 to September 2011. 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 Group in February 2006 as Director of customer services and operations for the business division. Before he joined the Virgin 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, 56, 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, 49, 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.

Rob Evans, 50, became our Chief Information, Network and Technology Officer in April 2015. Prior to this, Mr. Evans served as our Executive Director of Engineering and Supply Chain beginning in 2009. From 2006 to 2009, Mr. Evans was the Vice President of Network, Data Centres and Global Operations with BP International. Prior to this, he was Vice President of Network Engineering at Cable & Wireless from 2000 to 2006. Mr. Evans has previously held senior management roles with Schlumberger in the United States and with Hong Kong Telecom in Hong Kong and Macau. In his early career, Mr. Evans worked at STC Submarine Systems and as a technical product manager with Cable & Wireless in Europe.

Tony Hanway, 48, became the Chief Executive Officer of Virgin Media Ireland in October 2015. Prior to joining Virgin Media, Mr. Hanway held a number of senior roles at O2 Telefonica, including CEO of O2 Ireland from 2011 to 2014. He also served as Chief Commercial Officer of Telefonica O2 Deutschland and Consumer Director of O2 Czech Republic where he was responsible for the Consumer team in Fixed and Mobile telephony. Prior to this, Mr. Hanway held senior roles with AOL UK from 1998 to 2005 where he served as Vice President of Customer Care and Managing Director of AOL Europe Time Warner Operations Ltd. In his early career Mr. Hanway held positions with AIB Bank (UK) and Gateway Computers.

Mine Hifzi, 49, 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, 52, 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, 45, became our Managing Director of our Virgin Media Consumer Division in April 2015. Prior to this, Mr. McNeil was our Interim Chief Operating Officer and Deputy Chief Financial Officer and 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, 50, 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 products are provided through next-generation networks and innovative technology platforms that connected 27 million customers subscribing to 57 million television, broadband internet and telephony services as of December 31, 2015. In addition, Liberty Global served five million mobile subscribers and offered WiFi services across six million access points. Liberty Global's consumer brands are Virgin Media, Ziggo, Unitymedia, Telenet, UPC, VTR and Liberty.

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 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 cable television, 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 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 telephony 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, Ultra HD /4K TV, mobile instant messaging, WiFi, Wi-Max, LTE, IPTV, or the emergence of new technologies, such as white space technologies (which use portions of the old analog television 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 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 cable television, 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, the U.K. and Ireland. 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 average monthly subscription revenue per RGU (**ARPU**) at existing levels. The countries in which we operate 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, the U.K. or Ireland 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. 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 depend on third-party suppliers and licensors to supply necessary equipment, software and certain services required for our businesses. 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. Also, if demand exceeds the suppliers' and licensors' capacity or if they experience financial difficulties, the ability of our businesses to provide some services may be materially adversely affected, which in turn could affect our businesses' ability to attract and retain customers. Although we actively monitor the creditworthiness of our key third-party suppliers and licensors, the financial failure of a key third-party supplier or licensor could disrupt our operations and have an adverse impact on our revenue and cash flows. We rely upon intellectual property that is owned or licensed by us to use various technologies, conduct our operations and sell our products and services. Legal challenges could be made against our use of our or our licensed intellectual property rights (such as trademarks, patents and trade secrets) and we may be required to enter into licensing arrangements on unfavorable terms, incur monetary damages or be enjoined from use of the intellectual property rights in question.

Our consumer mobile services rely on the radio access networks of third-party wireless network providers to carry our mobile communications traffic. Our services to mobile customers rely on the use of MVNO arrangements in which we utilize the radio access networks of third-party wireless network providers to carry our mobile communications traffic. If any of our MVNO arrangements are terminated, or if the respective third-party wireless network provider fails to provide the services required under an MVNO arrangement, or if a third-party wireless network provider fails to deploy and maintain its network, and we are unable to find a replacement network operator on a timely and commercial basis or at all, we could be prevented from continuing the mobile services relying on such MVNO arrangement. Additionally, as our MVNO arrangements come to term, we may not be able to renegotiate renewal or replacement MVNO arrangements on the same or more favorable terms.

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 us with an opportunity to cure, (i) if we or any of our affiliates commit 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 us 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 PPV 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 provided for a WMO obligation on Sky that regulated (or set a fair, reasonable and non-discriminatory requirement for) the price and terms of supply of certain of Sky's Sports Channels. On December 19, 2014, Ofcom launched a consultation to review the WMO remedy and consider whether it remained an appropriate remedy. On November 19, 2015, Ofcom issued its final statement concluding that the WMO was no longer appropriate and removing the WMO obligation from Sky. On January 19 2016, it was confirmed that BT has lodged an appeal against Ofcom's latest decision of November 19, 2015. The removal of the WMO requirement 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.

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 2018.

Other significant programming suppliers include the BBC, ITV, Channel 4, UKTV, Viacom Inc. (including Five), Discovery Communications Inc., Disney, NBC Universal 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. A resulting consultation seeking evidence on the balance of payments between television platforms and public service broadcasters was published in March 2015. That consultation closed in May 2015, with the government expected to publish its conclusions in the first half of 2016. 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 platform providers' 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.

The U.K. referendum on membership in the EU is scheduled for June 2016, the impact of which is uncertain. On February 20, 2016, the U.K. government announced its intention to hold a referendum on June 23, 2016 in relation to the U.K.'s membership in the EU. We are currently unable to predict the potential impact, if any, the outcome of this referendum may have on customer behavior, economic conditions, interest rates, currency exchange rates or other matters.

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 third-party long-term debt and capital lease obligations, net of £745.9 million current portion, was £9,441.6 million as of December 31, 2015.

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. Certain tranches of our VM Credit Facility have a term of six to eight years. In addition, certain series of our Existing Senior Secured Notes and Existing Senior Notes mature between 2021 and 2029. See note 9 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 related-party 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 portions 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 certain 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 CPE and network maintenance services. Any deterioration in the value of the pound sterling 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., U.K. and Ireland. 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 as they are 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., U.S. and Ireland. 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. This change, which took effect on May 1, 2014, impacted our company and some of our competitors. As a result of this legislation, our revenue was £14.4 million lower during 2015 as compared to 2014. The U.K. tax authority issued a decision in the fourth quarter of 2015 challenging our application of the prompt payment discount rules prior to the May 1, 2014 change in legislation. We have appealed this decision. As part of the appeal process, we were required to make aggregate payments of £67.0 million, which included the challenged amount of £63.7 million and related interest of £3.3 million. The aggregate amount paid does not include penalties, which could be significant in the unlikely event that penalties were to be assessed. This matter will likely be subject to court proceedings that could delay the ultimate resolution for an extended period of time.

The VAT applicable to certain components of our operations has increased effective January 1, 2015. As compared to 2014 levels, these proposed increases resulted in increases in annual VAT payments of approximately £37.1 million.

Adverse changes in our financial outlook may result in negative or unexpected tax consequences, which could adversely affect our net income. 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 would 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 VM 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, 2015 and 2014 (Successor), and the related consolidated statements of operations, comprehensive earnings (loss), owners' equity and cash flows for a) the years ended December 31, 2015 and 2014 (Successor) and b) the period from June 8 to 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, 2015 and 2014 (Successor), and the results of their operations and their cash flows for a) the years ended December 31, 2015 and 2014 (Successor) and b) the period from June 8 to December 31, 2013 (Successor), in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As disclosed in note 1 and note 4, the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of operations, comprehensive earnings (loss), owners' equity and cash flows for the year ended December 31, 2014 and the period from June 8 to December 31, 2013, have been adjusted to give retrospective effect to a transaction accounted for as a common control transfer. Our conclusion is not modified with respect to this emphasis of matter.

Other Matter

The accompanying consolidated statements of operations, comprehensive earnings (loss), owners' equity, and cash flows for the period from January 1, 2013 through June 7, 2013 (Predecessor) of Virgin Media Inc. and its subsidiaries, were audited by other auditors whose report thereon dated March 12, 2014, expressed an unmodified opinion on those financial statements.

/s/ KPMG LLP

London, England
March 9, 2016

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

	Successor	
	December 31,	
	2015	2014 (a)
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	£ 20.2	£ 36.6
Trade receivables, net	494.6	436.6
Related-party note and other receivables (note 13)	45.4	745.3
Derivative instruments (notes 6 and 13)	61.2	28.0
Prepaid expenses (note 13)	39.1	43.9
Other current assets (note 10)	37.6	63.8
Total current assets	698.1	1,354.2
Property and equipment, net (note 8)	5,861.2	6,074.8
Goodwill (note 8)	5,966.6	5,933.7
Intangible assets subject to amortization, net (note 8)	1,604.1	1,953.6
Deferred income taxes (note 10)	1,430.7	1,506.2
Related-party notes receivable (note 13)	3,385.1	2,322.3
Other assets, net (notes 6 and 15)	536.6	281.8
Total assets	£ 19,482.4	£ 19,426.6

(a) As retrospectively revised – see note 4.

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

	Successor			
	December 31,			
	2015		2014 (a)	
	in millions			
LIABILITIES AND OWNERS' EQUITY				
Current liabilities:				
Accounts payable (note 13)	£	345.8	£	269.4
Deferred revenue and advanced payments from subscribers and others		383.0		360.7
Current portion of debt and capital lease obligations (notes 9 and 13)		745.9		335.2
Derivative instruments (note 6)		101.2		139.8
Accrued interest		183.6		141.7
Value-added taxes (**VAT**) payable		111.5		105.4
Other current liabilities (notes 13 and 14)		457.6		500.8
Total current liabilities		2,328.6		1,853.0
Long-term debt and capital lease obligations (note 9):				
Third-party		9,441.6		8,349.1
Related-party (note 13)		72.0		439.0
Other long-term liabilities (notes 6, 10, 13, 14 and 15)		180.8		351.5
Total liabilities		12,023.0		10,992.6
Commitments and contingent liabilities (notes 6, 9, 10, 14, 15 and 17)				
Owners' equity:				
Parent's equity:				
Additional paid-in capital		8,359.7		9,241.0
Accumulated deficit		(943.0)		(806.6)
Accumulated other comprehensive earnings, net of taxes		90.9		49.0
Total parent's equity		7,507.6		8,483.4
Noncontrolling interest		(48.2)		(49.4)
Total owners' equity		7,459.4		8,434.0
Total liabilities and owners' equity	£	19,482.4	£	19,426.6

(a) As retrospectively revised – see note 4.

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

	Successor			Predecessor
	Year ended December 31, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)	Period from January 1 to June 7, 2013
Revenue (note 18)	£ 4,618.4	£ 4,496.9	£ 2,483.3	£ 1,810.2
Operating costs and expenses:				
Operating (other than depreciation and amortization) (note 13)	1,975.3	1,956.1	1,129.4	856.4
Selling, general and administrative (**SG&A**) (including share-based compensation) (notes 12 and 13)	609.3	609.3	389.7	245.1
Related-party fees and allocations, net (note 13)	87.6	36.6	21.1	—
Depreciation and amortization	1,557.8	1,608.1	941.5	432.8
Impairment, restructuring and other operating items, net (note 14)	10.9	12.7	37.2	51.2
	4,240.9	4,222.8	2,518.9	1,585.5
Operating income (loss)	377.5	274.1	(35.6)	224.7
Non-operating income (expense):				
Interest expense:				
Third-party	(510.5)	(457.1)	(263.6)	(156.7)
Related-party (note 13)	(5.7)	(52.0)	(38.3)	—
Interest income – related-party (note 13)	246.5	229.7	107.0	—
Realized and unrealized gains (losses) on derivative instruments, net (notes 6 and 13)	253.1	48.6	(203.4)	51.8
Foreign currency transaction gains (losses), net	(271.8)	(152.0)	142.7	(2.1)
Gains (losses) on debt modification and extinguishment, net (note 9)	(29.4)	20.1	0.6	(0.1)
Other income (expense), net	(0.4)	1.4	0.4	0.4
	(318.2)	(361.3)	(254.6)	(106.7)
Earnings (loss) before income taxes	59.3	(87.2)	(290.2)	118.0
Income tax expense (note 10)	(201.2)	(21.4)	(197.5)	(18.1)
Net earnings (loss)	(141.9)	(108.6)	(487.7)	99.9
Net loss (earnings) attributable to noncontrolling interest	5.5	(0.6)	(0.1)	—
Net earnings (loss) attributable to parent	£ (136.4)	£ (109.2)	£ (487.8)	£ 99.9

(a) As retrospectively revised – see note 4.

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

	Successor			Predecessor
	Year ended December 31, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)	Period from January 1 to June 7, 2013
Net earnings (loss)	£ (141.9)	£ (108.6)	£ (487.7)	£ 99.9
Other comprehensive earnings (loss), net of taxes (note 16):				
Foreign currency translation adjustments	37.3	(62.9)	151.5	(9.8)
Net unrealized gains on derivative instruments	—	—	—	66.8
Reclassification of derivative gains to net earnings	—	—	—	(74.4)
Pension liability adjustment	9.1	(32.3)	(0.1)	0.6
Other comprehensive earnings (loss)	46.4	(95.2)	151.4	(16.8)
Comprehensive earnings (loss)	(95.5)	(203.8)	(336.3)	83.1
Comprehensive loss (earnings) attributable to noncontrolling interest	1.0	(1.4)	(2.2)	—
Comprehensive earnings (loss) attributable to parent	£ (94.5)	£ (205.2)	£ (338.5)	£ 83.1

(a) As retrospectively revised – see note 4.

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

	Parent's equity						
	Common stock $0.01 par value	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss, net of taxes	Total parent's equity	Non-controlling interest	Total owners' equity
Predecessor:							
Balance at January 1, 2013	£ 1.4	£ 3,658.9	£ (436.1)	£ (5.8)	£ 3,218.4	£ —	£ 3,218.4
Net earnings	—	—	99.9	—	99.9	—	99.9
Other comprehensive loss, net of taxes (note 16)	—	—	—	(16.8)	(16.8)	—	(16.8)
Exercise of stock options and tax effect	0.1	21.6	—	—	21.7	—	21.7
Share-based compensation (note 12)	—	11.9	—	—	11.9	—	11.9
Conversion of debt into equity	—	(0.7)	—	—	(0.7)	—	(0.7)
Dividends paid (note 11)	—	—	(14.2)	—	(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	£ —	£ 3,320.2

	Parent's equity						
	Common stock $0.01 par value (a)	Additional paid-in capital (a)	Accumulated deficit (a)	Accumulated other comprehensive earnings, net of taxes (a)	Total parent's equity (a)	Non-controlling interest (a)	Total owners' equity (a)
Successor:							
Balance at June 7, 2013 (notes 4 and 5)	£ —	£ 6,146.6	£ (209.6)	£ (4.3)	£ 5,932.7	£ (57.8)	£ 5,874.9
Net loss	—	—	(487.8)	—	(487.8)	0.1	(487.7)
Other comprehensive earnings, net of taxes (note 16)	—	—	—	149.3	149.3	2.1	151.4
Capital contribution from parent (note 11)	—	2,343.2	—	—	2,343.2	—	2,343.2
Issuance of additional common stock to parent (note 11)	—	987.4	—	—	987.4	—	987.4
Share-based compensation (note 12)	—	69.5	—	—	69.5	—	69.5
Capital charge in connection with the exercise of share-based incentive awards (note 13)	—	(69.5)	—	—	(69.5)	—	(69.5)
Other	—	0.2	—	—	0.2	—	0.2
Balance at December 31, 2013	£ —	£ 9,477.4	£ (697.4)	£ 145.0	£ 8,925.0	£ (55.6)	£ 8,869.4

(a) As retrospectively revised – see note 4.

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

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

	Parent's Equity					
	Additional paid-in capital (a)	Accumulated deficit (a)	Accumulated other comprehensive earnings, net of taxes (a)	Total parent's equity (a)	Non-controlling interest (a)	Total owners' equity (a)
Successor:						
Balance at January 1, 2014	£ 9,477.4	£ (697.4)	£ 145.0	£ 8,925.0	£ (55.6)	£ 8,869.4
Net loss	—	(109.2)	—	(109.2)	0.6	(108.6)
Other comprehensive loss, net of taxes (note 16)	—	—	(96.0)	(96.0)	0.8	(95.2)
Contribution of tax assets (note 10)	147.4	—	—	147.4	—	147.4
Share-based compensation (note 12)	28.8	—	—	28.8	—	28.8
Capital charge in connection with the exercise of share-based incentive awards (note 13)	(28.8)	—	—	(28.8)	—	(28.8)
Conversion of related-party loans receivable and related accrued interest to equity (note 13)	(392.6)	—	—	(392.6)	—	(392.6)
Deemed contribution of technology-related services (note 13)	8.8	—	—	8.8	4.8	13.6
Balance at December 31, 2014	£ 9,241.0	£ (806.6)	£ 49.0	£ 8,483.4	£ (49.4)	£ 8,434.0

	Parent's Equity					
	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive earnings, net of taxes	Total parent's equity	Non-controlling interest	Total owners' equity
Successor:						
Balance at January 1, 2015 (a)	£ 9,241.0	£ (806.6)	£ 49.0	£ 8,483.4	£ (49.4)	£ 8,434.0
Net loss	—	(136.4)	—	(136.4)	(5.5)	(141.9)
Other comprehensive earnings, net of taxes (note 16)	—	—	41.9	41.9	4.5	46.4
Consideration issued in connection with the VM Ireland Acquisition (notes 1 and 4)	(993.8)	—	—	(993.8)	—	(993.8)
Deemed contribution in connection with elimination of the VM Ireland Note (note 4)	470.0	—	—	470.0	—	470.0
Conversion of related-party loans receivable and related accrued interest to equity (note 13)	(467.2)	—	—	(467.2)	—	(467.2)
Contribution of tax assets (note 10)	105.5	—	—	105.5	—	105.5
Share-based compensation (note 12)	24.2	—	—	24.2	0.5	24.7
Capital charge in connection with the exercise of share-based incentive awards (note 13)	(24.1)	—	—	(24.1)	(0.5)	(24.6)
Deemed contribution of technology-related services (note 13)	4.1	—	—	4.1	2.2	6.3
Balance at December 31, 2015	£ 8,359.7	£ (943.0)	£ 90.9	£ 7,507.6	£ (48.2)	£ 7,459.4

(a) As retrospectively revised – see note 4.

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, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)	Period from January 1 to June 7, 2013
Cash flows from operating activities:				
Net earnings (loss)	£ (141.9)	£ (108.6)	£ (487.7)	£ 99.9
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Share-based compensation expense	35.5	33.8	85.5	22.1
Related-party fees and allocations, net	87.6	36.6	21.1	—
Depreciation and amortization	1,557.8	1,608.1	941.5	432.8
Impairment, restructuring and other operating items, net	10.9	12.7	37.2	51.2
Amortization of deferred financing costs and non-cash interest accretion	11.1	16.8	11.2	14.7
Realized and unrealized losses (gains) on derivative instruments, net	(253.1)	(48.6)	203.4	(51.8)
Foreign currency transaction losses (gains), net	271.8	152.0	(142.7)	2.1
Losses (gains) on debt modification and extinguishment, net	29.4	(20.1)	(0.6)	0.1
Deferred income tax expense	198.1	18.9	197.2	17.2
Changes in operating assets and liabilities, net of the effect of acquisitions:				
Receivables and other operating assets	(123.0)	38.7	(113.9)	52.8
Payables and accruals	(57.9)	(57.9)	(108.8)	(53.0)
Net cash provided by operating activities	1,626.3	1,682.4	643.4	588.1
Cash flows from investing activities:				
Cash paid in connection with the VM Ireland Acquisition	(993.8)	—	—	—
Advances to related parties, net	(887.5)	(1,005.6)	(2,356.3)	—
Capital expenditures	(580.2)	(650.8)	(448.1)	(313.4)
Cash paid in connection with the TV3 Acquisition, net of cash acquired	(57.2)	—	—	—
Other investing activities, net	10.5	(10.1)	1.9	4.1
Net cash used by investing activities	£ (2,508.2)	£ (1,666.5)	£ (2,802.5)	£ (309.3)

(a) As retrospectively revised – see note 4.

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, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)	Period from January 1 to June 7, 2013
Cash flows from financing activities:				
Borrowings of third-party debt	£ 3,587.2	£ 2,146.4	£ 1,983.4	£ —
Repayments and repurchases of third-party debt and capital lease obligations	(2,766.1)	(2,286.2)	(4,050.9)	(46.5)
Net borrowings (repayments) of related-party notes	69.6	(64.7)	(1,871.2)	—
Payment of financing costs and debt premiums	(28.7)	(89.3)	(64.3)	(1.1)
Net cash received (paid) related to derivative instruments	(17.9)	(27.1)	364.3	—
Capital contribution from parent	—	—	3,278.0	—
Release of restricted cash from escrow	—	—	2,313.6	—
Dividends paid	—	—	—	(14.2)
Other financing activities, net	19.0	(0.5)	(1.0)	22.9
Net cash provided (used) by financing activities	863.1	(321.4)	1,951.9	(38.9)
Effect of exchange rate changes on cash and cash equivalents	2.4	(1.9)	(5.5)	0.9
Net increase (decrease) in cash and cash equivalents	(16.4)	(307.4)	(212.7)	240.8
Cash and cash equivalents (b):				
Beginning of period	36.6	344.0	556.7	206.3
End of period	£ 20.2	£ 36.6	£ 344.0	£ 447.1
Cash paid for interest	£ 461.6	£ 410.9	£ 332.2	£ 102.9
Net cash paid for taxes	£ 4.6	£ 0.5	£ 0.4	£ 0.1

(a) As retrospectively revised – see note 4.

(b) 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 for a discussion of the VM Ireland Acquisition and note 5 for a discussion of the LG/VM Transaction.

(1) Basis of Presentation

General

Virgin Media Inc. (**Virgin Media**) is a provider of video, broadband internet, fixed-line telephony and mobile services in the United Kingdom (**U.K.**) and Ireland. 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 5. 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.

On July 1, 2015, Liberty Global completed the approved steps of the "**LiLAC Transaction**" whereby Liberty Global (i) reclassified its then outstanding Class A, Class B and Class C Liberty Global ordinary shares into corresponding classes of new Liberty Global ordinary shares (collectively, the **Liberty Global Shares**) and (ii) capitalized a portion of its share premium account and distributed as a dividend (or a "bonus issue" under U.K. law) its LiLAC Class A, Class B and Class C ordinary shares (collectively, the **LiLAC Shares**). In these notes, the term "**Old Liberty Global Shares**" may refer, as the context requires, to (a) Liberty Global's previously-outstanding Class A, Class B and Class C Liberty Global ordinary shares and/or (b) the previously-outstanding Series A, Series B and Series C common stock of LGI. Pursuant to the LiLAC Transaction, each holder of Class A, Class B and Class C Old Liberty Global Shares remained a holder of the same amount and class of Liberty Global Shares and received one share of the corresponding class of LiLAC Shares for each 20 Old Liberty Global Shares held as of the record date for such distribution.

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, we acquired a 65.0% controlling interest in Virgin Media Ireland Ltd. (**VM Ireland**), formerly known as UPC Broadband Ireland Ltd., and its subsidiaries from a subsidiary of Liberty Global outside of the Virgin Media borrowing group (the **VM Ireland Acquisition**). The remaining 35.0% noncontrolling interest in VM Ireland was acquired by another subsidiary of Liberty Global outside of the Virgin Media borrowing group. We have accounted for the VM Ireland Acquisition as a common control transfer at carryover basis and, accordingly, our consolidated financial statements have been retrospectively revised to give effect to this transaction as of June 7, 2013, the date of the LG/VM Transaction and the earliest date that VM Ireland and Virgin Media were under the common control of Liberty Global. For additional information regarding the common control transaction, see note 4.

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 period ended on 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 5, 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 business-to-business (**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 9.

