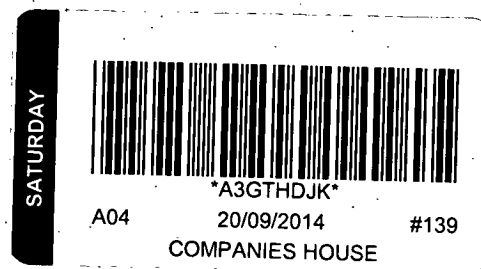


**Virgin Media Limited**  
**Financial Statements**  
**31 December 2013**



# Virgin Media Limited

## Financial Statements

Year ended 31 December 2013

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# Virgin Media Limited

## Company Information

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### The board of directors

R D Dunn  
T Mockridge  
D M Strong  
M O Hifzi  
P A Buttery  
P J A Kelly

### Company secretary

G E James

### Registered office

Bartley Wood Business Park  
Hook  
Hampshire  
RG27 9UP

### Auditor

KPMG LLP  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

# Virgin Media Limited

## Strategic Report

Year ended 31 December 2013

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### Principal activities and business review

The principal activity of the company during the year was, and will continue to be, the provision of digital cable, fixed-line telephony, broadband internet and other telecommunication services as well as running some of the telecommunication services over which they are provided. The company is also the principal employer within the Virgin Media group, and manages the majority of its working capital, finance leases, operating leases, capital commitments and construction in progress.

At 31 December 2013 the company was a wholly owned subsidiary undertaking of Virgin Media Inc. (Virgin Media). 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 7 June 2013 (the LG/VM Transaction). This is referred to in more detail in the consolidated financial statements of Virgin Media Inc. which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

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

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

As of 31 December 2013, the group provided services to approximately 4.9 million residential cable customers on its network. The group is also one of the UK's largest mobile virtual network operators by number of customers, providing mobile telephony services to 1.9 million contract mobile customers and 1.1 million prepay mobile customers over third party networks. As of 31 December 2013, 84% of residential customers on the group's cable network received multiple services from the group, and 66% were "triple play" customers, receiving broadband internet, digital cable and fixed-line telephony services from the group.

In addition the group provides broadband internet, fixed-line and mobile telephony and other connectivity services to businesses, public sector organisations and service providers.

# Virgin Media Limited

## Strategic Report *(continued)*

Year ended 31 December 2013

### Key performance indicators (KPI's)

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

	2013	2012	
Turnover (£000)	466,967	449,499	Turnover has increased by 3.9% primarily due to an increased uptake of broadband internet services together with selective price increases, partially offset by a decrease in digital cable and fixed line telephony services.
Operating profit before exceptional items (£000)	81,807	93,144	Operating profit before exceptional items has decreased by 12.2%, primarily due to an increase in administrative expenses, driven by increased foreign currency losses in 2013 together with an increase in share based compensation recharges associated with the LG/VM transaction, partially offset by an increase in gross profit resulting from increased turnover and an increase in other operating income.

Selected statistics for residential cable customers served by the company at 31 December 2013 and 31 December 2012 are shown in the table below:

	2013	2012
Products:		
Digital cable	594,871	603,300
Fixed-line telephone	645,028	648,100
Broadband internet	689,452	670,900
Total	1,929,351	1,922,300
Total customers	770,201	769,100
Products per customer	2.50	2.50

Each digital cable, fixed line telephone and broadband internet subscriber directly connected to the company's network counts as one product. Accordingly, a subscriber who receives both telephone and digital cable services counts as two products. Products may include subscribers receiving some services for free or at a reduced rate in connection with promotional offers.

The group's inter-company funding arrangements are managed centrally. Recoverability of inter-company receivables is assessed annually. The provision for non-recoverability may increase or decrease as a result of that review. The review of inter-company indebtedness as at 31 December 2013 concluded that a release of provision should be recorded against amounts due from group undertakings totalling £1,065,194,000 (2012 - increase of £21,928,000).

# Virgin Media Limited

## Strategic Report *(continued)*

### Year ended 31 December 2013

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Investments are assessed and impairments released due to a change in the economic conditions or in the expected use of the asset in accordance with FRS 11 "Impairment of fixed assets and goodwill". Consequently the investment impairment review as at 31 December 2013 concluded that a release of £638,864,000 (2012 – nil) should be made.

The company reported an increase in both net current assets and total assets less current liabilities for the year ended 31 December 2013 as a result of normal operations and the impact of releases detailed above of debt and investment impairments. During the year, no new external finance was arranged and there was no movement in the called up equity share capital of the company. Operations were financed through the company's inter-company balances with fellow group undertakings. Details of the funding arrangements of other group companies are set out in note 21 of these financial statements.

#### **Future outlook**

The directors will continue to review management policies in light of changing trading and market conditions. A discussion of the future outlook of the group is provided in Virgin Media Inc.'s financial statements and annual report for 2013, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

#### **Principal risks and uncertainties**

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

Signed on behalf of the directors



G E James  
Company Secretary

Approved by the directors on 30 June 2014

# Virgin Media Limited

## Directors' Report

### Year ended 31 December 2013

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The directors present their report and the financial statements of the company for the year ended 31 December 2013.

#### Results and dividends

The profit for the financial year amounted to £1,812,958,000 (2012 - £796,561,000). The directors have not recommended an ordinary dividend (2012 - £nil).