Unless otherwise indicated, convenience translations into pound sterling are calculated as of December 31, 2015.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 9, 2016, 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 is generally to defer upfront installation fees on our B2B contracts and recognize the associated revenue over the contractual term of the arrangement. In this regard, we recognized £17.5 million of installation revenue during the period from January 1 to June 7, 2013 that would have been deferred under Liberty Global's accounting policy.

The following table provides a rollforward of our deferred revenue for installation services provided to customers with B2B contracts during 2015 (in millions):

Balance at January 1, 2015	£	70.7
Amounts deferred for completed installation services (a)		9.7
Amortization of deferred revenue over contract life		(6.9)
Balance at March 31, 2015		73.5
Amounts deferred for completed installation services (a)		10.1
Amortization of deferred revenue over contract life		(7.7)
Balance at June 30, 2015		75.9
Amounts deferred for completed installation services (a)		10.3
Amortization of deferred revenue over contract life		(8.7)
Balance at September 30, 2015		77.5
Amounts deferred for completed installation services (a)		10.6
Amortization of deferred revenue over contract life		(9.6)
Balance at December 31, 2015	£	78.5

____

(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) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

In November 2015, the Financial Accounting Standards Board (**FASB**) issued Accounting Standards Update (**ASU**) No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (**ASU 2015-17**). To simplify the presentation of deferred income taxes, ASU 2015-17 requires deferred tax assets and liabilities to be classified as noncurrent. ASU 2015-17 is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. We early adopted ASU 2015-17 effective December 31, 2015 and, accordingly, all of our deferred tax balances are reflected as noncurrent in our December 31, 2015 consolidated balance sheet. Our December 31, 2014 deferred tax balances have not been retroactively revised.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (**ASU 2016-02**), which, for most leases, will result in lessees recognizing lease assets and lease liabilities on the balance sheet. ASU 2016-02 will replace existing lease guidance in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**) when it becomes effective for annual and interim reporting periods beginning after December 15, 2019. ASU 2016-02 requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach also includes a number of optional practical expedients an entity may elect to apply. We expect to adopt ASU 2016-02 no later than January 1, 2019, and we are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 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, as amended by ASU No. 2015-14, will replace existing revenue recognition guidance in accordance with U.S. GAAP when it becomes effective for annual and interim reporting periods beginning after December 15, 2018. Early application is permitted for annual and interim reporting periods that begin after December 15, 2016. This new standard permits the use of either the retrospective or cumulative effect transition method. We will adopt ASU 2014-09 effective January 1, 2018, and 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 year 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, 2015 and 2014, our restricted cash balances were not material.

Our significant non-cash investing and financing activities are disclosed in our consolidated statements of owners' equity and in notes 5, 8, 9 and 13.

Cash Flow Statement

For purposes of determining the classification of cash flows in our consolidated statements of cash flows, payments or receipts on related-party loans are first applied to principal (included as cash flows from financing activities) and then to capitalized interest (included as cash flows from operating activities). In addition, interest-bearing cash advances to related parties and repayments thereof are classified as investing activities. All other related-party borrowings, advances and repayments are reflected as financing activities.

For purposes of our consolidated statements of cash flows, expenses financed by an intermediary are treated as hypothetical operating cash outflows and hypothetical financing cash inflows when the expenses are incurred. When we pay the financing intermediary, we record financing cash outflows in our consolidated statements of cash flows.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated £12.0 million and £9.5 million at December 31, 2015 and 2014, 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 payment is received 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 6 and 9, respectively. For information concerning how we arrive at certain of our fair value measurements, see note 7.

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 6.

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 8.

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, 2015 and 2014, the recorded value of our asset retirement obligations was £29.9 million and £27.8 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 8.

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 (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 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 in our consolidated statements of operations.

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 tax allocations from Liberty Global see note 10.

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 owners' 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 or 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 video, 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 video, 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 (**Freestyle Mobile Proposition**). 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 grant date 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. Payroll taxes incurred in connection with the vesting or exercise of Liberty Global's share-based incentive awards are recorded as a component of share-based compensation expense in our consolidated statements of operations.

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 12.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(4) Acquisition and Common Control Transfer

2015 Acquisition

On December 7, 2015, we acquired Tullamore Beta Limited, the parent of TV3, a commercial broadcaster in Ireland, for cash consideration of €80 million (£58 million at the transaction date) (the **TV3 Acquisition**). The payment of additional contingent consideration of up to €7 million (£5 million) is dependent on the outcome of a regulatory matter. The purchase price was funded through existing liquidity.

Common Control Transfer

As further described in note 1, we completed the VM Ireland Acquisition in February 2015. We have accounted for this common control transfer at carryover basis and the applicable prior period information has been retrospectively revised to give effect to this transaction for periods presented after the LG/VM Transaction.

In connection with the VM Ireland Acquisition, we (i) paid aggregate cash consideration of €1,341.3 million (£993.8 million at the transaction date) to acquire (a) the controlling interest in VM Ireland, as described in note 1, and (b) another Liberty Global's subsidiary's right to receive €634.3 million (£470.0 million at the transaction date) from a VM Ireland subsidiary pursuant to a promissory note (the **VM Ireland Note**) and (ii) received a €165.6 million (£122.7 million at the transaction date) cash payment from Liberty Global Europe 2 Limited (**LG Europe 2**), our immediate parent, formerly known as Lynx Europe 2 Limited, on the 2023 8.5% LG Europe 2 Notes Receivable (as defined and described in note 13). The €1,341.3 million (£993.8 million at the transaction date) of consideration issued in connection with the VM Ireland Acquisition was recorded as a capital transaction during the first quarter of 2015. Following our February 2015 acquisition of the right to receive €634.3 million (£470.0 million at the transaction date) pursuant to the VM Ireland Note, the amounts receivable and payable pursuant to the VM Ireland Note eliminate in consolidation. The impact of the elimination of the amount payable under the VM Ireland Note has been reflected as a deemed contribution in our consolidated statement of owners' equity for the year ended December 31, 2015.

The following table sets forth the retrospective effects of this common control transfer on our December 31, 2014 consolidated balance sheet:

	Successor		
	As previously reported	Common control adjustments	As retrospectively revised
		in millions	
Current assets	£ 1,330.4	£ 23.8	£ 1,354.2
Property and equipment, net	£ 5,796.2	£ 278.6	£ 6,074.8
Goodwill	£ 5,793.7	£ 140.0	£ 5,933.7
Total assets	£ 18,981.7	£ 444.9	£ 19,426.6
Current liabilities	£ 1,778.8	£ 74.2	£ 1,853.0
Long-term debt and capital lease obligations	£ 8,348.9	£ 439.2	£ 8,788.1
Total liabilities	£ 10,406.6	£ 586.0	£ 10,992.6
Total parent's equity	£ 8,575.1	£ (91.7)	£ 8,483.4
Total owners' equity	£ 8,575.1	£ (141.1)	£ 8,434.0
Total liabilities and owners' equity	£ 18,981.7	£ 444.9	£ 19,426.6

The following table sets forth the retrospective effects of this common control transfer on our operating results for the year ended December 31, 2014 and the period from June 8 to December 31, 2013:

	Successor					
	Year ended December 31, 2014			Period from June 8 to December 31, 2013		
	As previously reported	Common control adjustments	As retrospectively revised	As previously reported	Common control adjustments	As retrospectively revised
			in millions			
Revenue	£ 4,214.2	£ 282.7	£ 4,496.9	£ 2,310.2	£ 173.1	£ 2,483.3
Operating expenses (a)	£ 1,846.1	£ 110.0	£ 1,956.1	£ 1,062.3	£ 67.1	£ 1,129.4
SG&A expenses (a)	£ 574.7	£ 34.6	£ 609.3	£ 369.5	£ 20.2	£ 389.7
Depreciation and amortization expense	£ 1,555.9	£ 52.2	£ 1,608.1	£ 910.2	£ 31.3	£ 941.5
Non-operating expense, net	£ (309.2)	£ (52.1)	£ (361.3)	£ (222.2)	£ (32.4)	£ (254.6)
Income tax expense	£ (21.5)	£ 0.1	£ (21.4)	£ (197.5)	£ —	£ (197.5)
Net loss	£ (110.6)	£ 2.0	£ (108.6)	£ (488.0)	£ 0.3	£ (487.7)
Net loss attributable to parent	£ (110.6)	£ 1.4	£ (109.2)	£ (488.0)	£ 0.2	£ (487.8)

(a) Previously reported amounts have been reclassified to conform to the current year presentation.

(5) 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 Old Liberty Global Shares, (ii) 0.6438 Class C Old Liberty Global Shares 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 Old Liberty Global Share; each share of Series B common stock of LGI was converted into the right to receive one Class B Old Liberty Global Share; and each share of Series C common stock of LGI was converted into the right to receive one Class C Old Liberty Global Share.

In connection with the completion of the LG/VM Transaction, Liberty Global issued 70,233,842 Class A and 175,122,182 Class C Old Liberty Global 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 Old Liberty Global 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.

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 9), (ii) borrowings under the VM Credit Facility (as defined and described in note 9) 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 Old Liberty Global Shares (a)	£	1,760.5
Class C Old Liberty Global 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 Old Liberty Global 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) 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 6.50% convertible senior notes (the **VM Convertible Notes**) 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 Old Liberty Global Shares and cash pursuant to the terms of the indenture underlying the VM Convertible Notes.

(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.

(6) Derivative Instruments

In general, we seek to enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt, (ii) foreign currency movements, particularly with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity and (iii) equity exposure with respect to the dilutive effects of the VM Convertible Notes. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the United States (**U.S.**) dollar (**$**) and the euro (**€**). 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, 2015			December 31, 2014		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b)	£ 37.1	£ 272.9	£ 310.0	£ 28.0	£ 102.0	£ 130.0
Equity-related derivative instruments (c)	23.5	—	23.5	—	21.7	21.7
Foreign currency forward contracts — related-party	0.6	—	0.6	—	—	—
Total	£ 61.2	£ 272.9	£ 334.1	£ 28.0	£ 123.7	£ 151.7
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	£ 29.1	£ 26.8	£ 55.9	£ 61.8	£ 101.5	£ 163.3
Equity-related derivative instruments (c)	72.1	—	72.1	78.0	—	78.0
Total	£ 101.2	£ 26.8	£ 128.0	£ 139.8	£ 101.5	£ 241.3

____

(a) 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, 2015 and 2014, (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 £8.2 million and £1.8 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 £1.3 million and £6.2 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 (£11.3 million), (£25.3 million), £29.7 million and (£6.8 million) during the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, respectively. With the exception of a £7.5 million loss that is included in net unrealized gains on derivative instruments in our consolidated statements of comprehensive earnings (loss) during the Predecessor period from January 1 to June 7, 2013, 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 regarding our fair value measurements, see note 7.

(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.

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, 2015	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013
Cross-currency and interest rate derivative contracts	£ 249.6	£ 53.9	£ (230.7)	£ (0.3)
Equity-related derivative instruments (b)	10.2	(6.0)	31.1	50.0
Foreign currency forward contracts (c)	(6.7)	0.7	(3.8)	2.1
Total	£ 253.1	£ 48.6	£ (203.4)	£ 51.8

(a) The Predecessor period includes 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 during the period from January 1 to June 7, 2013. The effective portions of the fair value adjustments associated with these derivative instruments, which resulted in an aggregate net loss of £10.8 million during the Predecessor period from January 1 to June 7, 2013 is 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.

(c) Included in the amounts for the year ended December 31, 2015, 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 with Liberty Global Europe Financing BV (**LGE Financing**), a subsidiary of Liberty Global. For additional information, see note 13.

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 net cash inflows (outflows) is as follows (in millions):

	Successor			Predecessor
	Year ended December 31, 2015	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013
Operating activities	£ (36.9)	£ (42.0)	£ (12.3)	£ (15.8)
Investing activities	—	—	—	2.1
Financing activities	(17.9)	(27.1)	364.3	—
Total	£ (54.8)	£ (69.1)	£ 352.0	£ (13.7)

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 our derivative instruments. At December 31, 2015, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of £330.1 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 subsidiary's derivative instruments. The notional amounts 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, 2015, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2015, 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, 2015 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				
January 2023	$	400.0	€	339.6	5.75%	4.33%
June 2023	$	1,855.0	£	1,198.3	6 mo. U.S. LIBOR + 2.75%	6 mo. LIBOR + 3.18%
February 2022	$	1,400.0	£	873.6	5.01%	5.49%
January 2023	$	1,000.0	£	648.6	5.25%	5.32%
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	$	191.5	£	122.3	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, 2015, 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%
October 2018 - June 2023	£	1,200.0	6 mo. LIBOR	2.49%
January 2021	£	650.0	5.50%	6 mo. LIBOR + 1.84%
January 2021	£	650.0	6 mo. LIBOR + 1.84%	3.87%
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**) in order to offset a portion of the dilutive effects associated with the exchange of certain of our exchangeable notes. During 2013, and in connection with the exchange of certain of our exchangeable notes, 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).

Foreign Currency Forward Contracts – Related-Party

The following table summarizes the foreign currency forward contracts between VMIH and LGE Financing at December 31, 2015:

Maturity date		Currency purchased forward		Currency sold forward
		in millions		
January 2016	$	2.0	£	1.3
February 2016	$	13.5	£	8.9
March 2016	$	0.3	£	0.2
April 2016	$	0.8	£	0.5
May 2016	$	14.1	£	9.3

(7) 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, 2015 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 into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During 2015, 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 derivative instruments 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 derivative instruments 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, 2015 the valuations of the Virgin Media Capped Calls and the derivative embedded in the VM Convertible Notes were not significantly impacted by forecasted volatilities.

As further described in note 6, 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 6.

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. We did not perform any significant nonrecurring fair value measurements during 2015 and 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, 2015 using:		
Description	**December 31, 2015**	**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	£ 310.0	£ —	£ 310.0	£ —
Equity-related derivative instruments	23.5	—	—	23.5
Foreign currency forward contracts — related-party	0.6	—	0.6	—
Total assets	£ 334.1	£ —	£ 310.6	£ 23.5
Liabilities:				
Cross-currency and interest rate derivative contracts	£ 55.9	£ —	£ 55.9	£ —
Equity-related derivative instruments	72.1	—	—	72.1
Total liabilities	£ 128.0	£ —	£ 55.9	£ 72.1

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)
	Successor			
		Fair value measurements at December 31, 2014 using:		
	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

(8) 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, 2015	Successor December 31, 2015	Successor December 31, 2014 (a)
		in millions	
Distribution systems	3 to 30 years	£ 6,344.3	£ 5,935.4
Customer premises equipment	5 years	1,543.7	1,295.2
Support equipment, buildings and land	3 to 50 years	1,023.4	827.2
		8,911.4	8,057.8
Accumulated depreciation		(3,050.2)	(1,983.0)
Total property and equipment, net		£ 5,861.2	£ 6,074.8

(a) As retrospectively revised – see note 4.

Depreciation expense related to our property and equipment was £1,193.6 million, £1,243.3 million, £736.0 million and £432.8 million during the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, respectively.

At December 31, 2015 and 2014, the amount of property and equipment, net, recorded under capital leases was £186.4 million and £273.6 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, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, we recorded non-cash increases related to vendor financing arrangements of £380.4 million, £220.3 million, £34.8 million and nil, respectively, which exclude related VAT of £53.5 million, £27.4 million, £3.0 million and nil, respectively, that were also financed by our vendors under these arrangements. In addition, during the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June

7, 2013, we recorded non-cash increases to our property and equipment related to assets acquired under capital leases of £16.8 million, £28.8 million, £28.5 million and £59.6 million, respectively.

Most of our property and equipment is pledged as security under our various debt instruments. For additional information, see note 9.

Goodwill

Changes in the carrying amount of our goodwill during 2015 are set forth below (in millions):

Successor:		
January 1, 2015	£	5,933.7
Acquisitions and related adjustments		39.9
Foreign currency translation adjustments		(7.0)
December 31, 2015	£	5,966.6

Changes in the carrying amount of our goodwill during 2014 are set forth below (in millions):

Successor (a):		
January 1, 2014	£	5,942.3
Foreign currency translation adjustments		(9.9)
Acquisitions and related adjustments		1.3
December 31, 2014	£	5,933.7

(a) As retrospectively revised – see note 4.

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.

Intangible Assets Subject to Amortization, Net

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

		Successor					
		December 31, 2015			December 31, 2014 (a)		
	Estimated useful life at December 31, 2015	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
		in millions					
Customer relationships	5 to 8 years	£ 2,522.3	£ (933.0)	£ 1,589.3	£ 2,522.4	£ (568.8)	£ 1,953.6
Trademark	10 to 20 years	14.9	(0.1)	14.8	—	—	—
		£ 2,537.2	£ (933.1)	£ 1,604.1	£ 2,522.4	£ (568.8)	£ 1,953.6

(a) As retrospectively revised – see note 4.

Amortization expense related to intangible assets with finite useful lives was £364.2 million, £364.8 million, £205.5 million and nil during the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, respectively. Based on the amortizable intangible asset balances at December 31, 2015, we expect that amortization expense will be as follows for the next five years and thereafter. The pound sterling equivalents of such amortization expense amounts as of December 31, 2015 are presented below (in millions):

2016	£ 364.9
2017	364.9
2018	364.9
2019	364.9
2020	132.6
Thereafter	11.9
Total	£ 1,604.1

(9) 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, 2015		Estimated fair value (b)		Carrying value (c)	
	Weighted average interest rate (a)	Unused borrowing capacity	December 31, 2015	December 31, 2014 (d)	December 31, 2015	December 31, 2014 (d)
			in millions			
Third-party debt:						
Parent:						
VM Convertible Notes (e)	6.50%	£ —	£ 110.5	£ 114.7	£ 38.1	£ 36.5
Subsidiaries:						
VM Notes	5.61%	—	7,190.5	5,430.4	7,182.7	5,173.4
VM Credit Facility	3.73%	(f)	2,317.0	3,038.9	2,345.1	3,083.3
Vendor financing (g)	3.43%	—	513.4	227.0	513.4	227.0
Total third-party debt	5.06%	—	£ 10,131.4	£ 8,811.0	10,079.3	8,520.2
Related-party debt (note 13):						
LG Europe 2 Note (h)	5.26%	—	(h)	—	72.0	—
VM Ireland Note (i)	—	—	—	(i)	—	439.0
Total related-party debt	5.26%	—			72.0	439.0
Total debt	5.06%	£ —			10,151.3	8,959.2
Capital lease obligations:						
Third-party					108.2	163.8
Related-party					—	0.3
Total capital lease obligations					108.2	164.1
Total debt and capital lease obligations					10,259.5	9,123.3
Current maturities					(745.9)	(335.2)
Long-term debt and capital lease obligations					£ 9,513.6	£ 8,788.1

(a) Represents the weighted average interest rate in effect at December 31, 2015 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 and 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 third-party variable- and fixed-rate indebtedness was 5.3% at December 31, 2015. For information regarding our derivative instruments, see note 6.

(b) The estimated fair values of our debt instruments are 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 7.

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

(d) As retrospectively revised – see note 4.

(e) The amounts reported in the estimated fair value column for the VM Convertible Notes represent the estimated fair value of the remaining VM Convertible Notes outstanding as of December 31, 2015 and December 31, 2014, including both the debt and equity components. Effective with the July 1, 2015 completion of the LiLAC Transaction, the VM Convertible Notes are exchangeable under certain conditions for 14.0791 Class A Liberty Global Shares, 35.1665 Class C Liberty Global Shares and $910.51 (£617.97) in cash (without interest) for each $1,000 (£678.7) in principal amount of VM Convertible Notes exchanged.

(f) Unused borrowing capacity represents the maximum availability under the VM Credit Facility (as defined and described below) at December 31, 2015 without regard to covenant compliance calculations or other conditions precedent to borrowing. The VM Revolving Facility (as defined and described under *VM Credit Facility* below) is a multi-currency revolving facility with maximum borrowing capacity equivalent to £675.0 million. The £147.5 million outstanding balance at December 31, 2015 was borrowed in euros. At December 31, 2015, based on the applicable leverage and other financial covenants, the full £527.5 million of unused borrowing capacity was available to be borrowed. When the relevant December 31, 2015 compliance reporting requirements have been completed, and assuming no changes from December 31, 2015 borrowing levels, we anticipate that the full amount of unused borrowing capacity will continue to be available. In addition to these limitations, the debt instruments of our subsidiaries 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, 2015, the full amount of unused borrowing capacity was available to be loaned or distributed by the borrowers of the VM Credit Facility. When the relevant December 31, 2015 compliance reporting requirements have been completed and assuming no changes from December 31, 2015 borrowing levels, we anticipate that the full amount of unused borrowing capacity will continue to be available to be loaned or distributed by the borrowers of the VM Credit Facility.

(g) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions and, to a lesser extent, certain of our operating expenses. These obligations are due within one year. At December 31, 2015 and 2014, the amounts owed pursuant to these arrangements include £60.8 million and £27.4 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.

(h) Represents a note payable to LG Europe 2 that originated in December 2015. This note matures on December 18, 2017 and bears interest at a rate of 5.26%. Accrued interest may be, as agreed to by our company and LG Europe 2, (i) transferred to the loan balance annually on January 1 or (ii) repaid on the last day of each month and on the date of principal repayments. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

(i) The December 31, 2014 amount represents the principal amount owed under the VM Ireland Note. Following our February 2015 acquisition of the right to receive amounts due under the VM Ireland Note in connection with the VM Ireland Acquisition, the amounts payable and receivable under the VM Ireland Note eliminate in consolidation. For additional information, see note 4. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

General Information

Credit Facility. We have entered into a credit facilities agreement with certain financial institutions (the "**credit facility**"). Our credit facility contains certain covenants and restrictions, the more notable of which are as follows:

- Our credit facility contains certain consolidated net leverage ratios, as specified in the credit facility, which are required to be complied with on an incurrence and, in certain circumstances, a maintenance basis;
- Our credit facility contains certain restrictions which, among other things, restrict our ability to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over our assets, in each case, subject to certain customary and agreed exceptions and (iv) make certain restricted payments to our direct and/or indirect parent companies through dividends, loans or other distributions, subject to compliance with applicable covenants;
- Our credit facility requires that certain subsidiaries of Virgin Media (i) guarantee the payment of all sums payable under the credit facility and (ii) grant first-ranking security over substantially all of our assets to secure the payment of all sums payable thereunder;
- In addition to certain mandatory prepayment events, the instructing group of lenders under our credit facility may cancel the commitments thereunder and declare the loans thereunder due and payable after the applicable notice period following the occurrence of a change of control (as specified in the credit facility);
- Our credit facility contains certain customary events of default, the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the instructing group of 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;
- Our credit facility requires that we observe certain affirmative and negative undertakings and covenants, which are subject to certain materiality qualifications and other customary and agreed exceptions; and
- In addition to customary default provisions, our credit facility includes cross-default provisions with respect to our other indebtedness, subject to agreed minimum thresholds and other customary and agreed exceptions.

Senior and Senior Secured Notes. Virgin Media Finance PLC (**Virgin Media Finance**) and Virgin Media Secured Finance PLC (**Virgin Media Secured Finance**), each a wholly-owned subsidiary of Virgin Media, have issued certain senior and senior secured notes, respectively. In general, our senior and senior secured notes (i) are senior obligations of each respective issuer that rank equally with all of the existing and future senior debt of such issuer and are senior to all existing and future subordinated debt of each respective issuer, (ii) contain, in most instances, certain guarantees from Virgin Media and certain other subsidiaries of Virgin Media (as specified in the applicable indenture) and (iii) with respect to our senior secured notes, are secured by certain pledges or liens over the assets and/or shares of our subsidiaries. In addition, the indentures governing our senior and senior secured notes contain certain covenants, the more notable of which are as follows:

- Our notes contain (i) certain customary incurrence-based covenants and (ii) contain certain restrictions that, among other things, restrict our ability to (a) incur or guarantee certain financial indebtedness, (b) make certain disposals and acquisitions, (c) create certain security interests over our assets, in each case, subject to certain customary and agreed exceptions and (d) make certain restricted payments to our direct and/or indirect parent companies through dividends, loans or other distributions, subject to compliance with applicable covenants;

- Our 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 the issuer or certain subsidiaries, over agreed minimum thresholds (as specified under the applicable indenture) is an event of default under the respective notes;

- If the relevant issuer or certain of its subsidiaries (as specified in the applicable indenture) sell certain assets, such issuer must offer to repurchase the applicable notes at par, or if a change of control (as specified in the applicable indenture) occurs, such issuer must offer to repurchase all of the relevant notes at a redemption price of 101%; and

- Our senior secured notes contain certain early redemption provisions including the ability to, during each 12-month period commencing on the issue date for such notes until the applicable call date, redeem up to 10% of the principal amount of the notes to be redeemed at a redemption price equal to 103% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.

VM Notes

The details of the outstanding notes of Virgin Media as of December 31, 2015 are summarized in the following table:

VM Notes	Maturity	Interest rate	Original issue amount	Outstanding principal amount: Borrowing currency	Outstanding principal amount: Pound sterling equivalent	Estimated fair value	Carrying value (a)
					in millions		
VM Senior Notes (b):							
2022 VM Senior Notes:							
2022 VM 4.875% Dollar Senior Notes	February 15, 2022	4.875%	$ 118.7	$ 118.7	£ 80.6	£ 73.3	£ 81.1
2022 VM 5.25% Dollar Senior Notes	February 15, 2022	5.250%	$ 95.0	$ 95.0	64.5	60.0	64.9
2022 VM Sterling Senior Notes	February 15, 2022	5.125%	£ 44.1	£ 44.1	44.1	43.1	44.4
2023 VM Senior Notes:							
2023 VM Dollar Senior Notes	April 15, 2023	6.375%	$ 530.0	$ 530.0	359.7	366.5	359.7
2023 VM Sterling Senior Notes	April 15, 2023	7.000%	£ 250.0	£ 250.0	250.0	263.4	250.0
2024 VM Senior Notes:							
2024 VM Dollar Senior Notes	October 15, 2024	6.000%	$ 500.0	$ 500.0	339.4	338.3	339.4
2024 VM Sterling Senior Notes	October 15, 2024	6.375%	£ 300.0	£ 300.0	300.0	304.7	300.0
2025 VM Senior Notes:							
2025 VM Euro Senior Notes	January 15, 2025	4.500%	€ 460.0	€ 460.0	339.3	323.4	339.3
2025 VM Dollar Senior Notes	January 15, 2025	5.750%	$ 400.0	$ 400.0	271.5	264.2	271.5
VM Senior Secured Notes (c):							
January 2021 VM Senior Secured Notes:							
January 2021 VM Sterling Senior Secured Notes	January 15, 2021	5.500%	£ 628.4	£ 628.4	628.4	668.5	635.4
January 2021 VM Dollar Senior Secured Notes	January 15, 2021	5.250%	$ 447.9	$ 447.9	304.0	320.7	310.9
April 2021 VM Senior Secured Notes:							
April 2021 VM Sterling Senior Secured Notes	April 15, 2021	6.000%	£ 1,100.0	£ 990.0	990.0	1,028.4	990.0
April 2021 VM Dollar Senior Secured Notes	April 15, 2021	5.375%	$ 1,000.0	$ 900.0	610.8	633.0	610.8
2025 VM Senior Secured Notes:							
2025 VM 5.5% Sterling Senior Secured Notes	January 15, 2025	5.500%	£ 430.0	£ 387.0	387.0	380.5	387.0
2025 VM 5.125% Sterling Senior Secured Notes	January 15, 2025	5.125%	£ 300.0	£ 300.0	300.0	287.4	300.0
2025 VM Dollar Senior Secured Notes	January 15, 2025	5.500%	$ 425.0	$ 425.0	288.5	288.8	288.5
2026 VM Senior Secured Notes	January 15, 2026	5.250%	$ 1,000.0	$ 1,000.0	678.7	659.6	682.0
2027 VM Senior Secured Notes	January 15, 2027	4.875%	£ 525.0	£ 525.0	525.0	483.7	525.0
2029 VM Senior Secured Notes	March 28, 2029	6.250%	£ 400.0	£ 400.0	400.0	403.0	402.8
Total					£ 7,161.5	£ 7,190.5	£ 7,182.7

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

(b) The VM Senior Notes were issued by Virgin Media Finance.

(c) The VM Senior Secured Notes were issued by Virgin Media Secured Finance.

Subject to the circumstances described below, the VM Notes are non-callable prior to the applicable call date (**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
2025 VM Senior Notes	January 15, 2020
January 2021 VM Senior Secured Notes	(a)
April 2021 VM Senior Secured Notes	April 15, 2017
2025 VM 5.5% Sterling Senior Secured Notes	January 15, 2019
2025 VM Dollar Senior Secured Notes	January 15, 2019
2025 VM 5.125% Sterling Senior Secured Notes	January 15, 2020
2026 VM Senior Secured Notes	January 15, 2020
2027 VM Senior Secured Notes	January 15, 2021
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 the respective maturity date.

Virgin Media Finance or Virgin Media Secured Finance (as applicable) may redeem some or all of the VM Senior Notes and the VM Senior Secured Notes (with the exception of the 2022 VM Senior Notes and the January 2021 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, as set forth below:

	Redemption price					
	2023 VM Dollar Senior Notes	2023 VM Sterling Senior Notes	2024 VM Dollar Senior Notes	2024 VM Sterling Senior Notes	2025 VM Dollar Senior Notes	2025 VM Euro Senior Notes
12-month period commencing	April 15	April 15	October 15	October 15	January 15	January 15
2016	N.A.	N.A.	N.A.	N.A.	N.A	N.A
2017	N.A.	N.A.	N.A.	N.A.	N.A	N.A
2018	103.188%	103.500%	N.A.	N.A.	N.A	N.A
2019	102.125%	102.333%	103.000%	103.188%	N.A	N.A
2020	101.063%	101.667%	102.000%	102.125%	102.875%	102.250%
2021	100.000%	100.000%	101.000%	101.063%	101.917%	101.500%
2022	100.000%	100.000%	100.000%	100.000%	100.958%	100.750%
2023	N.A.	N.A.	100.000%	100.000%	100.000%	100.000%
2024 and thereafter	N.A.	N.A.	N.A.	N.A.	100.000%	100.000%

	Redemption price							
	April 2021 VM Dollar Senior Secured Notes	April 2021 VM Sterling Senior Secured Notes	2025 VM 5.5% Sterling Senior Secured Notes	2025 VM Dollar Senior Secured Notes	2025 VM 5.125% Sterling Senior Secured Notes	2026 VM Senior Secured Notes	2027 VM Senior Secured Notes	2029 VM Senior Secured Notes
12-month period commencing	April 15	April 15	January 15	January 15	January 15	January 15	January 15	January 15
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%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2019	100.000%	100.000%	102.750%	102.750%	N.A.	N.A.	N.A.	N.A.
2020	100.000%	100.000%	101.833%	101.833%	102.563%	102.625%	N.A.	N.A.
2021	N.A.	N.A.	100.000%	100.000%	101.708%	101.313%	102.438%	103.125%
2022	N.A.	N.A.	100.000%	100.000%	100.854%	100.656%	101.219%	102.083%
2023	N.A.	N.A.	100.000%	100.000%	100.000%	100.000%	100.609%	101.042%
2024 and thereafter	N.A.	N.A.	100.000%	100.000%	100.000%	100.000%	100.000%	100.000%

2015 Refinancing Transactions. On January 28, 2015, in connection with the VM Ireland Acquisition , (i) Virgin Media Secured Finance issued the 2025 VM 5.125% Sterling Senior Secured Notes and (ii) Virgin Media Finance issued the 2025 VM Senior Notes.

On March 30, 2015, Virgin Media Secured Finance issued (i) \$500.0 million (£339.4 million) principal amount of 5.25% senior secured notes due January 15, 2026 (the **Original 2026 VM Senior Secured Notes**) and (ii) the 2027 VM Senior Secured Notes. On April 30, 2015, Virgin Media Secured Finance issued \$500.0 million (£339.4 million) principal amount of 5.25% senior secured notes due January 15, 2026 (the **Additional 2026 VM Senior Secured Notes** and, together with the Original 2026 VM Senior Secured Notes, the **2026 VM Senior Secured Notes**). The Additional 2026 VM Senior Secured Notes were issued at 101% of par. The net proceeds from the 2026 VM Senior Secured Notes and the 2027 VM Senior Secured Notes were used to (a) redeem 10% of the principal amount of each of the following: (1) the April 2021 VM Sterling Senior Secured Notes, (2) the April 2021

VM Dollar Senior Secured Notes and (3) the 2025 VM 5.5% Sterling Senior Secured Notes, each at a redemption price equal to 103% of the applicable redeemed principal amount in accordance with the indentures governing each of the notes, (b) prepay in full the £375.0 million outstanding principal amount of term loan A under the VM Credit Facility (as defined and described below) and (c) prepay $900.0 million (£610.8 million) of the then existing $2,755.0 million (£1,869.8 million) outstanding principal amount of term loan B (**VM Facility B**) under the VM Credit Facility, and roll the remaining outstanding term loans under VM Facility B into a new term loan VM Facility F (as described below). In connection with these transactions, we recognized a loss on debt modification and extinguishment, net, of £29.4 million. This loss includes (I) the write-off of £19.5 million of deferred financing costs, (II) the payment of £6.6 million of redemption premiums, (III) the write-off of £2.8 million of unamortized discount and (IV) the payment of £0.5 million of third-party costs.

2014 Refinancing Transactions. During 2014, we completed a number of refinancing transactions that generally resulted in lower interest rates and extended maturities. In connection with these transactions, we recognized a gain on debt modification and extinguishment, net, of £20.1 million. This gain includes (i) the write-off of £103.9 million of unamortized premium, (ii) the payment of £74.4 million of redemption premium and (iii) the write-off of £9.4 million of deferred financing costs.

VM Credit Facility

The VM Credit Facility is the senior secured credit facility of certain subsidiaries of Virgin Media. The details of our borrowings under the VM Credit Facility as of December 31, 2015 are summarized in the following table:

VM Facility	Maturity	Interest rate	Facility amount (in borrowing currency)		Unused borrowing capacity		Carrying value (a)
					in millions		
D	June 30, 2022	LIBOR + 3.25% (b)	£	100.0	£ —	£	99.8
E	June 30, 2023	LIBOR + 3.50% (b)	£	849.4	—		847.6
F	June 30, 2023	LIBOR + 2.75% (b)	$	1,855.0	—		1,250.2
VM Revolving Facility (c)	December 31, 2021	LIBOR + 2.75%	(d)		527.5		147.5
Total					£ 527.5	£	2,345.1

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

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

(c) The VM Revolving Facility has a fee on unused commitments of 1.1% per year.

(d) The VM Revolving Facility is a multi-currency revolving facility with maximum borrowing capacity equivalent to £675.0 million. The outstanding balance at December 31, 2015 was borrowed in euros.

2015 Refinancing Transactions. In June 2015, (i) the then outstanding $1,855.0 million (£1,259.0 million) of commitments under the existing VM Facility B were effectively rolled into a new dollar denominated term loan (**VM Facility F**) and (ii) we amended the terms of our VM Revolving Facility to extend the maturity to December 31, 2021, reduce the margin from 3.25% to 2.75% and increase the commitments by £15.0 million.

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, 2015 are presented below:

	Third-party debt	Related-party debt	Capital lease obligations	Total
	in millions			
Year ending December 31:				
2016	£ 698.1	£ —	£ 51.9	£ 750.0
2017	—	72.0	24.1	96.1
2018	—	—	8.1	8.1
2019	—	—	3.5	3.5
2020	—	—	2.9	2.9
Thereafter	9,369.8	—	139.7	9,509.5
Total debt maturities	10,067.9	72.0	230.2	10,370.1
Unamortized premium, net of discount	11.4	—	—	11.4
Amounts representing interest	—	—	(122.0)	(122.0)
Total debt	£ 10,079.3	£ 72.0	£ 108.2	£ 10,259.5
Current portion (a)	£ 699.0	£ —	£ 46.9	£ 745.9
Noncurrent portion	£ 9,380.3	£ 72.0	£ 61.3	£ 9,513.6

(a) The outstanding principal amount of the VM Revolving Facility is included in our current debt maturities.

Non-cash Refinancing Transactions

During the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating £1,205.3 million, £500.4 million, £750.0 million and nil, respectively.

(10) Income Taxes

Virgin Media files its primary income tax return in the U.S. Its subsidiaries file income tax returns in the U.S., the U.K. and Ireland. The income taxes of Virgin Media and its subsidiaries are presented 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, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)	Period from January 1 to June 7, 2013
U.S.	£ (14.0)	£ (218.8)	£ (56.6)	£ (68.8)
U.K.	89.5	129.7	(233.9)	186.8
Ireland	(16.2)	1.9	0.3	—
Total	£ 59.3	£ (87.2)	£ (290.2)	£ 118.0

(a) As retrospectively revised – see note 4.

Income tax expense consists of:

	Current	Deferred	Total
		in millions	
Successor:			
Year ended December 31, 2015:			
U.S. (a)	£ (2.4)	£ 8.3	£ 5.9
U.K.	(0.5)	(206.4)	(206.9)
Ireland	(0.2)	—	(0.2)
Total	£ (3.1)	£ (198.1)	£ (201.2)
Year ended December 31, 2014 (b):			
U.S. (a)	£ (2.5)	£ 34.2	£ 31.7
U.K.	—	(53.2)	(53.2)
Ireland	—	0.1	0.1
Total	£ (2.5)	£ (18.9)	£ (21.4)
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)

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

(b) As retrospectively revised – see note 4.

Income tax 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, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)	Period from January 1 to June 7, 2013
Computed "expected" tax benefit (expense)	£ (20.8)	£ 30.5	£ 101.6	£ (41.3)
Enacted tax law and rate changes (b)	(188.1)	0.2	(227.1)	—
Basis and other differences in the treatment of items associated with investments in subsidiaries	(30.7)	(88.4)	(38.6)	—
Change in valuation allowances	24.4	13.3	(28.8)	(29.8)
International rate differences (c)	11.8	40.3	(13.1)	22.0
Non-deductible or non-taxable foreign currency exchange results	—	(15.8)	—	—
Non-deductible or non-taxable interest and other expenses	—	(7.7)	8.9	31.9
Other, net	2.2	6.2	(0.4)	(0.9)
Total income tax expense	£ (201.2)	£ (21.4)	£ (197.5)	£ (18.1)

(a) As retrospectively revised – see note 4.

(b) During 2015, it was announced that the U.K. corporate income tax rate will change from the current rate of 20.0% to 19.0% in April 2017 and 18.0% in April 2020. The impact of these rate changes on our deferred tax balances was recorded in the fourth quarter of 2015 when the relevant legislation was enacted. In April 2014, the U.K. corporate income tax rate decreased from 23.0% to 21.0%. Substantially all of the impact of the April 2014 rate change on our deferred tax balances was recorded in the third quarter of 2013 when the relevant legislation was enacted.

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

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

	Successor	
	December 31,	
	2015 (a)	2014
	in millions	
Current deferred tax assets (b)	£ —	£ 24.7
Non-current deferred tax assets	1,430.7	1,506.2
Non-current deferred tax liabilities (b)	(35.7)	(42.1)
Net deferred tax asset	£ 1,395.0	£ 1,488.8

(a) In accordance with ASU 2015-17, all of our deferred tax balances are reflected as noncurrent in our December 31, 2015 balance sheet. Our December 31, 2014 deferred tax balances have not been retroactively revised. For further information, see note 2.

(b) Our current deferred tax assets as of December 31, 2014 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,	
	2015	2014 (a)
	in millions	
Deferred tax assets:		
Capital and net operating loss carryforwards	£ 2,632.3	£ 2,980.7
Property and equipment, net	1,610.5	1,706.8
Debt	155.3	150.7
Other future deductible amounts	66.0	50.9
Deferred tax assets	4,464.1	4,889.1
Valuation allowance	(2,607.4)	(2,846.6)
Deferred tax assets, net of valuation allowance	1,856.7	2,042.5
Deferred tax liabilities:		
Intangible assets	(367.5)	(466.1)
Property and equipment, net	(49.9)	(60.6)
Other future taxable amounts	(44.3)	(27.0)
Deferred tax liabilities	(461.7)	(553.7)
Net deferred tax asset	£ 1,395.0	£ 1,488.8

(a) As retrospectively revised – see note 4.

Our deferred income tax valuation allowance decreased £239.2 million in 2015. This decrease reflects (i) the effect of enacted tax law and rate changes and (ii) other individually insignificant items.

At December 31, 2015 and 2014, we had property and equipment on which future U.K. tax deductions can be claimed of £14.2 billion and £13.9 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 the excess of these capital allowances over the related financial reporting bases are included in the 2015 and 2014 deferred tax assets related to property and equipment, net, in the above table.

At December 31, 2015, our unrecognized excess tax benefits aggregated £77.3 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, 2015 are as follows:

Country	Capital and net operating loss carryforwards	Related tax asset	Expiration date
	in millions		
U.K.			
Amount attributable to capital losses	£ 12,096.6	£ 2,177.4	Indefinite
Amount attributable to net operating losses (a)	1,027.8	185.0	Indefinite
U.S.	844.9	222.5	2019-2033
Ireland	379.1	47.4	Indefinite
Total	£ 14,348.4	£ 2,632.3	

(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 the years ended December 31, 2015 and 2014, tax losses with an aggregate tax effect of £105.5 million and £147.4 million, respectively, 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 2015 and 2014, are reflected as an increase to additional paid-in capital in our consolidated statement of owners' equity.

The use of our tax loss carryforwards within each jurisdiction (both capital and ordinary losses) is 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. operations except to the extent the earnings are subject to current income taxes. At December 31, 2015, income and withholding taxes for which a net deferred tax liability might otherwise be required have not been provided on an estimated £5.7 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, including cumulative translation adjustments, determined for financial reporting purposes) on non-U.S. entities. 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., the U.K. and Ireland. 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 2012 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, 2015	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013
Balance at beginning of period	£ 8.2	£ 7.7	£ 8.3	£ 7.9
Reductions for tax positions of prior years	—	—	(0.6)	—
Additions based on tax positions related to the current year	5.1	—	—	0.4
Foreign currency translation	0.5	0.5	—	—
Balance at end of period	£ 13.8	£ 8.2	£ 7.7	£ 8.3

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

As of December 31, 2015, our unrecognized tax benefits included £3.2 million of 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 2016 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 2016.

(11) Owners' 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 Old Liberty Global Shares and 0.6438 Class C Old Liberty Global Shares. Virgin Media has 111 shares of common stock outstanding.

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.

In addition, during the fourth quarter of 2013, we received cash consideration of £987.4 million from LG Europe 2 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.

During the period from January 1 to June 7, 2013, we paid the following dividends:

Board declaration date	Per share	Record date	Payment date	Total amount
				in millions
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

(12) 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 parent's equity and is offset by any amounts recharged to us by Liberty Global, as further described in note 13. Prior to the LG/VM Transaction, share-based compensation expense 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, 2015	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1, to June 7, 2013
Performance-based incentive awards (a)	£ 10.1	£ 7.0	£ 3.0	£ 10.0
Other share-based incentive awards	25.4	26.8	82.5	12.1
Total (b) (c)	£ 35.5	£ 33.8	£ 85.5	£ 22.1

____

(a) Includes share-based compensation expense related to (i) Liberty Global performance-based restricted share units (**PSU**s) and (ii) a challenge performance award plan 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 (**PSAR**s) and PSUs.

(b) In connection with the LiLAC Transaction, the compensation committee of Liberty Global's board of directors approved modifications to Liberty Global's outstanding share-based incentive awards (the **Award Modifications**) in accordance with the underlying share-based incentive plans. The objective of the compensation committee was to ensure a relatively unchanged intrinsic value of outstanding equity awards before and after the bonus issuance of the LiLAC Shares. The mechanism to modify outstanding share-based incentive awards, as approved by the compensation committee, utilized the volume-weighted average price of the respective shares for the five days prior to and the five days following the bonus issuance (**Modification VWAPs**). In order to determine if any incremental stock-based compensation expense should be recorded as a result of the Award Modifications, we are required to measure the changes in the fair values of the then outstanding share-based incentive awards using market prices immediately before and immediately after the Award Modifications. Due to declines in the share prices of Liberty Global's Class A and Class C Liberty Global Shares following the bonus issuance, the exercise prices of options, SARs and PSARs determined using the Modification VWAPs were lower than the exercise prices that would have resulted if the market prices immediately before and after the Award Modifications had been used. Accordingly, the Black-Scholes fair values of Liberty Global options, SARs and PSARs held by employees of our subsidiaries increased as a result of the Award Modifications, resulting in incremental stock-based compensation expense of £9.1 million. This amount includes £5.6 million of expense recognized during 2015 related to awards that vested on or prior to December 31, 2015 and £3.5 million of expense that will be recognized in future periods through 2019 as the related awards vest.

(c) 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, 2015:

	Liberty Global Shares and LiLAC Shares (a)	Liberty Global performance-based awards (b)
Total compensation expense not yet recognized (in millions)	£ 26.5	£ 5.0
Weighted average period remaining for expense recognition (in years)	2.7	1.1

____

(a) Amounts relate to awards granted or assumed by Liberty Global under (i) the Liberty Global 2014 Incentive Plan (as amended and restated effective February 24, 2015) and certain other incentive plans of Liberty Global, (ii) the Virgin Media Inc. 2010 Stock Incentive Plan (as amended and restated effective June 7, 2013) (the **VM Incentive Plan**), and (iii) certain other incentive plans of our company. 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, 2015	Year ended December 31, 2014	Period from June 8 to December 31, 2013	Period from January 1, to June 7, 2013
Assumptions used to estimate fair value of options, SARs and PSARs granted:				
Risk-free interest rate	0.96 - 1.40%	0.81 - 1.31%	0.78% - 1.19%	0.40% - 1.42%
Expected life (a)	3.0 - 4.3 years	3.1 - 3.9 years	0.4 - 4.6 years	3.0 - 7.3 years
Expected volatility (a)	23.1 - 26.0%	25.5 - 26.5%	23.6% - 32.6%	31.1% - 50.9%
Expected dividend yield	none	none	none	0.41% - 0.50%
Weighted average grant-date fair value per share of awards granted:				
Options	$ 14.81	$ —	$ 22.82	$ 29.13
SARs	$ 9.57	$ 8.04	$ 7.79	$ —
PSARs	$ —	$ 8.15	$ 8.34	$ —
Restricted share units (**RSU**s)	$ 51.91	$ 39.84	$ 36.91	$ 39.39
PSUs	$ 51.44	$ 40.13	$ 34.04	$ 39.66
Total intrinsic value of awards exercised (in millions):				
Options	£ 58.7	£ 63.3	£ 97.1	£ 57.0
SARs	£ 1.7	£ 0.4	£ —	£ —
PSARs	£ —	£ 0.1	£ —	£ —
Cash received by Liberty Global (Successor periods) and Old Virgin Media (Predecessor period) from exercise of options (in millions)	£ 26.5	£ 26.4	£ 47.8	£ 26.7
Income tax benefit related to share-based compensation (in millions)	£ 6.4	£ 6.7	£ 13.8	£ 5.9

(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, 2015, 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 (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 ordinary shares with respect to which awards may be issued under the Liberty Global 2014 Incentive Plan is 105 million (of which no more than 50.25 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, 2015, the Liberty Global 2014 Incentive Plan had 84,782,474 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) issued under the (i) Liberty Global 2014 Incentive Plan, (ii) Liberty Global 2005 Incentive Plan and (iii) 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 currently-outstanding PSU represents the right to receive one Liberty Global or LiLAC 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 Liberty Global or LiLAC Class A or Class C ordinary share, as applicable, subject to performance and vesting. The performance criteria for the Challenge Performance Awards is 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 — Awards Issued by Liberty Global

The following tables summarize the share-based award activity during 2015 with respect to Liberty Global Shares and Old Liberty Global 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, 2015	1,197,699	$ 16.02		
Forfeited	(7,295)	$ 25.76		
Exercised	(758,310)	$ 12.61		
Transfers	(15,988)	$ 19.11		
Outstanding at June 30, 2015	416,106	$ 21.95		
Impact of Award Modifications	36,742	(2.02)		
Outstanding at July 1, 2015	452,848	$ 19.93		
Forfeited	(7,718)	$ 22.61		
Exercised	(33,081)	$ 15.19		
Transfers	(8,528)	$ 20.43		
Outstanding at December 31, 2015 (a)	403,521	$ 20.26	6.2	$ 8.9
Exercisable at December 31, 2015	114,259	$ 15.12	4.7	$ 3.1

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, 2015	2,490,859	$ 15.70		
Granted	498,777	$ 41.12		
Forfeited	(18,196)	$ 31.92		
Exercised	(1,194,810)	$ 12.99		
Transfers	(39,838)	$ 17.78		
Outstanding at June 30, 2015	1,736,792	$ 24.73		
Impact of Award Modifications	145,618	(2.28)		
Outstanding at July 1, 2015	1,882,410	$ 22.45		
Forfeited	(41,208)	$ 29.99		
Exercised	(344,673)	$ 8.33		
Transfers	(22,485)	$ 18.91		
Outstanding at December 31, 2015 (a)	1,474,044	$ 25.59	7.3	$ 22.4
Exercisable at December 31, 2015	241,735	$ 13.79	4.7	$ 6.5

(a) The pound sterling equivalent amounts for the aggregate intrinsic value for outstanding options related to Class A and Class C Liberty Global Shares are £6.0 million and £15.2 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, 2015 (a)	531,637	$ 36.55		
Granted	438,778	$ 53.11		
Forfeited	(2,112)	$ 40.91		
Exercised	(26,193)	$ 30.70		
Transfers	(49,872)	$ 34.72		
Outstanding at June 30, 2015	892,238	$ 44.96		
Impact of Award Modifications	74,152	(3.99)		
Outstanding at July 1, 2015	966,390	$ 40.97		
Granted	11,548	$ 52.46		
Forfeited	(6,586)	$ 43.83		
Exercised	(7,812)	$ 31.08		
Transfers	(80,630)	$ 31.70		
Outstanding at December 31, 2015 (b)	882,910	$ 42.03	5.6	$ 3.1
Exercisable at December 31, 2015	233,179	$ 36.19	4.8	$ 1.8

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, 2015 (a)	1,237,036	$ 33.79		
Granted	877,556	$ 51.41		
Forfeited	(4,224)	$ 39.09		
Exercised	(65,649)	$ 27.68		
Transfers	(129,280)	$ 32.29		
Outstanding at June 30, 2015	1,915,439	$ 42.16		
Impact of Award Modifications	161,874	(3.59)		
Outstanding at July 1, 2015	2,077,313	$ 38.57		
Granted	23,096	$ 49.14		
Forfeited	(13,674)	$ 41.97		
Exercised	(19,559)	$ 28.40		
Transfers	(198,648)	$ 28.43		
Outstanding at December 31, 2015 (b)	1,868,528	$ 39.86	5.4	$ 7.5
Exercisable at December 31, 2015	534,079	$ 33.50	4.5	$ 4.6

(a) As retrospectively revised – see note 4.

(b) The pound sterling equivalent amounts for the aggregate intrinsic value for outstanding SARs related to Class A and Class C Liberty Global Shares are £2.1 million and £5.1 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, 2015 (a)	274,583	$ 35.56		
Transfers	(38,750)	$ 35.03		
Outstanding at June 30, 2015	235,833	$ 35.65		
Impact of Award Modifications	15,122	(3.22)		
Outstanding at July 1, 2015	250,955	$ 32.43		
Transfers	(21,501)	$ 31.87		
Outstanding at December 31, 2015 (b)	229,454	$ 32.48	4.4	$ 2.3
Exercisable at December 31, 2015	3,665	$ 31.87	0.8	$ —

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, 2015 (a)	823,749	$ 33.99		
Transfers	(116,250)	$ 33.41		
Outstanding at June 30, 2015	707,499	$ 34.08		
Impact of Award Modifications	42,493	(2.98)		
Outstanding at July 1, 2015	749,992	$ 31.10		
Transfers	(64,289)	$ 30.98		
Outstanding at December 31, 2015 (b)	685,703	$ 31.12	4.4	$ 6.6
Exercisable at December 31, 2015	10,973	$ 30.46	0.8	$ 0.1

(a) As retrospectively revised – see note 4.

(b) The pound sterling equivalent amounts for the aggregate intrinsic value for outstanding PSARs related to Class A and Class C Liberty Global Shares are £1.6 million and £4.5 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, 2015 (a)	264,930	$ 39.50	
Granted	76,718	$ 53.11	
Forfeited	(3,493)	$ 40.23	
Released from restrictions	(113,863)	$ 39.86	
Transfers	(16,305)	$ 38.87	
Outstanding at June 30, 2015	207,987	$ 44.36	
Impact of Award Modifications	10,350	(2.10)	
Outstanding at July 1, 2015	218,337	$ 42.26	
Granted	2,697	$ 52.46	
Forfeited	(2,318)	$ 42.22	
Released from restrictions	(23,377)	$ 42.83	
Transfers	(6,323)	$ 43.02	
Outstanding at December 31, 2015	189,016	$ 42.31	4.5

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, 2015 (a)	641,714	$ 36.48	
Granted	153,436	$ 51.41	
Forfeited	(7,487)	$ 38.06	
Released from restrictions	(315,487)	$ 36.05	
Transfers	(40,227)	$ 37.46	
Outstanding at June 30, 2015	431,949	$ 41.98	
Impact of Award Modifications	21,461	(2.02)	
Outstanding at July 1, 2015	453,410	$ 39.96	
Granted	5,394	$ 49.14	
Forfeited	(5,190)	$ 39.51	
Released from restrictions	(61,771)	$ 39.20	
Transfers	(17,100)	$ 38.43	
Outstanding at December 31, 2015	374,743	$ 40.29	4.5

(a) As retrospectively revised – see note 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, 2015 (a)	160,354	$ 37.90	
Granted	40,182	$ 53.11	
Performance adjustment (b)	9,128	$ 36.38	
Released from restrictions	(38,005)	$ 36.34	
Transfers	(20,520)	$ 37.65	
Outstanding at June 30, 2015	151,139	$ 42.27	
Impact of Award Modifications	1,185	(2.06)	
Outstanding at July 1, 2015	152,324	$ 40.21	
Granted	13,264	$ 52.46	
Released from restrictions	(35,530)	$ 34.70	
Transfers	(12,798)	$ 39.75	
Outstanding at December 31, 2015	117,260	$ 43.32	1.1

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, 2015 (a)	403,562	$ 35.38	
Granted	80,364	$ 51.41	
Performance adjustment (b)	24,349	$ 34.07	
Released from restrictions	(101,404)	$ 34.07	
Transfers	(53,222)	$ 35.04	
Outstanding at June 30, 2015	353,649	$ 39.42	
Impact of Award Modifications	3,124	(1.88)	
Outstanding at July 1, 2015	356,773	$ 37.54	
Granted	26,528	$ 49.14	
Released from restrictions	(95,235)	$ 32.50	
Transfers	(29,534)	$ 37.60	
Outstanding at December 31, 2015	258,532	$ 40.59	1.0

(a) As retrospectively revised – see note 4.

(b) Represents the increase in PSUs associated with the first quarter 2015 determination that 113.6% of the PSUs that were granted in 2013 (the **2013 PSUs**) had been earned. As of December 31, 2015, all of the earned 2013 PSUs have been released from restrictions.

(13) Related-party Transactions

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

	Successor		
	Year ended December 31, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)
		in millions	
Credits (charges) included in:			
Operating expenses	£ 4.2	£ 1.4	£ (2.9)
SG&A expenses	(8.0)	(4.7)	(1.3)
Allocated share-based compensation expense	(24.7)	(28.8)	(69.5)
Fees and allocations, net:			
Operating and SG&A related (exclusive of depreciation and share-based compensation)	(24.4)	(16.9)	(7.7)
Depreciation	(11.8)	(8.8)	(4.9)
Share-based compensation	(22.2)	(2.8)	(1.0)
Management fee	(29.2)	(8.1)	(7.5)
Total fees and allocations, net	(87.6)	(36.6)	(21.1)
Included in operating income (loss)	(116.1)	(68.7)	(94.8)
Interest income	246.5	229.7	107.0
Realized gain (loss) on derivative instruments, net	(6.7)	(1.9)	0.3
Interest expense	(5.7)	(52.0)	(38.3)
Included in net loss	£ 118.0	£ 107.1	£ (25.8)

(a) As retrospectively revised – see note 4.

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 cash settled unless otherwise noted below.

During the first quarter of 2015, Liberty Global transferred certain entities that incur central and other administrative costs (the **Corporate Entities Transfer**) from one subsidiary to certain other Liberty Global subsidiaries that are outside of Liberty Global's borrowing groups. In connection with the Corporate Entities Transfer, Liberty Global changed the processes it uses to charge fees and allocate costs and expenses from one subsidiary to another. This new methodology, which is intended to ensure that Liberty Global continues to allocate its central and administrative costs to its borrowing groups on a fair and rational basis, impacts the calculation of the "EBITDA" metric specified by our debt agreements (**Covenant EBITDA**). In this regard, the components of related-party fees and allocations that are deducted to arrive at our Covenant EBITDA are based on (i) the amount and nature of costs incurred by the allocating Liberty Global subsidiaries during the period, (ii) the allocation methodologies in effect during the period and (iii) the size of the overall pool of entities that are charged fees and allocated costs, such that changes in any of these factors would likely result in changes to the amount of related-party fees and allocations that will be deducted to arrive at our Covenant EBITDA in future periods. For example, to the extent that a Liberty Global subsidiary borrowing group was to acquire (sell) an operating entity, and assuming no change in the total costs incurred by the allocating entities, the fees charged and the costs allocated to our company would decrease (increase).

Operating expenses. Amounts consist of the net effect of (i) recharges of £7.6 million, £6.7 million and nil during the year ended December 31, 2015, the year ended December 31, 2014 and the period from June 8 to December 31, 2013, respectively, for network design and other services provided by our company to other Liberty Global subsidiaries and (ii) charges of £3.4 million, £5.3 million and £2.9 million during the year ended December 31, 2015, the year ended December 31, 2014 and the period from June 8 to December 31, 2013, respectively, for network-related and other services provided to our company by another Liberty Global subsidiary.

SG&A expenses. Amounts primarily consist of the net effect of (i) charges of £5.3 million, £3.9 million and nil during the year ended December 31, 2015, the year ended December 31, 2014 and the period from June 8 to December 31, 2013, respectively, for insurance-related services provided to our company by another Liberty Global subsidiary, (ii) charges of £4.2 million, £3.9 million and £0.3 million during the year ended December 31, 2015, the year ended December 31, 2014 and the period from June 8 to December 31, 2013, respectively, for information technology-related services provided to our company by another Liberty Global subsidiary, and (iii) recharges of £2.1 million, £3.4 million and nil during the year ended December 31, 2015, the year ended December 31, 2014 and the period from June 8 to December 31, 2013, respectively, for network design and other services provided by our company to other Liberty Global subsidiaries.

Allocated share-based compensation expense. As further described in note 12, 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 services that support our company's operations. The categories of our fees and allocations, net, are as follows:

- *Operating and SG&A related (exclusive of depreciation and share-based compensation).* The amounts included in this category, which are generally cash settled, represent our estimated share of certain centralized technology, management, marketing, finance and other operating and SG&A expenses of Liberty Global's European operations, whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up. Amounts in this category are generally deducted to arrive at our Covenant EBITDA.

- *Depreciation.* The amounts included in this category, which are generally loan settled, represent our estimated share of depreciation of assets not owned by our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up.

- *Share-based compensation.* The amounts included in this category, which are generally loan settled, represent our estimated share of share-based compensation associated with Liberty Global employees who are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up.

- *Management fee.* The amounts included in this category, which are generally loan settled, represent our estimated allocable share of (i) operating and SG&A expenses related to stewardship services provided by certain Liberty Global subsidiaries and (ii) the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

During the first three quarters of 2014, a subsidiary of Liberty Global allocated technology-based costs to our company and other Liberty Global subsidiaries based on each subsidiaries' estimated proportionate share of these costs. During the fourth quarter of 2014, the approach used to charge technology-based fees was changed to a royalty-based method. For the year ended December 31, 2015 and the year ended December 31, 2014, our £20.0 million and £17.0 million, respectively, proportional share of the technology-based costs was £6.3 million and £13.6 million, respectively, more than the royalty-based technology fee charged under the new approach. Accordingly, the £6.3 million and £13.6 million, respectively, excess has been reflected as a deemed contribution of technology-related services in our consolidated statements of owners' equity. The charges under the new royalty-based fee are expected to escalate in future periods. Any excess of these charges over our estimated proportionate share of the underlying technology-based costs will be classified as a management fee and added back to arrive at Covenant EBITDA.

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

Realized gain (loss) on derivative instruments, net. As further described in note 6, these amounts relate to related-party foreign currency forward contracts with LGE Financing.

Interest expense. Amount during 2015 relates to interest expense associated with the note payable to LG Europe 2 and the VM Ireland Note. Amounts during 2014 and 2013 relate to interest expense associated with the VM Ireland Note. In addition, £5.8 million of this interest expense during 2013 is due to 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,	
	2015	2014 (a)
	in millions	
Current note receivable (b)	£ —	£ 688.0
Current receivables (c)	45.4	57.3
Derivative instruments (d)	0.6	—
Prepaid expenses (e)	0.9	1.3
Long-term notes receivable (f)	3,385.1	2,322.3
Total	£ 3,432.0	£ 3,068.9
Accounts payable (g)	£ 8.6	£ 7.9
Current portion of capital lease obligations	—	0.3
Other current liabilities (h)	26.1	28.8
Related-party debt (i)	72.0	439.0
Other long-term liabilities (j)	—	50.1
Total	£ 106.7	£ 526.1

(a) As retrospectively revised – see note 4.

(b) Amount at December 31, 2014 represents a note receivable from LG Europe 2, that was owed to our subsidiary, Virgin Media Finco Limited. This note originated during 2014 and bore interest at a rate of 5.855% as of December 31, 2014. During the fourth quarter of 2015, the amount outstanding on this note was transferred to a long-term note receivable. The net decrease during 2015 includes (i) an increase resulting from £3,136.9 million of cash advanced, (ii) a decrease related to £2,565.6 million of cash repaid, (iii) a decrease of £1,197.4 million related to the transfer of the outstanding balance to a long-term note receivable and (iv) a £61.9 million non-cash decrease related to the settlement of related-party fees and allocations.

(c) Amounts represent (i) accrued interest on notes receivable from LG Europe 2, including £38.7 million (equivalent) and £42.2 million (equivalent), respectively, owed to Virgin Media Finco Limited, (ii) employee withholding taxes collected by Liberty Global on our behalf of £0.5 million (equivalent) and £8.5 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 from LG Europe 2 is payable semi-annually on April 15 and October 15 and may be cash settled or, if mutually agreed, loan settled. The withholding taxes and other receivables are settled periodically.

(d) Amount represents the fair value of related-party derivative instruments with LGE Financing, as further described in note 6.

(e) Represents prepayments for services to be rendered by another Liberty Global subsidiary.

(f) Amounts represent:

(i) notes receivable from LG Europe 2 that are owed to Virgin Media Finco Limited (the **2023 8.5% LG Europe 2 Notes Receivable**). These notes mature on April 15, 2023 and bear interest at a rate of 8.5%. At December 31, 2015 and 2014, the principal amount outstanding under these notes was £2,174.6 million and £2,297.3 million, respectively. As further described in note 4, the decrease during 2015 relates to the £122.7 million cash repayment from LG Europe 2. 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 LG Europe 2 and reflected as an increase to the loan balance. LG 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 LG Europe 2 that is owed to Virgin Media Finco Limited. During the fourth quarter of 2015, the amount outstanding on a current note receivable was transferred to this long-term note receivable. At December 31, 2015 the principal amount outstanding under this note was £1,197.4 million. Pursuant to the loan agreement, the maturity date is July 16, 2023, however Virgin Media Finco Limited may agree to advance additional amounts to LG Europe 2 at any time and LG 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 5.659% as of December 31, 2015.

(iii) a note receivable from LG Europe 2 that was owed to us until all outstanding principal and interest balances were converted to equity during the fourth quarter of 2015. At December 31, 2014, this note had a principal balance of $19.9 million (£13.5 million) and bore interest at a rate of 7.875%. The net decrease during 2015 relates to (i) a £465.8 million decrease resulting from the aforementioned conversion of the then remaining principal balance to equity, (ii) £448.1 million of cash borrowings, (iii) £5.2 million (equivalent at the transaction date) in capitalized interest, (iv) £2.3 million of cash repayments and (v) an increase of £2.0 million due to the cumulative transaction adjustment. The net decrease during 2014 relates to (a) cash borrowing of £97.0 million (equivalent at the transaction date), (b) cash repayments of £165.0 million, (c) £8.3 million (equivalent at the transaction date) in capitalized accrued interest and (d) an increase of £7.7 million due to the cumulative translation adjustment; and

(iv) a note receivable from Liberty Global that is owed to us. At December 31, 2015 and 2014, this note, which matures on June 4, 2018, had a principal balance of $19.3 million (£13.1 million) and $18.8 million (£12.8 million), respectively. This note bears interest at a rate of 1.76%. The increase during 2015 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. The increase during 2014 relates to an increase of (a) £0.7 million due to the cumulative translation adjustment and (b) £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. The accrued interest on this note receivable is payable semi-annually on January 15 and July 15 and may be cash settled or, if mutually agreed, loan settled, and is included in other long-term assets, net in our consolidated balance sheets.

(g) Amounts represent certain payables to other Liberty Global subsidiaries arising in the normal course of business.

(h) Amounts represent (i) £6.9 million (equivalent) and £13.7 million (equivalent), respectively, of unpaid capital charges from Liberty Global, as described below, and (ii) certain payables to other Liberty Global subsidiaries arising in the normal course of business, including amounts associated with fees and allocations as described above. The payables related to the capital charges are settled periodically. None of these payables are currently interest bearing.

(i) For information regarding our related-party debt, see note 9.

(j) The December 31, 2014 amount represents accrued interest on the VM Ireland Note.

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, 2015, the year ended December 31, 2014 and the period from June 8 to December 31, 2013, we recorded capital charges of $37.2 million (£24.6 million at the applicable rate), $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 owners' equity in connection with the exercise of Liberty Global SARs and options and the vesting of Liberty Global restricted share awards and PSUs held by employees of our subsidiaries. We and Liberty Global have agreed that these capital charges will be based on the fair value of the underlying Liberty Global shares associated with share-based incentive awards that vest or are exercised during the period, subject to any reduction that is necessary to ensure that the cumulative capital charge does not exceed the cumulative amount of share-based compensation expense recorded by our company with respect to Liberty Global share-based incentive awards.

During 2015 and 2014, tax losses with an aggregate tax effect of £105.5 million and £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 10.

Our parent company, Virgin Media, and certain Liberty Global subsidiaries are co-guarantors of the indebtedness of certain other Liberty Global subsidiaries. We do not believe these guarantees will result in material payments in the future.

(14) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2015 is set forth in the table below:

	Employee severance and termination	Office closures	Total
		in millions	
Successor:			
Restructuring liability as of January 1, 2015	£ 1.2	£ 8.0	£ 9.2
Restructuring charges (credits) (a)	13.9	(0.9)	13.0
Cash paid	(12.3)	(3.0)	(15.3)
Other	0.1	1.0	1.1
Restructuring liability as of December 31, 2015	£ 2.9	£ 5.1	£ 8.0
Current portion	£ 2.9	£ 1.2	£ 4.1
Noncurrent portion	—	3.9	3.9
Total	£ 2.9	£ 5.1	£ 8.0

(a) Our restructuring charges include employee severance and termination costs related to certain reorganization and integration activities.

We expect to record further restructuring charges during 2016 in connection with continued efforts to optimize our operating model.

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 (a):				
Restructuring liability as of January 1, 2014	£ 5.4	£ 8.9	£ 0.2	£ 14.5
Restructuring charges (b)	10.5	5.7	—	16.2
Cash paid	(14.3)	(6.5)	—	(20.8)
Other	(0.4)	(0.1)	(0.2)	(0.7)
Restructuring liability as of December 31, 2014	£ 1.2	£ 8.0	£ —	£ 9.2
Current portion	£ 1.2	£ 2.9	£ —	£ 4.1
Noncurrent portion	—	5.1	—	5.1
Total	£ 1.2	£ 8.0	£ —	£ 9.2

(a) As retrospectively revised – see note 4.

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

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 (a):				
Restructuring liability as of June 7, 2013	£ —	£ 15.0	£ —	£ 15.0
Restructuring charges (b)	29.0	(0.2)	3.8	32.6
Cash paid	(24.0)	(8.1)	(0.1)	(32.2)
Other	0.4	2.2	(3.5)	(0.9)
Restructuring liability as of December 31, 2013	£ 5.4	£ 8.9	£ 0.2	£ 14.5

(a) As retrospectively revised – see note 4.

(b) 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.

(15) Defined Benefit Plans

We operate two defined benefit plans in the U.K. and one defined benefit plan in Ireland, all of which are funded. These defined benefit plans are closed to new entrants and existing participants do not accrue any additional benefits.

The table below provides summary information on our defined benefit plans (in millions):

	Successor			Predecessor
	Year ended December 31, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)	Period from January 1 to June 7, 2013
Projected benefit obligation	£ 499.7	£ 541.9	£ 471.3	£ 433.7
Fair value of plan assets (b)	£ 501.2	£ 500.8	£ 434.2	£ 397.4
Net liability (asset)	£ (1.5)	£ 41.1	£ 37.1	£ 36.3
Net periodic pension cost	£ (5.4)	£ (5.2)	£ 0.2	£ 0.7

(a) As retrospectively revised – see note 4.

(b) The fair value of plan assets is primarily based on Level 1 inputs of the fair value hierarchy (as further described in note 7). Our plan assets comprise investments in debt securities, equity securities, hedge funds, insurance contracts and certain other assets.

Based on December 31, 2015 exchange rates and information available as of that date, contributions to the respective defined benefit plans in 2016 are expected to aggregate £23.8 million.

(16) Accumulated Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) included in our consolidated balance sheets and statements of owners' 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:

	Parent					
	Foreign currency translation adjustments	Unrealized losses on cash flow hedges	Pension-related adjustments	Accumulated other comprehensive earnings (loss)	Non-controlling interest	Total accumulated other comprehensive earnings (loss)
	in millions					
Predecessor:						
Balance at January 1, 2013	£ 161.2	£ (68.5)	£ (98.5)	£ (5.8)	£ —	£ (5.8)
Other comprehensive loss	(9.8)	(7.6)	0.6	(16.8)	—	(16.8)
Balance at June 7, 2013	£ 151.4	£ (76.1)	£ (97.9)	£ (22.6)	£ —	£ (22.6)
Successor (a):						
Balance at June 8, 2013 (b)	£ —	£ —	£ (4.3)	£ (4.3)	£ (2.5)	£ (6.8)
Other comprehensive earnings	150.0	—	(0.7)	149.3	2.1	151.4
Balance at December 31, 2013	150.0	—	(5.0)	145.0	(0.4)	144.6
Other comprehensive loss	(66.6)	—	(29.4)	(96.0)	0.8	(95.2)
Balance at December 31, 2014	83.4	—	(34.4)	49.0	0.4	49.4
Other comprehensive earnings	34.9	—	7.0	41.9	4.5	46.4
Balance at December 31, 2015	£ 118.3	£ —	£ (27.4)	£ 90.9	£ 4.9	£ 95.8

(a) As retrospectively revised – see note 4.

(b) As a result of the application of acquisition accounting in connection with the LG/VM Transaction, the Predecessor balance was eliminated. For more information regarding the LG/VM Transaction, see note 5. Amounts included relate to the the VM Ireland Acquisition. For additional information, 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 (expense)	Net-of-tax amount
		in millions	
Successor:			
Year ended December 31, 2015:			
Foreign currency translation adjustments	£ 37.3	£ —	£ 37.3
Pension related adjustments	9.8	(0.7)	9.1
Other comprehensive earnings	47.1	(0.7)	46.4
Other comprehensive earnings attributable to noncontrolling interest	(4.5)	—	(4.5)
Other comprehensive earnings attributable to parent	£ 42.6	£ (0.7)	£ 41.9
Year ended December 31, 2014 (a):			
Foreign currency translation adjustments	£ (62.9)	£ —	£ (62.9)
Pension related adjustments	(39.3)	7.0	(32.3)
Other comprehensive loss	(102.2)	7.0	(95.2)
Other comprehensive earnings attributable to noncontrolling interest	(0.8)	—	(0.8)
Other comprehensive loss attributable to parent	£ (103.0)	£ 7.0	£ (96.0)
Period from June 8, 2013 to December 31, 2013 (a):			
Foreign currency translation adjustments	£ 151.5	£ —	£ 151.5
Pension related adjustments	(0.5)	0.4	(0.1)
Other comprehensive earnings	151.0	0.4	151.4
Other comprehensive loss attributable to noncontrolling interest	(2.1)	—	(2.1)
Other comprehensive earnings attributable to parent	£ 148.9	£ 0.4	£ 149.3
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)

(a) As retrospectively revised – see note 4.

(17) 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 and non-cancellable operating leases and other items. The pound sterling equivalents of such commitments as of December 31, 2015 are presented below:

	Payments due during:						
	2016	2017	2018	2019	2020	Thereafter	Total
				in millions			
Programming commitments	£ 462.4	£ 459.5	£ 399.1	£ 156.8	£ 4.7	£ 3.7	£ 1,486.2
Network and connectivity commitments	297.2	80.3	25.6	6.7	5.4	22.3	437.5
Purchase commitments	227.1	48.2	19.5	7.1	3.7	0.7	306.3
Operating leases	37.2	31.2	25.6	20.0	13.5	55.2	182.7
Other commitments	15.2	—	—	—	—	—	15.2
Total (a)	£ 1,039.1	£ 619.2	£ 469.8	£ 190.6	£ 27.3	£ 81.9	£ 2,427.9

(a) The commitments included in this table do not reflect any liabilities that are included in our December 31, 2015 consolidated balance sheet.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. 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. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. In this regard, during the year ended December 31, 2015, year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, the programming costs incurred aggregated £700.0 million, £624.1 million, £336.2 million and £232.3 million, respectively.

Network and connectivity commitments include, among other items, the fixed minimum commitments associated with our mobile virtual network operator (**MVNO**) agreements and service commitments associated with our network extension project in the U.K. 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 and legally binding obligations related to (i) the purchase of customer premises and other equipment and (ii) certain service-related commitments, including call center, information technology and maintenance services.

Commitments arising from acquisition agreements are not reflected in the above table.

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 the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, see note 6. For information regarding our defined benefit plans, see note 15.

Rental expense under non-cancellable operating lease arrangements amounted to £48.0 million, £48.6 million, £27.7 million and £18.2 million during the year ended December 31, 2015, year ended December 31, 2014, the period from June 8 to December

31, 2013 and the period from January 1 to June 7, 2013, 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 £19.4 million, £18.8 million, £11.7 million and £7.7 million during the year ended December 31, 2015, year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, respectively.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties, (ii) performance and/or financial guarantees to local municipalities, our customers and vendors and (iii) guarantees as a co-guarantor with certain other Liberty Global subsidiaries related to various financing arrangements. 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 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 £45.2 million as of December 31, 2015. 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 prior to March 31, 2016.

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. This change, which took effect on May 1, 2014, impacted our company and some of our competitors. As a result of this legislation, our revenue was £14.4 million lower during 2015 as compared to 2014. The U.K. tax authority issued a decision in the fourth quarter of 2015 challenging our application of the prompt payment discount rules prior to the May 1, 2014 change in legislation. We have appealed this decision. As part of the appeal process, we were required to make aggregate payments of £67.0 million, which included the challenged amount of £63.7 million and related interest of £3.3 million. The aggregate amount paid does not include penalties, which could be significant in the unlikely event that penalties were to be assessed. This matter will likely be subject to court proceedings that could delay the ultimate resolution for an extended period of time. No portion of this potential exposure has been accrued by our company as 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 (**EU**) 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.

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 channel 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.

(18) Segment Reporting

We have one reportable segment that provides video, broadband internet, fixed-line telephony and mobile services in the U.K. and Ireland.

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

	Successor			Predecessor
	Year ended December 31, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)	Period from January 1 to June 7, 2013
Subscription revenue:				
Video	£ 1,062.2	£ 1,079.5	£ 631.7	£ 421.6
Broadband internet	1,228.5	1,111.8	547.3	377.7
Fixed-line telephony	952.1	991.6	573.3	434.4
Cable subscription revenue (b)	3,242.8	3,182.9	1,752.3	1,233.7
Mobile (c)	465.0	480.0	252.8	187.5
Total subscription revenue	3,707.8	3,662.9	2,005.1	1,421.2
B2B revenue (d)	657.4	617.5	330.1	269.5
Other revenue (e)	253.2	216.5	148.1	119.5
Total	£ 4,618.4	£ 4,496.9	£ 2,483.3	£ 1,810.2

____

(a) As retrospectively revised – see note 4.

(b) 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.

(c) Mobile subscription revenue excludes mobile interconnect revenue of £68.1 million, £80.2 million, £45.8 million and £38.9 million during the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

(d) B2B revenue includes revenue from business broadband internet, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain small office and home office (**SOHO**) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which is included in cable subscription revenue, aggregated £21.8 million, £17.2 million, £9.4 million and £7.0 million during the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, respectively.

(e) Other revenue includes, among other items, mobile handset sales, interconnect and late fee revenue.

Geographic Segments

The revenue of our geographic segments is set forth below (in millions):

	Successor			Predecessor
	Year ended December 31, 2015	Year ended December 31, 2014 (a)	Period from June 8 to December 31, 2013 (a)	Period from January 1 to June 7, 2013
U.K.	£ 4,359.6	£ 4,213.9	£ 2,310.2	£ 1,810.2
Ireland	258.8	283.0	173.1	—
Total	£ 4,618.4	£ 4,496.9	£ 2,483.3	£ 1,810.2

(a) As retrospectively revised – see note 4.

The long-lived assets of our geographic segments are set forth below:

	Successor	
	Year ended December 31, 2015	Year ended December 31, 2014 (a)
	in millions	
U.K.	£ 12,982.4	£ 13,541.1
Ireland	449.5	421.0
Total	£ 13,431.9	£ 13,962.1

(a) As retrospectively revised – see note 4.

(19) Condensed Consolidating Financial Information — Senior Notes

We present the following condensed consolidating financial information as of December 31, 2015 and December 31, 2014 and for the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013 as required by the applicable underlying indentures.

As of December 31, 2015, Virgin Media Finance is the issuer of the following senior notes:

- $118.7 million (£80.6 million) aggregate principal amount of 2022 VM 4.875% Dollar Senior Notes;
- $95.0 million (£64.5 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 (£359.7 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 (£339.4 million) aggregate principal amount of 2024 VM Dollar Senior Notes;
- £300.0 million aggregate principal amount of 2024 VM Sterling Senior Notes;
- €460.0 million (£339.3 million) aggregate principal amount of 2025 VM Euro Senior Notes; and
- $400.0 million (£271.5 million) aggregate principal amount of 2025 VM Dollar Senior Notes.

Our senior notes are issued by Virgin Media Finance and are guaranteed on a senior basis by 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. Each of VMIH and Virgin Media Investments Limited (**VMIL**) are conditional guarantors and have guaranteed the senior notes on a senior subordinated basis.

Balance sheets	Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Eliminations	Total
	Successor							
	December 31, 2015							
	in millions							
ASSETS								
Current assets:								
Cash and cash equivalents	£ —	£ 0.2	£ 0.1	£ 0.1	£ —	£ 19.8	£ —	£ 20.2
Related-party note and other receivables	—	—	—	—	—	45.4	—	45.4
Other current assets:								
Third-party	23.5	—	—	37.0	—	570.5	—	631.0
Intercompany and related-party	—	2.5	—	0.6	—	6.6	(8.2)	1.5
Total current assets	23.5	2.7	0.1	37.7	—	642.3	(8.2)	698.1
Property and equipment, net	—	—	—	—	—	5,861.2	—	5,861.2
Goodwill	—	—	—	—	—	5,966.6	—	5,966.6
Intangible assets subject to amortization, net	—	—	—	—	—	1,604.1	—	1,604.1
Investments in, and loans to, parent and subsidiary companies	7,597.5	9,695.9	8,253.2	12,397.6	12,390.0	(7,368.7)	(42,965.5)	—
Deferred income taxes	—	—	—	—	—	1,430.7	—	1,430.7
Related-party notes receivable	13.2	—	—	—	—	3,371.9	—	3,385.1
Other assets, net:								
Third-party	—	21.5	—	278.8	—	236.3	—	536.6
Intercompany	—	20.8	—	—	—	64.7	(85.5)	—
Total assets	£ 7,634.2	£9,740.9	£ 8,253.3	£12,714.1	£12,390.0	£ 11,809.1	£ (43,059.2)	£ 19,482.4
LIABILITIES AND OWNERS' EQUITY								
Current liabilities:								
Intercompany and related-party payables	£ 8.0	£ 68.5	£ —	£ 132.6	£ —	£ 268.8	£ (469.3)	£ 8.6
Other current liabilities:								
Third-party	111.7	34.2	—	686.3	—	1,461.7	—	2,293.9
Intercompany and related-party	6.9	0.5	—	8.2	—	18.7	(8.2)	26.1
Total current liabilities	126.6	103.2	—	827.1	—	1,749.2	(477.5)	2,328.6
Long-term debt and capital lease obligations:								
Third-party	—	2,050.2	—	—	—	7,391.4	—	9,441.6
Related-party	—	—	—	—	—	72.0	—	72.0
Other long-term liabilities:								
Third-party	—	—	—	26.7	—	154.1	—	180.8
Intercompany	—	—	—	85.5	—	—	(85.5)	—
Total liabilities	126.6	2,153.4	—	939.3	—	9,366.7	(563.0)	12,023.0
Total parent's equity	7,507.6	7,587.5	8,253.3	11,774.8	12,390.0	2,490.6	(42,496.2)	7,507.6
Noncontrolling interest	—	—	—	—	—	(48.2)	—	(48.2)
Total owners' equity	7,507.6	7,587.5	8,253.3	11,774.8	12,390.0	2,442.4	(42,496.2)	7,459.4
Total liabilities and owners' equity	£ 7,634.2	£9,740.9	£ 8,253.3	£12,714.1	£12,390.0	£ 11,809.1	£ (43,059.2)	£ 19,482.4

	Successor							
	December 31, 2014 (a)							
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	£ —	£ —	£ —	£ —	£ 36.1	£ —	£ 36.6
Related-party note and other receivables	0.4	—	—	—	—	744.9	—	745.3
Other current assets:								
Third-party	—	—	—	28.0	—	543.0	—	571.0
Intercompany and related-party	—	1.4	—	—	—	3.9	(4.0)	1.3
Total current assets	0.9	1.4	—	28.0	—	1,327.9	(4.0)	1,354.2
Property and equipment, net	—	—	—	—	—	6,074.8	—	6,074.8
Goodwill	—	—	—	—	—	5,933.7	—	5,933.7
Intangible assets subject to amortization, net	—	—	—	—	—	1,953.6	—	1,953.6
Investments in, and loans to, parent and subsidiary companies	8,529.2	9,582.7	8,761.4	12,267.1	12,436.2	(7,081.7)	(44,494.9)	—
Deferred income taxes	—	—	—	—	—	1,506.2	—	1,506.2
Related-party notes receivable	25.0	—	—	—	—	2,297.3	—	2,322.3
Other assets, net:								
Third-party	58.3	16.6	—	102.0	—	104.9	—	281.8
Intercompany	—	—	—	21.0	—	4.2	(25.2)	—
Total assets	£ 8,613.4	£9,600.7	£ 8,761.4	£12,418.1	£12,436.2	£ 12,120.9	£ (44,524.1)	£ 19,426.6
LIABILITIES AND OWNERS' EQUITY								
Current liabilities:								
Intercompany and related-party payables	£ —	£ 59.6	£ 5.1	£ 115.6	£ —	£ 615.3	£ (787.7)	£ 7.9
Other current liabilities:								
Third-party	116.3	20.9	—	290.7	—	1,388.1	—	1,816.0
Intercompany and related-party	13.7	—	—	4.0	—	15.4	(4.0)	29.1
Total current liabilities	130.0	80.5	5.1	410.3	—	2,018.8	(791.7)	1,853.0
Long-term debt and capital lease obligations:								
Third-party	—	1,393.8	—	—	—	6,955.3	—	8,349.1
Related-party	—	—	—	—	—	439.0	—	439.0
Other long-term liabilities:								
Third-party	—	—	—	101.6	—	199.8	—	301.4
Intercompany and related-party	—	7.3	—	4.2	—	63.8	(25.2)	50.1
Total liabilities	130.0	1,481.6	5.1	516.1	—	9,676.7	(816.9)	10,992.6
Total parent's equity	8,483.4	8,119.1	8,756.3	11,902.0	12,436.2	2,493.6	(43,707.2)	8,483.4
Noncontrolling interest	—	—	—	—	—	(49.4)	—	(49.4)
Total owners' equity	8,483.4	8,119.1	8,756.3	11,902.0	12,436.2	2,444.2	(43,707.2)	8,434.0
Total liabilities and owners' equity	£ 8,613.4	£9,600.7	£ 8,761.4	£12,418.1	£12,436.2	£ 12,120.9	£ (44,524.1)	£ 19,426.6

(a) As retrospectively revised – see note 4.

Statements of operations	Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Eliminations	Total
	Successor							
	Year ended December 31, 2015							
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 4,618.4	£ —	£ 4,618.4
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	1,975.3	—	1,975.3
SG&A (including share-based compensation)	4.2	—	—	—	—	605.1	—	609.3
Related-party fees and allocations, net	—	—	—	—	—	87.6	—	87.6
Depreciation and amortization	—	—	—	—	—	1,557.8	—	1,557.8
Impairment, restructuring and other operating items, net	—	—	—	—	—	10.9	—	10.9
	4.2	—	—	—	—	4,236.7	—	4,240.9
Operating income (loss)	(4.2)	—	—	—	—	381.7	—	377.5
Non-operating income (expense):								
Interest expense:								
Third-party	(4.5)	(117.7)	—	(17.9)	—	(370.4)	—	(510.5)
Related-party and intercompany	(7.9)	(221.0)	(0.3)	(433.6)	—	(1,199.5)	1,856.6	(5.7)
Interest income – related-party and intercompany	6.3	54.8	11.8	220.1	—	1,810.1	(1,856.6)	246.5
Realized and unrealized gains (losses) on derivative instruments, net:								
Third-party	10.3	—	—	249.5	—	—	—	259.8
Related-party	—	31.1	—	(110.3)	—	72.5	—	(6.7)
Foreign currency transaction gains (losses), net	(0.1)	(151.6)	(31.2)	(145.8)	—	56.9	—	(271.8)
Loss on debt modification and extinguishment, net	—	—	—	—	—	(29.4)	—	(29.4)
Other expense, net	—	(0.1)	—	(0.2)	—	(0.1)	—	(0.4)
	4.1	(404.5)	(19.7)	(238.2)	—	340.1	—	(318.2)
Earnings (loss) before income taxes	(0.1)	(404.5)	(19.7)	(238.2)	—	721.8	—	59.3
Income tax expense	(1.8)	—	—	—	—	(199.4)	—	(201.2)
Earnings (loss) after income taxes	(1.9)	(404.5)	(19.7)	(238.2)	—	522.4	—	(141.9)
Equity in net earnings (loss) of subsidiaries	(134.5)	265.3	(132.7)	503.5	346.3	—	(847.9)	—
Net earnings (loss)	(136.4)	(139.2)	(152.4)	265.3	346.3	522.4	(847.9)	(141.9)
Net loss attributable to noncontrolling interest	—	—	—	—	—	5.5	—	5.5
Net earnings (loss) attributable to parent	£ (136.4)	£ (139.2)	£ (152.4)	£ 265.3	£ 346.3	£ 527.9	£ (847.9)	£ (136.4)
Total comprehensive earnings (loss)	£ (94.5)	£ (117.4)	£ (88.7)	£ 287.1	£ 368.1	£ 548.8	£ (998.9)	£ (95.5)
Comprehensive loss attributable to noncontrolling interest	—	—	—	—	—	1.0	—	1.0
Comprehensive earnings (loss) attributable to parent	£ (94.5)	£ (117.4)	£ (88.7)	£ 287.1	£ 368.1	£ 549.8	£ (998.9)	£ (94.5)

	Successor							
	Year ended December 31, 2014 (a)							
Statements of operations	**Virgin Media**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Eliminations**	**Total**
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 4,496.9	£ —	£ 4,496.9
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	1,956.1	—	1,956.1
SG&A (including share-based compensation)	3.6	—	—	—	—	605.7	—	609.3
Related-party fees and allocations, net	—	—	—	—	—	36.6	—	36.6
Depreciation and amortization	—	—	—	—	—	1,608.1	—	1,608.1
Impairment, restructuring and other operating items, net	—	—	—	—	—	12.7	—	12.7
	3.6	—	—	—	—	4,219.2	—	4,222.8
Operating income (loss)	(3.6)	—	—	—	—	277.7	—	274.1
Non-operating income (expense):								
Interest expense:								
Third-party	(10.5)	(87.9)	—	(11.7)	—	(347.0)	—	(457.1)
Related-party and intercompany	(186.8)	(6.7)	(11.2)	(340.6)	—	(1,126.9)	1,620.2	(52.0)
Interest income – related-party and intercompany	25.3	62.0	14.1	282.5	—	1,466.0	(1,620.2)	229.7
Realized and unrealized gains (losses) on derivative instruments, net:								
Third-party	(8.8)	—	—	59.3	—	—	—	50.5
Related-party	—	10.1	—	(38.0)	—	26.0	—	(1.9)
Foreign currency transaction gains (losses), net	(30.9)	(13.0)	(12.7)	(43.7)	—	10.1	(61.8)	(152.0)
Gains (losses) on debt modification and extinguishment, net	—	20.2	—	—	—	(0.1)	—	20.1
Other income (expense), net	0.3	—	0.5	(0.1)	—	0.7	—	1.4
	(211.4)	(15.3)	(9.3)	(92.3)	—	28.8	(61.8)	(361.3)
Earnings (loss) before income taxes	(215.0)	(15.3)	(9.3)	(92.3)	—	306.5	(61.8)	(87.2)
Income tax expense	(1.7)	—	(0.1)	—	—	(19.6)	—	(21.4)
Earnings (loss) after income taxes	(216.7)	(15.3)	(9.4)	(92.3)	—	286.9	(61.8)	(108.6)
Equity in net earnings of subsidiaries	107.5	122.2	116.8	276.3	243.0	—	(865.8)	—
Net earnings (loss)	(109.2)	106.9	107.4	184.0	243.0	286.9	(927.6)	(108.6)
Net earnings attributable to noncontrolling interest	—	—	—	—	—	(0.6)	—	(0.6)
Net earnings (loss) attributable to parent	£ (109.2)	£ 106.9	£ 107.4	£ 184.0	£ 243.0	£ 286.3	£ (927.6)	£ (109.2)
Total comprehensive earnings (loss)	£ (205.2)	£ 94.8	£ 91.9	£ 171.9	£ 230.9	£ 275.5	£ (863.6)	£ (203.8)
Comprehensive earnings attributable to noncontrolling interest	—	—	—	—	—	(1.4)	—	(1.4)
Comprehensive earnings (loss) attributable to parent	£ (205.2)	£ 94.8	£ 91.9	£ 171.9	£ 230.9	£ 274.1	£ (863.6)	£ (205.2)

(a) As retrospectively revised – see note 4.

	Successor							
	Period from June 8 to December 31, 2013 (a)							
Statements of operations	Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Eliminations	Total
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 2,483.3	£ —	£ 2,483.3
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	1,129.4	—	1,129.4
SG&A (including share-based compensation)	1.6	—	—	—	—	388.1	—	389.7
Related-party fees and allocations, net	—	—	—	—	—	21.1	—	21.1
Depreciation and amortization	—	—	—	—	—	941.5	—	941.5
Impairment, restructuring and other operating items, net	0.6	—	—	—	—	36.6	—	37.2
	2.2	—	—	—	—	2,516.7	—	2,518.9
Operating loss	(2.2)	—	—	—	—	(33.4)	—	(35.6)
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)	—	(578.8)	876.3	(38.3)
Interest income – related-party and intercompany	0.2	48.3	7.9	186.5	—	740.4	(876.3)	107.0
Realized and unrealized gains (losses) on derivative instruments, net:								
Third-party	27.0	—	—	(230.7)	—	—	—	(203.7)
Related-party	—	(15.7)	—	45.5	—	(29.5)	—	0.3
Foreign currency transaction gains (losses), net	27.0	17.8	(3.0)	65.7	—	12.6	22.6	142.7
Gains (losses) on debt modification and extinguishment, net	—	(0.3)	—	—	—	0.9	—	0.6
Other income, net	0.2	—	—	0.1	—	0.1	—	0.4
	(54.0)	(4.0)	(1.4)	(164.3)	—	(53.5)	22.6	(254.6)
Loss before income taxes	(56.2)	(4.0)	(1.4)	(164.3)	—	(86.9)	22.6	(290.2)
Income tax expense	—	—	—	—	—	(197.5)	—	(197.5)
Loss after income taxes	(56.2)	(4.0)	(1.4)	(164.3)	—	(284.4)	22.6	(487.7)
Equity in net loss of subsidiaries	(431.6)	(414.4)	(430.2)	(272.7)	(297.1)	—	1,846.0	—
Net loss	(487.8)	(418.4)	(431.6)	(437.0)	(297.1)	(284.4)	1,868.6	(487.7)
Net earnings attributable to noncontrolling interest	—	—	—	—	—	(0.1)	—	(0.1)
Net loss attributable to parent	£ (487.8)	£ (418.4)	£ (431.6)	£ (437.0)	£ (297.1)	£ (284.5)	£ 1,868.6	£ (487.8)
Total comprehensive loss	£ (342.8)	£ (432.8)	£ (442.1)	£ (451.4)	£ (311.5)	£ (292.3)	£ 1,936.6	£ (336.3)
Comprehensive earnings attributable to noncontrolling interest	—	—	—	—	—	(2.2)	—	(2.2)
Comprehensive loss attributable to parent	£ (342.8)	£ (432.8)	£ (442.1)	£ (451.4)	£ (311.5)	£ (294.5)	£ 1,936.6	£ (338.5)

(a) As retrospectively revised – see note 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)	—	—	—	—	—	856.4	—	856.4
SG&A (including share-based compensation)	8.4	—	—	—	—	236.7	—	245.1
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)	—
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)
Loss on debt modification and extinguishment, net	(0.1)	—	—	—	—	—	—	(0.1)
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

Statements of cash flows	Virgin Media	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Total
	Successor						
	Year ended December 31, 2015						
	in millions						
Cash flows from operating activities:							
Net cash provided (used) by operating activities	£ (2.9)	£ (259.4)	£ —	£ (224.3)	£ —	£ 2,112.9	£ 1,626.3
Cash flows from investing activities:							
Cash paid in connection with the VM Ireland Acquisition	—	—	—	—	—	(993.8)	(993.8)
Advances to related parties, net	(445.7)	—	—	—	—	(441.8)	(887.5)
Capital expenditures	—	—	—	—	—	(580.2)	(580.2)
Cash paid in connection with the TV3 Acquisition, net of cash acquired	—	—	—	—	—	(57.2)	(57.2)
Other investing activities, net	—	—	—	—	—	10.5	10.5
Net cash used by investing activities	(445.7)	—	—	—	—	(2,062.5)	(2,508.2)
Cash flows from financing activities:							
Borrowings of third-party debt	—	607.7	—	1,488.3	—	1,491.2	3,587.2
Repayments and repurchases of third-party debt and capital lease obligations	—	—	—	(1,489.0)	—	(1,277.1)	(2,766.1)
Net borrowings of related-party notes	—	—	—	—	—	69.6	69.6
Contributions (distributions)	445.7	(340.5)	0.1	238.3	—	(343.6)	—
Payment of financing costs and debt premiums	—	(7.6)	—	(3.7)	—	(17.4)	(28.7)
Net cash paid related to derivative instruments	—	—	—	(9.5)	—	(8.4)	(17.9)
Other financing activities, net	—	—	—	—	—	19.0	19.0
Net cash provided (used) by financing activities	445.7	259.6	0.1	224.4	—	(66.7)	863.1
Effect of exchange rates on cash and cash equivalents	2.4	—	—	—	—	—	2.4
Net increase (decrease) in cash and cash equivalents	(0.5)	0.2	0.1	0.1	—	(16.3)	(16.4)
Cash and cash equivalents:							
Beginning of period	0.5	—	—	—	—	36.1	36.6
End of period	£ —	£ 0.2	£ 0.1	£ 0.1	£ —	£ 19.8	£ 20.2

Statements of cash flows	Successor						
	Year ended December 31, 2014 (a)						
	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	£ (153.3)	£ (47.1)	£ 1.8	£ (22.8)	£ —	£ 1,903.8	£ 1,682.4
Cash flows from investing activities:							
Advances to related parties, net	(317.6)	—	—	—	—	(688.0)	(1,005.6)
Capital expenditures	—	—	—	—	—	(650.8)	(650.8)
Other investing activities, net	—	—	—	—	—	(10.1)	(10.1)
Net cash used by investing activities	(317.6)	—	—	—	—	(1,348.9)	(1,666.5)
Cash flows from financing activities:							
Borrowings of third-party debt	—	610.9	—	—	—	1,535.5	2,146.4
Repayments and repurchases of third-party debt and capital lease obligations	—	(569.0)	—	(59.4)	—	(1,657.8)	(2,286.2)
Net repayments of related-party notes	—	—	—	—	—	(64.7)	(64.7)
Contributions (distributions)	159.2	37.8	(2.0)	109.8	—	(304.8)	—
Payment of financing costs and debt premiums	—	(32.7)	—	—	—	(56.6)	(89.3)
Net cash received (paid) related to derivative instruments	0.8	—	—	(27.9)	—	—	(27.1)
Other financing activities, net	—	—	—	—	—	(0.5)	(0.5)
Net cash provided (used) by financing activities	160.0	47.0	(2.0)	22.5	—	(548.9)	(321.4)
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)	—	6.0	(307.4)
Cash and cash equivalents:							
Beginning of period	313.3	0.1	0.2	0.3	—	30.1	344.0
End of period	£ 0.5	£ —	£ —	£ —	£ —	£ 36.1	£ 36.6

(a) As retrospectively revised – see note 4.

	Successor						
	Period from June 8 to December 31, 2013 (a)						
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)	£ —	£ 831.3	£ 643.4
Cash flows from investing activities:							
Advances to related parties, net	(65.7)	—	—	—	—	(2,290.6)	(2,356.3)
Capital expenditures	—	—	—	—	—	(448.1)	(448.1)
Other investing activities, net	—	—	—	—	—	1.9	1.9
Net cash used by investing activities	(65.7)	—	—	—	—	(2,736.8)	(2,802.5)
Cash flows from financing activities:							
Borrowings of third-party debt	—	—	—	—	—	1,983.4	1,983.4
Repayments and repurchases of third-party debt and capital lease obligations	(2,832.7)	(1,116.8)	—	—	—	(101.4)	(4,050.9)
Net repayments of related-party notes	(1,819.6)	—	—	—	—	(51.6)	(1,871.2)
Contributions (distributions)	1,508.9	537.1	—	32.3	—	(2,078.3)	—
Payment of financing costs and debt premiums	(30.9)	(16.6)	—	(0.6)	—	(16.2)	(64.3)
Net cash received related to derivative instruments	343.2	—	—	21.1	—	—	364.3
Capital contribution from parent	3,278.0	—	—	—	—	—	3,278.0
Release of restricted cash from escrow	—	586.0	—	—	—	1,727.6	2,313.6
Other financing activities, net	(0.1)	—	—	—	—	(0.9)	(1.0)
Net cash provided (used) by financing activities	446.8	(10.3)	—	52.8	—	1,462.6	1,951.9
Effect of exchange rates on cash and cash equivalents	3.2	(1.5)	—	0.5	—	(7.7)	(5.5)
Net increase (decrease) in cash and cash equivalents	285.9	(24.2)	0.1	(23.9)	—	(450.6)	(212.7)
Cash and cash equivalents:							
Beginning of period	27.4	24.3	0.1	24.2	—	480.7	556.7
End of period	£ 313.3	£ 0.1	£ 0.2	£ 0.3	£ —	£ 30.1	£ 344.0

(a) As retrospectively revised – see note 4.

	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 third-party 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

(20) Condensed Consolidating Financial Information — Senior Secured Notes

We present the following condensed consolidating financial information as of December 31, 2015 and December 31, 2014 and for the year ended December 31, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013 as required by the applicable underlying indentures.

As of December 31, 2015, 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 (£304.0 million) aggregate principal amount of January 2021 VM Dollar Senior Secured Notes;
- £990.0 million aggregate principal amount of April 2021 VM Sterling Senior Secured Notes;
- $900.0 million (£610.8 million) aggregate principal amount of April 2021 VM Dollar Senior Secured Notes;
- £387.0 million aggregate principal amount of 2025 VM 5.5% Sterling Senior Secured Notes;
- £300.0 million aggregate principal amount of 2025 VM 5.125% Sterling Senior Secured Notes;
- $425.0 million (£288.5 million) aggregate principal amount of 2025 VM Dollar Senior Secured Notes;
- $1.0 billion (£678.7 million) aggregate principal amount of 2026 VM Senior Secured Notes;
- £525.0 million aggregate principal amount of 2027 VM Senior Secured Notes; and
- £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, 2015					
	in millions					
ASSETS						
Current assets:						
Cash and cash equivalents	£ —	£ 0.1	£ 15.9	£ 4.2	£ —	£ 20.2
Related-party note and other receivables	—	—	6.7	38.7	—	45.4
Other current assets:						
Third-party	23.5	—	513.4	94.1	—	631.0
Intercompany and related-party	—	5.7	4.0	—	(8.2)	1.5
Total current assets	23.5	5.8	540.0	137.0	(8.2)	698.1
Property and equipment, net	—	—	4,610.7	1,250.5	—	5,861.2
Goodwill	—	—	5,793.7	172.9	—	5,966.6
Intangible assets subject to amortization, net	—	—	1,443.9	160.2	—	1,604.1
Investments in, and loans to, parent and subsidiary companies	7,597.5	5,260.9	(4,123.1)	5,798.1	(14,533.4)	—
Deferred income taxes	—	—	1,430.7	—	—	1,430.7
Related-party notes receivable	13.2	—	—	3,371.9	—	3,385.1
Other assets, net:						
Third-party	—	32.7	461.4	42.5	—	536.6
Intercompany	—	64.7	20.8	—	(85.5)	—
Total assets	£ 7,634.2	£ 5,364.1	£ 10,178.1	£ 10,933.1	£ (14,627.1)	£ 19,482.4
LIABILITIES AND OWNERS' EQUITY						
Current liabilities:						
Intercompany and related-party payables	£ 8.0	£ —	£ 240.3	£ 229.6	£ (469.3)	£ 8.6
Other current liabilities:						
Third-party	111.7	124.0	1,976.9	81.3	—	2,293.9
Intercompany and related-party	6.9	0.1	18.9	8.4	(8.2)	26.1
Total current liabilities	126.6	124.1	2,236.1	319.3	(477.5)	2,328.6
Long-term debt and capital lease obligations:						
Third-party	—	5,132.4	4,309.2	—	—	9,441.6
Related-party	—	—	—	72.0	—	72.0
Other long-term liabilities:						
Third-party	—	—	157.5	23.3	—	180.8
Intercompany	—	—	85.5	—	(85.5)	—
Total liabilities	126.6	5,256.5	6,788.3	414.6	(563.0)	12,023.0
Total parent's equity	7,507.6	107.6	3,389.8	10,566.7	(14,064.1)	7,507.6
Noncontrolling interest	—	—	—	(48.2)	—	(48.2)
Total owners' equity	7,507.6	107.6	3,389.8	10,518.5	(14,064.1)	7,459.4
Total liabilities and owners' equity	£ 7,634.2	£ 5,364.1	£ 10,178.1	£ 10,933.1	£ (14,627.1)	£ 19,482.4

Balance sheets	Successor December 31, 2014 (a) Virgin Media	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
			in millions			
ASSETS						
Current assets:						
Cash and cash equivalents	£ 0.5	£ 5.4	£ 7.5	£ 23.2	£ —	£ 36.6
Related-party note and other receivables	0.4	—	14.4	730.5	—	745.3
Other current assets:						
Third-party	—	—	544.1	26.9	—	571.0
Intercompany and related-party	—	2.6	2.7	—	(4.0)	1.3
Total current assets	0.9	8.0	568.7	780.6	(4.0)	1,354.2
Property and equipment, net	—	—	4,816.0	1,258.8	—	6,074.8
Goodwill	—	—	5,793.7	140.0	—	5,933.7
Intangible assets subject to amortization, net	—	—	1,837.4	116.2	—	1,953.6
Investments in, and loans to, parent and subsidiary companies	8,529.2	3,950.4	(4,141.4)	7,532.8	(15,871.0)	—
Deferred income taxes	—	—	1,506.2	—	—	1,506.2
Related-party notes receivable	25.0	—	—	2,297.3	—	2,322.3
Other assets, net:						
Third-party	58.3	33.0	184.4	6.1	—	281.8
Intercompany	—	4.2	21.0	—	(25.2)	—
Total assets	£ 8,613.4	£ 3,995.6	£ 10,586.0	£ 12,131.8	£ (15,900.2)	£ 19,426.6
LIABILITIES AND OWNERS' EQUITY						
Current liabilities:						
Intercompany and related-party payables	£ —	£ —	£ 264.0	£ 531.6	£ (787.7)	£ 7.9
Other current liabilities:						
Third-party	116.3	91.9	1,540.1	67.7	—	1,816.0
Intercompany and related-party	13.7	0.2	12.1	7.1	(4.0)	29.1
Total current liabilities	130.0	92.1	1,816.2	606.4	(791.7)	1,853.0
Long-term debt and capital lease obligations:						
Third-party	—	3,779.7	4,569.1	0.3	—	8,349.1
Related-party	—	—	—	439.0	—	439.0
Other long-term liabilities:						
Third-party	—	—	267.9	33.5	—	301.4
Intercompany and related-party	—	13.8	11.4	50.1	(25.2)	50.1
Total liabilities	130.0	3,885.6	6,664.6	1,129.3	(816.9)	10,992.6
Total parent's equity	8,483.4	110.0	3,921.4	11,051.9	(15,083.3)	8,483.4
Noncontrolling interest	—	—	—	(49.4)	—	(49.4)
Total owners' equity	8,483.4	110.0	3,921.4	11,002.5	(15,083.3)	8,434.0
Total liabilities and owners' equity	£ 8,613.4	£ 3,995.6	£ 10,586.0	£ 12,131.8	£ (15,900.2)	£ 19,426.6

(a) As retrospectively revised – see note 4.

Statements of operations	Virgin Media	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	Successor					
	Year ended December 31, 2015					
	in millions					
Revenue	£ —	£ —	£ 3,912.3	£ 706.1	£ —	£ 4,618.4
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	1,713.1	262.2	—	1,975.3
SG&A (including share-based compensation)	4.2	—	520.6	84.5	—	609.3
Related-party fees and allocations, net	—	—	52.4	35.2	—	87.6
Depreciation and amortization	—	—	1,298.5	259.3	—	1,557.8
Impairment, restructuring and other operating items, net	—	—	(1.2)	12.1	—	10.9
	4.2	—	3,583.4	653.3	—	4,240.9
Operating income (loss)	(4.2)	—	328.9	52.8	—	377.5
Non-operating income (expense):						
Interest expense:						
Third-party	(4.5)	(265.5)	(240.5)	—	—	(510.5)
Related-party and intercompany	(7.9)	—	(1,001.4)	(886.4)	1,890.0	(5.7)
Interest income – related-party and intercompany	6.3	308.4	905.1	916.7	(1,890.0)	246.5
Realized and unrealized gains (losses) on derivative instruments, net:						
Third-party	10.3	—	249.5	—	—	259.8
Related-party	—	72.5	(79.2)	—	—	(6.7)
Foreign currency transaction losses, net	(0.1)	(52.9)	(196.2)	(22.6)	—	(271.8)
Loss on debt modification and extinguishment, net	—	(9.4)	(20.0)	—	—	(29.4)
Other expense, net	—	—	(0.1)	(0.3)	—	(0.4)
	4.1	53.1	(382.8)	7.4	—	(318.2)
Earnings (loss) before income taxes	(0.1)	53.1	(53.9)	60.2	—	59.3
Income tax expense	(1.8)	—	(199.2)	(0.2)	—	(201.2)
Earnings (loss) after income taxes	(1.9)	53.1	(253.1)	60.0	—	(141.9)
Equity in net earnings (loss) of subsidiaries	(134.5)	—	113.9	(200.0)	220.6	—
Net earnings (loss)	(136.4)	53.1	(139.2)	(140.0)	220.6	(141.9)
Net loss attributable to noncontrolling interest	—	—	—	5.5	—	5.5
Net earnings (loss) attributable to parent	£ (136.4)	£ 53.1	£ (139.2)	£ (134.5)	£ 220.6	£ (136.4)
Total comprehensive earnings (loss)	£ (94.5)	£ 53.1	£ (117.4)	£ (71.6)	£ 134.9	£ (95.5)
Comprehensive loss attributable to noncontrolling interest	—	—	—	1.0	—	1.0
Comprehensive earnings (loss) attributable to parent	£ (94.5)	£ 53.1	£ (117.4)	£ (70.6)	£ 134.9	£ (94.5)

	Successor					
	Year ended December 31, 2014 (a)					
Statements of operations	**Virgin Media**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
	in millions					
Revenue	£ —	£ —	£ 3,958.6	£ 538.3	£ —	£ 4,496.9
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	1,747.4	208.7	—	1,956.1
SG&A (including share-based compensation)	3.6	—	542.1	63.6	—	609.3
Related-party fees and allocations, net	—	—	4.9	31.7	—	36.6
Depreciation and amortization	—	—	1,393.9	214.2	—	1,608.1
Impairment, restructuring and other operating items, net	—	—	11.1	1.6	—	12.7
	3.6	—	3,699.4	519.8	—	4,222.8
Operating income (loss)	(3.6)	—	259.2	18.5	—	274.1
Non-operating income (expense):						
Interest expense:						
Third-party	(10.5)	(224.3)	(222.3)	—	—	(457.1)
Related-party and intercompany	(186.8)	—	(669.8)	(833.7)	1,638.3	(52.0)
Interest income – related-party and intercompany	25.3	278.8	806.4	757.5	(1,638.3)	229.7
Realized and unrealized gains (losses) on derivative instruments, net:						
Third-party	(8.8)	—	59.3	—	—	50.5
Related-party	—	25.9	(27.8)	—	—	(1.9)
Foreign currency transaction gains (losses), net	(30.9)	(56.5)	51.3	(54.1)	(61.8)	(152.0)
Gain on debt modification and extinguishment, net	—	4.3	15.8	—	—	20.1
Other income, net	0.3	0.1	0.3	0.7	—	1.4
	(211.4)	28.3	13.2	(129.6)	(61.8)	(361.3)
Earnings (loss) before income taxes	(215.0)	28.3	272.4	(111.1)	(61.8)	(87.2)
Income tax benefit (expense)	(1.7)	—	(19.8)	0.1	—	(21.4)
Earnings (loss) after income taxes	(216.7)	28.3	252.6	(111.0)	(61.8)	(108.6)
Equity in net earnings (loss) of subsidiaries	107.5	—	(136.0)	219.1	(190.6)	—
Net earnings (loss)	(109.2)	28.3	116.6	108.1	(252.4)	(108.6)
Net earnings attributable to noncontrolling interest	—	—	—	(0.6)	—	(0.6)
Net earnings (loss) attributable to parent	£ (109.2)	£ 28.3	£ 116.6	£ 107.5	£ (252.4)	£ (109.2)
Total comprehensive earnings (loss)	£ (205.2)	£ 28.3	£ 129.3	£ 122.3	£ (278.5)	£ (203.8)
Comprehensive earnings attributable to noncontrolling interest	—	—	—	(1.4)	—	(1.4)
Comprehensive earnings (loss) attributable to parent	£ (205.2)	£ 28.3	£ 129.3	£ 120.9	£ (278.5)	£ (205.2)

(a) As retrospectively revised – see note 4.

Statements of operations	Successor					
	Period from June 8 to December 31, 2013 (a)					
	Virgin Media	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	in millions					
Revenue	£ —	£ —	£ 2,167.3	£ 316.0	£ —	£ 2,483.3
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	991.0	138.4	—	1,129.4
SG&A (including share-based compensation)	1.6	—	350.9	37.2	—	389.7
Related-party fees and allocations, net	—	—	3.1	18.0	—	21.1
Depreciation and amortization	—	—	813.1	128.4	—	941.5
Impairment, restructuring and other operating items, net	0.6	—	30.8	5.8	—	37.2
	2.2	—	2,188.9	327.8	—	2,518.9
Operating loss	(2.2)	—	(21.6)	(11.8)	—	(35.6)
Non-operating income (expense):						
Interest expense:						
Third-party	(9.1)	(133.7)	(120.8)	—	—	(263.6)
Related-party and intercompany	(99.3)	—	(410.7)	(426.8)	898.5	(38.3)
Interest income – related-party and intercompany	0.2	170.9	435.4	399.0	(898.5)	107.0
Realized and unrealized gains (losses) on derivative instruments, net:						
Third-party	27.0	—	(230.7)	—	—	(203.7)
Related-party	—	(29.6)	29.9	—	—	0.3
Foreign currency transaction gains, net	27.0	34.4	48.6	10.1	22.6	142.7
Gains (losses) on debt modification and extinguishment, net	—	1.0	(0.4)	—	—	0.6
Other income, net	0.2	—	0.2	—	—	0.4
	(54.0)	43.0	(248.5)	(17.7)	22.6	(254.6)
Earnings (loss) before income taxes	(56.2)	43.0	(270.1)	(29.5)	22.6	(290.2)
Income tax expense	—	—	(197.5)	—	—	(197.5)
Earnings (loss) after income taxes	(56.2)	43.0	(467.6)	(29.5)	22.6	(487.7)
Equity in net earnings (loss) of subsidiaries	(431.6)	—	107.0	(401.9)	726.5	—
Net earnings (loss)	(487.8)	43.0	(360.6)	(431.4)	749.1	(487.7)
Net earnings attributable to noncontrolling interest	—	—	—	(0.1)	—	(0.1)
Net earnings (loss) attributable to parent	£ (487.8)	£ 43.0	£ (360.6)	£ (431.5)	£ 749.1	£ (487.8)
Total comprehensive earnings (loss)	£ (342.8)	£ 43.0	£ (375.0)	£ (433.8)	£ 772.3	£ (336.3)
Comprehensive earnings attributable to noncontrolling interest	—	—	—	(2.2)	—	(2.2)
Comprehensive earnings (loss) attributable to parent	£ (342.8)	£ 43.0	£ (375.0)	£ (436.0)	£ 772.3	£ (338.5)

(a) As retrospectively revised – see note 4.

Statements of operations	Old Virgin Media	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	Predecessor					
	Period from January 1 to June 7, 2013					
	in millions					
Revenue	£ —	£ —	£ 1,703.5	£ 106.7	£ —	£ 1,810.2
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	817.9	38.5	—	856.4
SG&A (including share-based compensation)	8.4	—	219.3	17.4	—	245.1
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)	—
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)
Loss on debt modification and extinguishment, net	(0.1)	—	—	—	—	(0.1)
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

	Successor				
	Year ended December 31, 2015				
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	£ (2.9)	£ 24.5	£ 1,402.3	£ 202.4	£ 1,626.3
Cash flows from investing activities:					
Cash paid in connection with the VM Ireland Acquisition	—	—	—	(993.8)	(993.8)
Advances to related parties, net	(445.7)	—	—	(441.8)	(887.5)
Capital expenditures	—	—	(491.5)	(88.7)	(580.2)
Cash paid in connection with the TV3 Acquisition, net of cash acquired	—	—	—	(57.2)	(57.2)
Other investing activities, net	—	—	10.3	0.2	10.5
Net cash used by investing activities	(445.7)	—	(481.2)	(1,581.3)	(2,508.2)
Cash flows from financing activities:					
Borrowings of third-party debt	—	1,491.2	2,096.0	—	3,587.2
Repayments and repurchases of third-party debt and capital lease obligations	—	(220.4)	(2,545.7)	—	(2,766.1)
Net borrowings of related-party notes	—	—	—	69.6	69.6
Contributions (distributions)	445.7	(1,278.3)	(480.8)	1,313.4	—
Payment of financing costs and debt premiums	—	(13.9)	(14.8)	—	(28.7)
Net cash paid related to derivative instruments	—	(8.4)	(9.5)	—	(17.9)
Other financing activities, net	—	—	42.1	(23.1)	19.0
Net cash provided (used) by financing activities	445.7	(29.8)	(912.7)	1,359.9	863.1
Effect of exchange rates on cash and cash equivalents	2.4	—	—	—	2.4
Net increase (decrease) in cash and cash equivalents	(0.5)	(5.3)	8.4	(19.0)	(16.4)
Cash and cash equivalents:					
Beginning of period	0.5	5.4	7.5	23.2	36.6
End of period	£ —	£ 0.1	£ 15.9	£ 4.2	£ 20.2

	Successor				
	Year ended December 31, 2014 (a)				
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	£ (153.3)	£ 54.4	£ 1,583.8	£ 197.5	£ 1,682.4
Cash flows from investing activities:					
Advances to related parties, net	(317.6)	—	—	(688.0)	(1,005.6)
Capital expenditures	—	—	(567.4)	(83.4)	(650.8)
Other investing activities, net	—	—	(6.9)	(3.2)	(10.1)
Net cash used by investing activities	(317.6)	—	(574.3)	(774.6)	(1,666.5)
Cash flows from financing activities:					
Borrowings of third-party debt	—	1,088.9	1,057.5	—	2,146.4
Repayments and repurchases of third-party debt and capital lease obligations	—	(1,467.7)	(818.4)	(0.1)	(2,286.2)
Net repayments of related-party notes	—	—	—	(64.7)	(64.7)
Contributions (distributions)	159.2	383.2	(1,198.9)	656.5	—
Payment of financing costs and debt premiums	—	(53.5)	(35.8)	—	(89.3)
Net cash received (paid) related to derivative instruments	0.8	—	(27.9)	—	(27.1)
Other financing activities, net	—	—	—	(0.5)	(0.5)
Net cash provided (used) by financing activities	160.0	(49.1)	(1,023.5)	591.2	(321.4)
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	(14.0)	14.1	(307.4)
Cash and cash equivalents:					
Beginning of period	313.3	0.1	21.4	9.2	344.0
End of period	£ 0.5	£ 5.4	£ 7.4	£ 23.3	£ 36.6

(a) As retrospectively revised – see note 4.

	Successor				
	Period from June 8 to December 31, 2013 (a)				
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	£ 141.9	£ 643.4
Cash flows from investing activities:					
Advances to related parties, net	(65.7)	—	—	(2,290.6)	(2,356.3)
Capital expenditures	—	—	(393.0)	(55.1)	(448.1)
Other investing activities, net	—	—	1.8	0.1	1.9
Net cash used by investing activities	(65.7)	—	(391.2)	(2,345.6)	(2,802.5)
Cash flows from financing activities:					
Borrowings of third-party debt	—	—	1,983.4	—	1,983.4
Repayments and repurchases of third-party debt and capital lease obligations	(2,832.7)	(56.0)	(1,162.1)	(0.1)	(4,050.9)
Net repayments of related-party notes	(1,819.6)	—	—	(51.6)	(1,871.2)
Contributions (distributions)	1,508.9	(1,707.7)	(2,064.6)	2,263.4	—
Payment of financing costs and debt premiums	(30.9)	(16.2)	(17.2)	—	(64.3)
Net cash received related to derivative instruments	343.2	—	21.1	—	364.3
Capital contribution from parent	3,278.0	—	—	—	3,278.0
Release of restricted cash from escrow	—	1,727.6	586.0	—	2,313.6
Other financing activities, net	(0.1)	—	—	(0.9)	(1.0)
Net cash provided (used) by financing activities	446.8	(52.3)	(653.4)	2,210.8	1,951.9
Effect of exchange rates on cash and cash equivalents	3.2	(3.7)	0.3	(5.3)	(5.5)
Net increase (decrease) in cash and cash equivalents	285.9	(62.1)	(438.3)	1.8	(212.7)
Cash and cash equivalents:					
Beginning of period	27.4	62.2	459.7	7.4	556.7
End of period	£ 313.3	£ 0.1	£ 21.4	£ 9.2	£ 344.0

(a) As retrospectively revised – see note 4.

	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 third-party 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

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

The following discussion and analysis, which should be read in conjunction with our consolidated financial statements, is intended to assist in providing an understanding of our results of operations and financial condition and 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, 2015, 2014 and 2013.
- *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, 2015.

Overview

We are a subsidiary of Liberty Global that provides video, broadband internet, fixed-line telephony and mobile services in the U.K. and Ireland. We are one of the U.K.'s and Ireland's largest providers of residential video, 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 television services available in the U.K. and Irish markets.

Our residential broadband subscribers generally access the internet at various download speeds ranging up to 200 Mbps in the U.K. and up to 360 Mbps in Ireland, 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 in the U.K. and Ireland using third-party networks through MVNO arrangements.

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

As further described in notes 1 and 4 to our consolidated financial statements, we completed the VM Ireland Acquisition in February 2015 and have accounted for it as a common control transfer. As a result, all financial and operating information has been retrospectively revised to give effect to the VM Ireland Acquisition for all periods after the LG/VM Transaction unless otherwise noted.

We completed one small acquisition during 2015, two small acquisitions during 2014 and the U.K. Non-Cable Disposal, as defined and described below, in 2015. These transactions impact the comparability of our 2015, 2014 and 2013 results of operations.

At December 31, 2015, our network passed 13,765,000 homes and served 13,827,200 revenue generating units (**RGUs**), consisting of 5,066,100 broadband internet subscribers, 4,668,600 fixed-line telephony subscribers and 4,092,500 video subscribers. In addition, at December 31, 2015, we served 3,024,000 mobile subscribers.

During the first quarter of 2015, we modified certain video subscriber definitions to better align these definitions with the underlying services received by our subscribers and have replaced our “analog cable” and “digital cable” subscriber definitions with “basic video” and “enhanced video,” respectively. A basic video subscriber receives our video service via an analog video signal or a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. An enhanced video subscriber receives our video service via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology.

We added 202,500 RGUs on an organic basis during 2015, as compared to 252,500 RGUs added on an organic basis during 2014. The organic RGU growth during 2015 is attributable to the net effect of (i) an increase of 166,100 broadband internet RGUs, (ii) an increase of 107,700 fixed-line telephony RGUs, (iii) a decrease of 55,300 enhanced video RGUs, (iv) a decrease of 8,000 multi-channel multi-point (microwave) distribution system (**MMDS**) video RGUs and (v) a decrease of 8,000 basic video RGUs.

We lost 29,000 mobile subscribers during 2015, as compared to growth of 62,800 mobile subscribers during 2014. The organic loss during 2015 is attributable to the net effect of (i) a decrease of 187,800 prepaid mobile subscribers and (ii) an increase of 158,800 postpaid mobile 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 potentially lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company. In addition, the U.K. government has announced its intention to hold a referendum in relation to its membership in the EU. We are currently unable to predict the potential impact, if any, that the outcome of this referendum may have on customer behavior, economic conditions, interest rates, currency exchange rates or other matters.

The video, broadband internet and fixed-line telephony businesses in which we operate are capital intensive. In order to add customers to our broadband networks and enhance our service offerings, we make significant investments in property and equipment to upgrade and extend our broadband communications networks and improve our customer premises equipment. 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 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.

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.

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 networks where appropriate. As we use the term, organic growth excludes foreign currency translation effects (**FX**) and 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 video, broadband internet, fixed-line telephony and mobile services with existing customers through product bundling and upselling.

During 2015, we initiated a network extension program in the U.K. (the **Network Extension**) pursuant to which we may connect up to an estimated four million additional homes and businesses to our broadband communications network by the end of 2019. The additional premises that we expect to connect pursuant to the Network Extension were identified through a detailed review of our existing network in these markets and were selected based on our assessment that attractive returns could be achieved. 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. We believe that the Network Extension will (i) positively impact the organic growth in our consolidated revenue and Segment OCF, with meaningful benefits beginning in 2017, and (ii) increase the percentage of revenue represented by our aggregate consolidated property and equipment additions over this time frame. As we use the term, **Segment OCF** is defined as operating income before depreciation and amortization, share-based compensation, related-party fees and allocations, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items.

The capital costs associated with the Network Extension, which include the costs to build-out the network and the purchase and installation of related customer premises equipment, are expected to be significant. Based on our most recent long-range plan and including the aggregate impact on our revenue and property and equipment additions of the Network Extension, we expect that the percentage of revenue represented by our aggregate consolidated property and equipment additions will range from 26% to 34% during the three years ending December 31, 2018.

For additional information regarding our property and equipment additions, see *Liquidity and Capital Resources — Consolidated Statements of Cash Flows* below.

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 5 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 period ended on 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 5 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 9 to our consolidated financial statements.

Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2015, 2014 and 2013 is affected by acquisitions and the U.K. Non-Cable Disposal, as defined and described below. In the following discussion, we quantify the estimated impact of acquisitions and the U.K. Non-Cable Disposal 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 12 months following the acquisition date represent differences between the estimated acquisition impact and the actual results.

Discussion and Analysis

General

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 Segment OCF and Segment OCF margin to the extent of any such tax increases.

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 Segment OCF would be dependent on the call or text messaging patterns that are subject to the changed termination rates.

Revenue

Revenue includes amounts earned from (i) subscribers to our broadband communications and mobile services and (ii) B2B services, interconnect fees, mobile handset sales, installation fees, late fees and advertising revenue. Consistent with the presentation of our revenue categories in note 18 to our consolidated financial statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees and late fees. In the below tables, mobile subscription revenue excludes the related interconnect revenue.

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of RGUs or mobile subscribers outstanding during the period and (ii) changes in average monthly subscription revenue per RGU (**ARPU**). Changes in ARPU can be attributable to (a) price increases, (b) changes in bundling or promotional discounts, (c) changes in the tier of services selected, (d) variances in subscriber usage patterns and (e) the overall mix of cable and mobile products within a segment during the period. In the following discussion, we provide the net impact of the above factors on the ARPU that is derived from our video, broadband internet, fixed-line telephony and mobile products.

2015 compared to 2014

Our revenue by major category is set forth below:

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2015	2014	£	%	%
		in millions			
Subscription revenue:					
Video	£ 1,062.2	£ 1,079.5	£ (17.3)	(1.6)	(0.5)
Broadband internet	1,228.5	1,111.8	116.7	10.5	11.3
Fixed-line telephony	952.1	991.6	(39.5)	(4.0)	(3.5)
Cable subscription revenue (a)	3,242.8	3,182.9	59.9	1.9	2.7
Mobile (b)	465.0	480.0	(15.0)	(3.1)	(3.1)
Total subscription revenue	3,707.8	3,662.9	44.9	1.2	1.9
B2B revenue (c)	657.4	617.5	39.9	6.5	6.4
Other revenue (d)	253.2	216.5	36.7	17.0	29.6
Total	£ 4,618.4	£ 4,496.9	£ 121.5	2.7	3.9

(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 £68.1 million and £80.2 million during 2015 and 2014, 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, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain SOHO subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which is included in cable subscription revenue, aggregated £21.8 million and £17.2 million during during 2015 and 2014, respectively.

(d) Other revenue includes, among other items, mobile handset sales, interconnect and late fee revenue.

The increase in our revenue during 2015, as compared to 2014, includes (i) an organic increase of £174.7 million or 3.9%, (ii) the impact of acquisitions, (iii) the impact of a disposal and (iv) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a)	£ 51.1	£ —	£ 51.1
ARPU (b)	35.0	—	35.0
Total increase in cable subscription revenue	86.1	—	86.1
Decrease in mobile subscription revenue (c)	(14.8)	—	(14.8)
Total increase in subscription revenue	71.3	—	71.3
Increase in B2B revenue	—	39.3	39.3
Increase in other revenue (d)	—	64.1	64.1
Total organic increase	71.3	103.4	174.7
Impact of acquisitions	0.2	5.1	5.3
Impact of a disposal (e)	—	(30.3)	(30.3)
Impact of FX	(26.6)	(1.6)	(28.2)
Total	£ 44.9	£ 76.6	£ 121.5

____

(a) The increase in cable subscription revenue related to a change in the average number of RGUs is attributable to an increase in the average numbers of broadband internet and fixed-line telephony RGUs that was only partially offset by a decline in (i) the average number of enhanced video RGUs and (ii) the average number of basic and MMDS video RGUs in Ireland.

(b) The increase in cable subscription revenue related to a change in ARPU is primarily attributable to the net effect of (i) a net increase primarily due to (a) higher ARPU from broadband internet services in the U.K., (b) lower ARPU from fixed-line telephony services and (c) higher ARPU from video services and (ii) an adverse change in RGU mix in Ireland. In addition, the growth in ARPU was partially offset by (1) the impact of a January 1, 2015 change in how VAT is applied to certain components of our U.K. operations, which reduced revenue by £30.3 million, and (2) a May 1, 2014 change in legislation in the U.K. with respect to the charging of VAT in connection with prompt payment discounts, as discussed below, which reduced revenue by £14.4 million.

(c) The decrease in mobile subscription revenue relates to the U.K. and is due to (i) lower ARPU, including the net impact of (a) a decline of £25.5 million in postpaid mobile services revenue due to the November 2014 introduction of the Freestyle Mobile Proposition, (b) a decrease of £6.8 million related to the above-described January 1, 2015 change in how VAT is applied and (c) an increase in revenue due to the favorable impact of a £2.8 million nonrecurring adjustment to VAT recorded during the fourth quarter of 2015, and (ii) a decrease in the average number of subscribers, as a decrease in the average number of prepaid subscribers more than offset the increase in the average number of postpaid subscribers.

(d) The increase in other revenue is primarily due to the net effect of (i) an increase in mobile handset sales, primarily attributable to an £88.1 million increase associated with the November 2014 introduction of the Freestyle Mobile Proposition, (ii) a decrease in interconnect revenue of £14.2 million, primarily due to a decline in mobile short message service termination volumes in the U.K., and (iii) a decrease in installation revenue of £7.6 million. For additional information regarding the Freestyle Mobile Proposition, see note 3 to our consolidated financial statements.

(e) Represents the estimated impact of the non-cable subscribers in the U.K. that we sold in the fourth quarter of 2014 (the **U.K. Non-Cable Disposal**). These non-cable subscribers were migrated to a third party during the first nine months of 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. This change, which took effect on May 1, 2014, impacted our company and some of our competitors. For additional information regarding a 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 17 to our consolidated financial statements.

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

	Year ended December 31,		Increase		Organic increase
	2015	2014	£	%	%
		in millions			
Data (a)	£ 474.0	£ 446.7	£ 27.3	6.1	5.9
Voice (b)	130.8	127.8	3.0	2.3	2.7
Other (c)	52.6	43.0	9.6	22.3	22.9
Total B2B revenue	£ 657.4	£ 617.5	£ 39.9	6.5	6.4

(a) The increase in data revenue is primarily attributable to (i) higher volumes and (ii) an increase of £13.8 million in the amortization of deferred upfront fees on B2B contracts in the U.K.

(b) The increase in voice revenue is largely attributable to the net effect of (i) an £11.5 million increase recorded in the U.K. during the fourth quarter of 2015 related to the settlement of disputes with mobile operators over amounts charged for voice traffic, including £10.3 million related to years prior to 2015, and (ii) a decline in usage.

(c) The increase in other revenue is primarily attributable to an increase in low-margin equipment sales.

Operating expenses

Operating expenses include programming, network operations, mobile access and 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 video 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 increased £19.2 million or 1.0% during 2015, as compared to 2014. This increase includes (i) a decrease of £25.3 million attributable to the U.K. Non-Cable Disposal and (ii) an increase of £3.5 million attributable to the impact of acquisitions. Excluding the effects of the U.K. Non-Cable Disposal, acquisitions and FX, operating expenses increased £52.2 million or 2.7%. This increase includes the following factors:

- An increase in programming and related costs of £79.2 million or 12.7%, primarily due to (i) higher costs for certain premium and basic content, due in part to a new sports programming contract entered into in August 2015, and (ii) a £6.9 million increase due to the impact of a nonrecurring reduction of programming costs that resulted from the favorable resolution of an operational contingency during the second quarter of 2014;

- A decrease in personnel costs of £19.5 million or 8.4%, primarily due to the net effect of (i) lower incentive compensation costs, (ii) decreased costs due to higher capitalized labor costs associated with the Network Extension and (iii) annual wage increases;

- An increase in mobile handset costs of £19.4 million or 16.2%, primarily due to the net effect of (i) an increase in the proportion of higher-value handsets sold, primarily due to the Freestyle Mobile Proposition implemented in the U.K. in November 2014, and (ii) a decrease in costs as a result of continued growth of subscriber identification module or “SIM”-only contracts;

- A decrease in network-related expenses of £15.1 million or 7.8%, primarily due to (i) lower outsourced labor costs associated with customer-facing activities, (ii) a decrease in network maintenance costs and (iii) lower costs of £5.2 million associated with the reassessment of accruals or operational contingencies in 2015. The decrease in network expense also includes the impact of reductions in local authority charges for certain elements of network infrastructure in the U.K. arising from successful appeals during the last half of 2014 and the first half of 2015. As compared to 2014, these reductions in local authority charges resulted in an increase of £5.2 million. Taking into account the impact of the recurring and nonrecurring benefits from lower local authority network infrastructure charges that are included in our 2015 network-related expenses and holding the assessed local authority network infrastructure rates and all other factors constant, we estimate that our total local authority network infrastructure charges in the U.K. for the year ending December 31, 2016 will be approximately £12 million higher than the amount we incurred in 2015. No assurance can be given that actual results will not differ from our expectations in this regard;

- An increase in certain other direct costs associated with B2B services of £12.0 million;

- A decrease in mobile access and interconnect costs of £9.3 million or 2.9%, largely due to the net effect of (i) an increase in costs attributable to higher mobile usage, (ii) a decline resulting from lower rates, (iii) lower fixed-line telephony call volumes and (iv) an increase of £2.8 million related to the settlement of a commercial dispute;

- An increase in information technology-related expenses of £7.6 million or 24.4%, primarily due to higher software and other information technology-related service and maintenance costs;

- A decrease in bad debt and collection expense of £6.7 million or 14.3%; and

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

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) decreased £1.7 million or 0.3% during 2015, as compared to 2014. This decrease includes an increase of £0.9 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, SG&A expenses increased £1.1 million or 0.2%. This increase includes the following factors:

- A decrease in personnel costs of £6.9 million or 3.0%, primarily due to the net effect of (i) lower incentive compensation costs, (ii) annual wage increases, (iii) increased staffing levels and (iv) decreased costs due to higher capitalized labor costs associated with the Network Extension;

- An increase in information technology-related expenses of £2.7 million or 29.8%, primarily due to higher software and other information technology-related maintenance costs;

- A decrease in sales and marketing costs of £1.6 million or 0.7%, due to the net effect of (i) higher costs associated with advertising campaigns, (ii) lower third-party sales commissions and (iii) a net decrease resulting from other individually insignificant changes;

- An increase in outsourced labor and professional fees of £1.2 million or 4.1%, primarily due to the net effect of (i) increased consulting costs associated with strategic initiatives, (ii) the positive 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 reduction in local authority charges for certain elements of network infrastructure in the U.K., as discussed above, (iii) decreased legal costs and (iv) an increase of £1.7 million associated with the nonrecurring consulting fee that was incurred during the fourth quarter of 2015 in connection with the settlement of a commercial dispute; and

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

Share-based compensation expense

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 parent's equity and is offset by any amounts recharged to us by Liberty Global, as further described in note 13 to our consolidated financial statements. A summary of the share-based compensation expense that is included in our SG&A expenses is set forth below:

	Year ended December 31,	
	2015	2014
	in millions	
Performance-based incentive awards (a)	£ 10.1	£ 7.0
Other share-based incentive awards	25.4	26.8
Total (b)	£ 35.5	£ 33.8

(a) Includes share-based compensation expense related to PSUs and the Challenge Performance Awards.

(b) In connection with the LiLAC Transaction, the compensation committee of Liberty Global's board of directors approved the Award Modifications in accordance with the underlying share-based incentive plans. The objective of the compensation committee was to ensure a relatively unchanged intrinsic value of outstanding equity awards before and after the bonus issuance of the LiLAC Shares. The mechanism to modify outstanding share-based incentive awards, as approved by the compensation committee, utilized the Modification VWAPs. In order to determine if any incremental stock-based compensation expense should be recorded as a result of the Award Modifications, we are required to measure the changes in the fair values of the then outstanding share-based incentive awards using market prices immediately before and immediately after the Award Modifications. Due to declines in the share prices of Liberty Global's Class A and Class C Liberty Global Shares following the bonus issuance, the exercise prices of options, SARs and PSARs determined using the Modification VWAPs were lower than the exercise prices that would have resulted if the market prices immediately before and after the Award Modifications had been used. Accordingly, the Black-Scholes fair values of Liberty Global options, SARs and PSARs held by employees of our subsidiaries increased as a result of the Award Modifications, resulting in incremental stock-based compensation expense of £9.1 million. This amount includes £5.6 million of expense recognized during 2015 related to awards that vested on or prior to December 31, 2015 and £3.5 million of expense that will be recognized in future periods through 2019 as the related awards vest.

For additional information concerning our share-based compensation, see note 12 to our consolidated financial statements.

Related-party fees and allocations, net

We recorded related-party fees and allocations, net, related to corporate services performed by Liberty Global and our company of £87.6 million and £36.6 million during 2015 and 2014, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to our subsidiaries. For additional information, see note 13 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense decreased £50.3 million or 3.1% during 2015, as compared to 2014. Excluding the effects of FX, depreciation and amortization expense decreased £44.8 million or 2.8%, primarily due to the net effect of (i) a decrease associated with certain assets becoming fully depreciated and (ii) 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 £10.9 million and £12.7 million during 2015 and 2014, respectively. The 2015 amount includes the net effect of (i) restructuring charges of £13.0 million, primarily related to employee severance and termination costs related to certain reorganization activities, (ii) a gain from the disposition of assets of £8.3 million and (iii) an impairment charge of £6.2 million. The 2014 amount includes the net effect of (a) restructuring charges of £16.2 million, primarily related to employee severance and termination costs related to certain reorganization activities that we implemented following the completion of the LG/VM Transaction, and (b) a gain from the disposition of assets of £4.6 million.

Interest expense – third-party

Our third-party interest expense increased £53.4 million or 11.7% during 2015, as compared to 2014, primarily due to the net effect of (i) higher average outstanding third-party debt balances and (ii) lower weighted average interest rates 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 9 to our consolidated financial statements.

It is possible that the interest rates on (i) any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) our variable-rate indebtedness could increase in future periods. As further discussed in note 6 to our consolidated financial statements and under *Qualitative and Quantitative Disclosures about Market Risk* below, we use derivative instruments to manage our interest rate risks. As we no longer apply hedge accounting to our interest rate derivative instruments, the impacts of these derivative instruments are not included in interest expense.

Interest expense – related-party

Our related-party interest expense decreased £46.3 million or 89.0% during 2015, as compared to 2014, primarily due to the interest expense incurred on the VM Ireland Note. As further described in note 4 to our consolidated financial statements, the VM Ireland Note eliminates in consolidation following the February 2015 VM Ireland Acquisition. For additional information regarding our related-party indebtedness, see note 13 to our consolidated financial statements.

Interest income – related-party

Our related-party interest income increased £16.8 million or 7.3% during 2015, as compared to 2014, primarily due to interest income earned on related-party notes receivable from LG Europe 2. For additional information, see note 13 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 on derivative instruments, net, are as follows:

	Year ended December 31,	
	2015	**2014**
	in millions	
Cross-currency and interest rate derivative contracts (a)	£ 249.6	£ 53.9
Equity-related derivative instruments (b)	10.2	(6.0)
Foreign currency forward contracts	(6.7)	0.7
Total	£ 253.1	£ 48.6

(a) The gain during 2015 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, (ii) gains associated with increases in market interest rates in the pound sterling market and (iii) losses associated with increases in market interest rates in the U.S. dollar market. In addition, the gain during 2015 includes a net loss of £11.3 million resulting from changes in our credit risk valuation adjustments. The gain during 2014 is primarily attributable to the net effect of (a) gains associated with a decrease in the value of the pound sterling relative to the U.S. dollar and (b) 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.

(b) Amounts represent activity related to the Virgin Media Capped Calls and 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 6 and 7 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 losses, net, are as follows:

	Year ended December 31,	
	2015	**2014**
	in millions	
U.S. dollar denominated debt issued by our company	£ (140.4)	£ (109.7)
Intercompany payables and receivables denominated in a currency other than the entity' s functional currency (a)	(122.7)	—
Related-party payables and receivables denominated in a currency other than the entity' s functional currency (b)	(12.4)	(36.4)
Other	3.7	(5.9)
Total	£ (271.8)	£ (152.0)

(a) Amounts primarily relate to loans between certain of our non-operating subsidiaries.

(b) 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.

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

Gains (losses) on debt modification and extinguishment, net

We recognized gains (losses) on debt modification and extinguishment, net, of (£29.4 million) and £20.1 million during 2015 and 2014, respectively. The loss during 2015 is attributable to (i) the write-off of £19.5 million of deferred financing costs, (ii) the payment of £6.6 million of redemption premiums, (iii) the write-off of £2.8 million of unamortized discount and (iv) the payment of £0.5 million of third-party costs. The gain during 2014 is attributable to (a) the write-off of £103.9 million of unamortized premium, (b) the payment of £74.4 million of redemption premium and (c) the write-off of £9.4 million of deferred financing costs.

For additional information concerning our gains (losses) on debt modification and extinguishment, net, see note 9 to our consolidated financial statements.

Income tax expense

We recognized income tax expense of £201.2 million and £21.4 million during 2015 and 2014, respectively.

The income tax expense during 2015 differs from the expected income tax expense of £20.8 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 and (ii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries. The negative impacts of these items were partially offset by the positive impacts of (a) a net decrease in valuation allowances and (b) 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 2014 differs from the expected income tax benefit of £30.5 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 impacts of (a) statutory tax rates in certain jurisdictions in which we operate that are lower than the U.S. federal income tax rate and (b) a net decrease in valuation allowances.

For additional information concerning our income taxes, see note 10 to our consolidated financial statements.

Net earnings (loss)

During 2015 and 2014, we reported net losses of £141.9 million and £108.6 million, respectively, including (i) operating income of £377.5 million and £274.1 million, respectively, (ii) net non-operating expense of £318.2 million and £361.3 million, respectively, and (iii) income tax expense of £201.2 million and £21.4 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 is largely dependent on our ability to increase our aggregate Segment OCF to a level that more than offsets the aggregate amount of our (a) share-based compensation expense, (b) related-party fees and allocations, (c) depreciation and amortization, (d) impairment, restructuring and other operating items, (e) interest expense, (f) other net non-operating expenses and (g) income tax expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will continue to cause our company to maintain our debt at current levels relative to our Covenant EBITDA. 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.

2014 compared to 2013

Combined Results

As further described in note 1 to our consolidated financial statements, VM Ireland is not included in our historical consolidated financial statements prior to June 8, 2013. In order to provide a more meaningful basis for comparing the results of operations for the year ended December 31, 2014 to the corresponding prior year periods, we have presented financial information for the year ended December 31, 2013 that reflects (i) the pro forma statement of operations that gives effect to the VM Ireland Acquisition as of January 1, 2013 and (ii) the combination of the results for the 2013 Predecessor and Successor periods. The pro forma amounts related to VM Ireland are derived from historical financial statements of VM Ireland for the relevant period. The pro forma financial information is not necessarily indicative of the financial position and results of operations that would have occurred if these transactions had occurred on such dates. 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 except percentages):

	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**	**£**	**%**
			pro forma	**pro forma**		
Revenue	£ 4,496.9	£ 2,483.3	£ 1,932.9	£ 4,416.2	£ 80.7	1.8
Operating costs and expenses:						
Operating (other than depreciation and amortization)	1,956.1	1,129.4	910.3	2,039.7	(83.6)	(4.1)
SG&A (including share-based compensation)	609.3	389.7	260.6	650.3	(41.0)	(6.3)
Related-party fees and allocations, net	36.6	21.1	6.8	27.9	8.7	31.2
Depreciation and amortization	1,608.1	941.5	459.1	1,400.6	207.5	14.8
Impairment, restructuring and other operating items, net	12.7	37.2	51.2	88.4	(75.7)	N.M.
	4,222.8	2,518.9	1,688.0	4,206.9	15.9	0.4
Operating income (loss)	274.1	(35.6)	244.9	209.3	64.8	31.0
Non-operating income (expense):						
Interest expense:						
Third-party	(457.1)	(263.6)	(156.7)	(420.3)	(36.8)	8.8
Related-party	(52.0)	(38.3)	(23.1)	(61.4)	9.4	(15.3)
Interest income – related-party	229.7	107.0	—	107.0	122.7	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	(152.0)	142.7	(2.0)	140.7	(292.7)	N.M.
Gains (losses) on debt modification and extinguishment, net	20.1	0.6	(0.1)	0.5	19.6	N.M.
Other income, net	1.4	0.4	0.4	0.8	0.6	N.M.
	(361.3)	(254.6)	(129.7)	(384.3)	23.0	(6.0)
Earnings (loss) before income taxes	(87.2)	(290.2)	115.2	(175.0)	87.8	N.M.
Income tax expense	(21.4)	(197.5)	(18.1)	(215.6)	194.2	N.M.
Net earnings (loss)	(108.6)	(487.7)	97.1	(390.6)	282.0	N.M.
Net earnings attributable to noncontrolling interest	(0.6)	(0.1)	—	(0.1)	(0.5)	N.M.
Net earnings (loss) attributable to parent	£ (109.2)	£ (487.8)	£ 97.1	£ (390.7)	£ 281.5	(72.1)

N.M. — Not Meaningful.

Revenue

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

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2014	2013	£	%	%
		pro forma			
Subscription revenue:					
Video	£ 1,079.5	£ 1,112.6	£ (33.1)	(3.0)	(2.4)
Broadband internet	1,111.8	960.3	151.5	15.8	16.4
Fixed-line telephony	991.6	1,025.0	(33.4)	(3.3)	(3.1)
Cable subscription revenue (a)	3,182.9	3,097.9	85.0	2.7	3.2
Mobile (b)	480.0	440.3	39.7	9.0	9.0
Total subscription revenue	3,662.9	3,538.2	124.7	3.5	3.9
B2B revenue (c)	617.5	606.2	11.3	1.9	2.1
Other revenue (d)	216.5	271.8	(55.3)	(20.3)	(20.8)
Total	£ 4,496.9	£ 4,416.2	£ 80.7	1.8	2.1

(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, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain SOHO subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which is included in cable subscription revenue, aggregated £17.2 million and £16.4 million during during 2014 and 2013, respectively.

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

The increase in our revenue during 2014, as compared to 2013, includes (i) an organic increase of £94.1 million or 2.1%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a)	£ 37.6	£ —	£ 37.6
ARPU (b)	60.8	—	60.8
Total increase in cable subscription revenue	98.4	—	98.4
Increase in mobile subscription revenue (c)	39.5	—	39.5
Total increase in subscription revenue	137.9	—	137.9
Increase in B2B revenue	—	12.6	12.6
Decrease in other revenue (d)	—	(56.4)	(56.4)
Total organic increase	137.9	(43.8)	94.1
Impact of acquisitions	2.5	0.4	2.9
Impact of FX	(15.7)	(0.6)	(16.3)
Total	£ 124.7	£ (44.0)	£ 80.7

(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 (i) the average number of broadband internet RGUs and (ii) the average number fixed-line telephony RGUs in Ireland that was only partially offset by a decline in (a) the average number of enhanced video RGUs and (b) the average numbers of basic and MMDS video RGUs in Ireland.

(b) The increase in cable subscription revenue related to a change in ARPU is primarily attributable to the net effect of (i) a net increase primarily due to (a) higher ARPU from broadband internet services, (b) lower ARPU from fixed-line telephony services and (c) lower ARPU from video services in the U.K. and (ii) an adverse change in RGU mix in Ireland. In addition, the decline in fixed-line telephony ARPU includes the impact of a change in legislation with respect to the charging of VAT in connection with prompt payment discounts, as discussed below.

(c) The increase in mobile subscription revenue is due to (i) higher ARPU and (ii) an increase in the average number of subscribers, as an increase in the average number of postpaid subscribers more than offset the decrease in the average number of prepaid subscribers. 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 recorded 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 the U.K.' s non-cable subscriber base, (iii) a decrease in installation revenue and (iv) an increase in mobile handset sales in the U.K., primarily attributable to the net effect of (1) a £7.2 million increase related to the November 2014 introduction of the Freestyle Mobile Proposition and (2) a decrease in sales to third-party retailers and prepaid handset sales.

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.

Our B2B revenue by category is set forth below (in millions except percentages):

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2014	2013 pro forma	£	%	%
Data (a)	£ 446.7	£ 418.6	£ 28.1	6.7	6.8
Voice (b)	127.8	146.9	(19.1)	(13.0)	(12.8)
Other (c)	43.0	40.7	2.3	5.7	5.8
Total B2B revenue	£ 617.5	£ 606.2	£ 11.3	1.9	2.1

(a) The increase in data revenue is primarily attributable to (i) increased volumes and (ii) 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 recorded 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

Our total operating expenses decreased £83.6 million or 4.1% during 2014, as compared to 2013. This decrease includes an increase of £1.7 million attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, operating expenses decreased £78.7 million or 3.9%. This decrease includes the following factors:

- A decrease in network-related expenses of £39.8 million or 17.3%, 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. 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 £32.0 million or 5.4%, 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 £25.3 million or 6.9%, 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 £18.1 million or 7.2%, 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 £4.0 million or 4.3%, primarily due to lower call center costs; and

- An increase in information technology-related expenses of £2.8 million, primarily due to increased costs from contract renewals and additional support requirements.

SG&A expenses

Our total SG&A expenses (exclusive of share-based compensation) increased £32.8 million or 6.0% during 2014, as compared to 2013. This increase includes an increase of £1.0 million attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, SG&A expenses increased £34.0 million or 6.3%. This increase includes the following factors:

- An increase in marketing and advertising costs of £11.2 million or 5.0%, 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 £4.7 million, primarily due to higher software and other information technology-related maintenance costs;

- An increase in outsourced labor and professional fees of £4.2 million or 17.2%, 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 £0.6 million or 0.3%, 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

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 parent's equity and is offset by any amounts recharged to us by Liberty Global, as further described in note 13 to our consolidated financial statements. Prior to the LG/VM Transaction, share-based compensation expense 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 PSUs and the Challenge Performance Awards.

(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 12 to our consolidated financial statements.

Related-party fees and allocations, net

We recorded related-party fees and allocations, net, related to corporate services performed by Liberty Global and our company of £36.6 million and £27.9 million during 2014 and 2013, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to our subsidiaries. For additional information, see note 13 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased £207.5 million or 14.8% during 2014, as compared to 2013. Excluding the effects of FX, depreciation and amortization expense increased £210.5 million or 15.0%. This increase is 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 £12.7 million and £88.4 million during 2014 and 2013, respectively. The 2014 amount includes the net effect of (i) restructuring charges of £16.2 million, primarily related to employee severance and termination costs related to certain reorganization activities that we implemented following the completion of the LG/VM Transaction, and (ii) a gain from the disposition of assets of £4.6 million. The 2013 amount includes (a) severance and other costs of £33.1 million, (b) direct acquisition costs associated with the LG/VM Transaction of £54.3 million, (c) a £9.4 million charge related to the impairment of certain network assets and (d) an £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 9 to our consolidated financial statements.

Interest expense – related-party

Our related-party interest expense decreased £9.4 million or 15.3% during 2014, as compared to 2013, due to the net effect of (i) interest expense incurred on the VM Ireland Note and (ii) interest expense incurred during 2013 on a related-party note payable to LGI that we entered into in connection with the LG/VM Transaction and subsequently repaid in full during the third quarter of 2013. For additional information regarding the VM Ireland Note, see note 13 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 LG Europe 2 that we entered into following the LG/VM Transaction. For additional information regarding our related-party interest income, see note 13 to our consolidated financial statements.

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,	
	2014	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 6 and 7 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 (in millions):

	Year ended December 31,	
	2014	2013 pro forma
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	(4.2)	2.3
Total	£ (152.0)	£ 140.7

(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 LG 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 LG 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.

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 is attributable to (i) the write-off of £103.9 million of unamortized premium, (ii) the payment of £74.4 million of redemption premium and (iii) the write-off of £9.4 million of deferred financing costs.

For additional information concerning our losses on debt modification and extinguishment, net, see note 9 to our consolidated financial statements.

Income tax expense

We recognized income tax expense of £21.4 million and £215.6 million during 2014 and 2013, respectively.

The income tax expense during 2014 differs from the expected income tax benefit of £30.5 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 impacts of (a) statutory tax rates in certain jurisdictions in which we operate that are lower than the U.S. federal income tax rate and (b) a net decrease in valuation allowances.

The income tax expense during 2013 differs from the expected income tax benefit of £61.3 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 impacts of these items were 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 10 to our consolidated financial statements.

Net earnings (loss)

During 2014 and 2013, we reported net losses of £108.6 million and £390.6 million, respectively, including (i) operating income of £274.1 million and £209.3 million, respectively, (ii) net non-operating expense of £361.3 million and £384.3 million, respectively, and (iii) income tax expense of £21.4 million and £215.6 million, respectively.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash and cash equivalents

At December 31, 2015, we had cash and cash equivalents of £20.2 million, all of which 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 liquidity 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 LG 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 9 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 LG 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.

Our parent company, Virgin Media, and certain Liberty Global subsidiaries are co-guarantors of the indebtedness of certain other Liberty Global subsidiaries. We do not believe these guarantees will result in material payments in the future.

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 9 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

At December 31, 2015, our outstanding consolidated third-party debt and capital lease obligations aggregated £10,187.5 million, including £745.9 million that is classified as current in our consolidated balance sheet and £9,414.7 million that is not due until 2021 or thereafter. For additional information concerning our current debt maturities, see note 9 to our consolidated financial statements.

As further discussed under *Quantitative and Qualitative Disclosures about Market Risk* below and in note 6 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 our Covenant EBITDA 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 Covenant EBITDA 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.

Notwithstanding our negative working capital position at December 31, 2015, 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, 2015 have been borrowed or incurred by our subsidiaries. For additional information regarding our debt and capital lease obligations, see note 9 to our consolidated financial statements.

Consolidated Statements of Cash Flows — 2015 compared to 2014

Summary. Our consolidated statements of cash flows for 2015 and 2014 are summarized as follows:

	Successor		
	Year ended December 31,		
	2015	2014	Change
	in millions		
Net cash provided by operating activities	£ 1,626.3	£ 1,682.4	£ (56.1)
Net cash used by investing activities	(2,508.2)	(1,666.5)	(841.7)
Net cash provided (used) by financing activities	863.1	(321.4)	1,184.5
Effect of exchange rate changes on cash	2.4	(1.9)	4.3
Net decrease in cash and cash equivalents	£ (16.4)	£ (307.4)	£ 291.0

Operating Activities. The decrease in net cash provided by our operating activities is primarily attributable to the net effect of (i) a decrease in the cash provided by our Segment OCF and related working capital items, (ii) a decrease in cash provided due to higher net cash payments for interest and (iii) an increase in cash provided due to higher interest received for related-party interest income.

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 of £993.8 million associated with cash paid in connection with the VM Ireland Acquisition, (ii) a decrease in cash used to fund loans to subsidiaries of Liberty Global of £118.1 million and (iii) a decrease in cash used due to lower capital expenditures of £70.6 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 this 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. For further details regarding our property and equipment additions and our debt, see notes 8 and 9, respectively, to our consolidated financial statements.

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,	
	2015	2014
	in millions	
Property and equipment additions	£ 999.0	£ 915.3
Assets acquired under capital-related vendor financing arrangements	(380.4)	(220.3)
Assets acquired under capital leases	(16.8)	(28.8)
Changes in current liabilities related to capital expenditures	(21.6)	(15.4)
Capital expenditures	£ 580.2	£ 650.8

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, (ii) an increase in expenditures for new build and upgrade projects to expand service and (iii) a decrease in expenditures for the purchase and installation of customer premises equipment. During 2015 and 2014, our property and equipment additions represented 21.6% and 20.4% of our revenue, respectively. We expect the percentage of revenue represented by our aggregate 2016 consolidated property and equipment additions to range from 25% to 27%. The increases in this percentage, as compared to the corresponding 2015 percentage, is primarily attributable to anticipated increases in expenditures associated with the Network Extension. For additional information regarding the Network Extension, see *Overview* above.The actual amount of our 2016 consolidated property and equipment additions may vary from expected amounts for a variety of reasons, including (a) changes in (1) the competitive or regulatory environment, (2) business plans or (3) our current or expected future operating results and (b) 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 (i) an increase in cash of £960.9 million related to higher net borrowings of third-party debt, (ii) an increase in cash of £134.3 million related to lower net repayments of related-party debt and (iii) an increase in cash of £60.6 million due to lower payments for financing costs and debt premiums.

Consolidated Statements of Cash Flows — 2014 compared to 2013

The below discussion of our consolidated statements of cash flows is based on the historical cash flows of Virgin Media's operations for the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013. As such, the period from January 1 to June 7, 2013 excludes the cash flows of VM Ireland.

Summary. Our consolidated statements of cash flows for 2014 and 2013 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	£ 1,682.4	£ 643.4	£ 588.1	£ 1,231.5	£ 450.9
Net cash used by investing activities	(1,666.5)	(2,802.5)	(309.3)	(3,111.8)	1,445.3
Net cash provided (used) by financing activities	(321.4)	1,951.9	(38.9)	1,913.0	(2,234.4)
Effect of exchange rate changes on cash	(1.9)	(5.5)	0.9	(4.6)	2.7
Net increase (decrease) in cash and cash equivalents	£ (307.4)	£ (212.7)	£ 240.8	£ 28.1	£ (335.5)

(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 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 increase in net cash provided by our operating activities is primarily attributable to (i) an increase in the cash provided by our Segment OCF and related working capital items, (ii) an increase in cash provided due to higher interest received for related-party interest income and (iii) 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 £110.7 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,	
	2014	2013 (a)
	in millions	
Property and equipment additions	£ 915.3	£ 893.3
Assets acquired under capital-related vendor financing arrangements	(220.3)	(34.8)
Assets acquired under capital leases	(28.8)	(88.1)
Changes in current liabilities related to capital expenditures	(15.4)	(8.9)
Capital expenditures	£ 650.8	£ 761.5

(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 20.4% and 20.8% 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) 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 of £1,806.5 million related to lower net repayments of related-party debt and (v) a decrease in cash of £391.4 million received on our derivative instruments.

Contractual Commitments

The pound sterling equivalents of our contractual commitments as of December 31, 2015 are presented below:

	Payments due during:						
	2016	2017	2018	2019	2020	Thereafter	Total
				in millions			
Debt (excluding interest):							
Third-party	£ 698.1	£ —	£ —	£ —	£ —	£ 9,369.8	£10,067.9
Related-party	—	72.0	—	—	—	—	72.0
Capital leases (excluding interest)	46.9	20.7	5.3	0.8	0.1	34.4	108.2
Programming commitments	462.4	459.5	399.1	156.8	4.7	3.7	1,486.2
Network and connectivity commitments	297.2	80.3	25.6	6.7	5.4	22.3	437.5
Purchase commitments	227.1	48.2	19.5	7.1	3.7	0.7	306.3
Operating leases	37.2	31.2	25.6	20.0	13.5	55.2	182.7
Other commitments	15.2	—	—	—	—	—	15.2
Total (a)	£ 1,784.1	£ 711.9	£ 475.1	£ 191.4	£ 27.4	£ 9,486.1	£12,676.0
Projected cash interest payments on third-party debt and capital lease obligations (b)	£ 530.3	£ 497.2	£ 496.6	£ 496.8	£ 497.0	£ 1,638.3	£ 4,156.2

(a) The commitments included in this table do not reflect any liabilities that are included in our December 31, 2015 consolidated balance sheet other than debt and capital lease obligations.

(b) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of December 31, 2015. 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, original issue premiums or discounts.

For information concerning our debt and capital lease obligations, see note 9 to our consolidated financial statements. For information concerning our commitments, see note 17 to our consolidated financial statements.

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 2015, 2014 and 2013, see note 6 to our consolidated financial statements. For information concerning our defined benefit plans, see note 15 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 68.9% of our total assets at December 31, 2015.

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 (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 facts and circumstances indicate that the carrying amount 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 Segment OCF margin 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 2015 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, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013, we recorded no material impairments of our property and equipment and intangible assets (including goodwill). For additional information, see note 8 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 primarily 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, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013 was £1,557.8 million, £1,608.1 million, £941.5 million and £432.8 million, respectively. A 10% increase in the aggregate amount of the depreciation and amortization expense during 2015 would have resulted in a £155.8 million or 41.3% decrease in our 2015 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 7 to our consolidated financial statements. See also note 6 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, 2015, the year ended December 31, 2014, the period from June 8 to December 31, 2013 and the period from January 1 to June 7, 2013 our operations included net gains (losses) of £253.1 million, £48.6 million, (£203.4 million) and £51.8 million, respectively, attributable to changes in the fair values of these items.

As further described in note 6 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, 2015.

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. A significant portion 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 5, 7 and 8 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, 2015, the aggregate valuation allowance provided against deferred tax assets was £2,607.4 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, 2015 consolidated 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, 2015, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was £13.8 million, of which £3.2 million 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, 2015, income and withholding taxes for which a net deferred tax liability might otherwise be required have not been provided on an estimated £5.7 billion of cumulative temporary differences on non-U.S. entities, including cumulative translation adjustments. 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 10 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, 2015, £10.6 million or 52.5%, £5.5 million or 27.2% and £4.1 million or 20.3% of our consolidated cash balances were denominated in pound sterling, U.S. dollars and euros, respectively.

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 and euros. 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, 2015, 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 6 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 2016, (i) none of our revenue, (ii) approximately 2% to 4% of our aggregate operating and SG&A expenses (exclusive of share-based compensation expense) and (iii) approximately 3% to 5% 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 2016 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. In this regard, we have entered into related-party foreign currency forward contracts to hedge certain of these risks. 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, 2015. For additional information concerning our derivative instruments, see note 6 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,	
	2015	2014
Spot rates:		
Euro	1.3559	1.2877
U.S. dollar	1.4734	1.5581

	Year ended December 31,		
	2015	2014	2013
Average rates:			
Euro	1.3767	1.2405	1.1776
U.S. dollar	1.5279	1.6474	1.5644

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. and Ireland 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. and Ireland.

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.

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. 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, 2015, we effectively paid a fixed interest rate on substantially all of our total third-party debt. 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 6 to our consolidated financial statements.

Weighted Average Variable Interest Rate. At December 31, 2015, our variable-rate indebtedness aggregated £2.9 billion, and the weighted average interest rate (including margin) on such variable-rate indebtedness was approximately 3.7%, 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 £14.5 million. As discussed above and in note 6 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 and undrawn debt facility 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 and undrawn debt facility 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, 2015, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £330.1 million, (ii) cash and cash equivalent and restricted cash balances of £20.3 million and (iii) aggregate undrawn debt facilities of £527.5 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, the current economic conditions and uncertainties in global financial markets have increased the credit risk of our counterparties and 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 6 and 7 to our consolidated financial statements.

Cross-currency and Interest Rate Derivative Contracts

Holding all other factors constant, at December 31, 2015:

(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 £464 million;

(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 £56 million; and

(iii) an instantaneous increase (decrease) of 10% in the value of the euro relative to the U.S. dollar would have decreased (increased) the aggregate fair value of the cross-currency contracts by approximately £33 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, 2015. 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 6 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:						
	2016	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
				in millions			
Projected derivative cash payments (receipts), net:							
Interest-related (a)	£ (4.1)	£ (3.7)	£ (4.7)	£ (1.2)	£ (0.6)	£ 43.0	£ 28.7
Principal-related (b)	—	—	—	(8.1)	—	(288.0)	(296.1)
Other (c)	(34.6)	—	—	—	—	—	(34.6)
Total	£ (38.7)	£ (3.7)	£ (4.7)	£ (9.3)	£ (0.6)	£ (245.0)	£ (302.0)

(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 swap 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 6 and 9 to our consolidated financial statements.