#### Directors

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

C B E Withers	(Resigned 11 March 2014)
R D Dunn	(Appointed 7 June 2013)
T Mockridge	(Appointed 7 June 2013)
D M Strong	(Appointed 22 November 2013)
M O Hifzi	(Appointed 11 March 2014)
P A Buttery	(Appointed 11 March 2014)
P J A Kelly	(Appointed 30 April 2014)
R C Gale	(Resigned 29 November 2013)

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

#### Employment policies and disabled employees

The Virgin Media Inc. consolidated group (the group) remains committed to the continuing introduction and practice of progressive employment policies which reflect changing business, social and employee needs.

The group aims to ensure that everyone connected to it is treated fairly and equally, whether they are a current or former member of staff, job applicant, customer or supplier.

Nobody should be discriminated against, either directly or indirectly, on the grounds of their gender, marital status, gender reassignment, pregnancy, race, ethnic origin, colour, nationality, national origin, disability, sexual orientation, religion or belief, age, political affiliation or trade union membership. The policy applies to anyone who works for, who has worked for or who applies to work for Virgin Media or its partners. That means permanent, temporary, casual or part-time staff, anyone on a fixed-term contract, agency staff and consultants working with the group, ex-employees and people applying for jobs. This applies to all aspects of employment, including recruitment and training.

The group gives full consideration to applications from employees with disabilities where they can adequately fulfil the requirements of the job. Depending on their skills and abilities, employees with a disability have the same opportunities for promotion, career development and training as other employees. Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

# Virgin Media Limited

## Directors' Report *(continued)*

Year ended 31 December 2013

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### Employee involvement

The group is dedicated to increasing the practical involvement of individuals in the running of its business. It seeks to achieve this in two ways, as follows:

- All employees are encouraged to understand the aims of the overall group and their own business segment and to contribute to improving business performance through their knowledge, experience, ideas and suggestions. This requires strong communication to ensure that employees are briefed as widely as possible about activities and developments across the group. The online news channel, open forums, newsletters and team meetings play important roles in this, as does the development of people management skills and the ongoing conversations about performance and development which underpin mid and year end reviews; and
- Virgin Media ensures that all employees are involved and consulted through "Voice" which operates at a National, Divisional and local level. It enables employees and employers to have an open and transparent relationship with a flow of information. It is focused around sharing information, involving employees in decision making, gaining access to knowledge and experience or resolving differences of opinion. Involving employees in decision making enhances confidence & job satisfaction, creates a sense of belonging, empowerment, reduces stress and impacts positively on wellbeing.

Virgin Media fosters a team spirit among employees and their greater involvement by offering participation in bonus or local variable reward schemes and team development opportunities. Virgin Media also operates a recognition scheme designed to reward employees for behaviours which are consistent with the Virgin Media's values and has a volunteering scheme which allows employees to take a day each year to volunteer with a charity or organisation of their choice.

### Policy on the payment of creditors

It is the group's and company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with. Trade creditors, at the year-end, represented 32 days (2012 – 40 days) of purchases.

### Environmental policies

The Virgin Media group has a long-term commitment to growing a responsible and sustainable business and creating positive impacts for people and communities in the UK. Accountability for delivering the sustainability strategy sits with its Corporate Responsibility Committee. Chaired by the Virgin Media group's Chief Executive Officer, it comprises members of senior management who represent its core business functions. Supported by the Virgin Media group's dedicated Sustainability Team, the Corporate Responsibility Committee meets quarterly to review the Virgin Media group's progress.

The Virgin Media group continues to use its expertise, infrastructure and resources to pursue its strategic focus on the positive impact of digital technology in people's lives, communities and society at large. In 2013 the long-standing Virgin Media Pioneers initiative, which uses digital technology to support the next generation of entrepreneurs, increased its participant numbers by approximately 50% to nearly 6,000 members. Virgin Media also completed a major engagement programme last year called "Our Digital Future" to better understand the nation's hopes, concerns and attitudes toward the internet and our increasingly digital lives. Over 3,000 people had their say online and in person, including Virgin Media staff, customers, members of the public, policy makers and digital experts, and plans are now in place to launch a series of commitments and provide people with useful tools to help them to get the best from life online.

In 2013, Virgin Media continued to focus on three priority areas to improve sustainability across the Virgin Media group: its products, its operations and its people. Targets for improved performance were set across each of these areas, in addition to the Virgin Media group's long-term target of reducing its 2007 carbon footprint by 15% by 2015.

The Virgin Media group will continue to share updates on its performance and key highlights on its progress through its award winning sustainability website: [www.virginmedia.com/sustainability](http://www.virginmedia.com/sustainability).

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# Virgin Media Limited

## Directors' Report (continued)

Year ended 31 December 2013

### Donations

During the year the company made the following donations:

	2013	2012
	£	£
Charitable donations	<u>344,820</u>	<u>346,900</u>

### Going concern

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

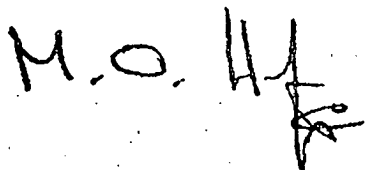
### Disclosure of information to the auditor

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

### Auditor

On 5 June 2014, Ernst and Young LLP resigned as auditors and subsequently KPMG LLP were appointed.

Signed on behalf of the directors



M O Hifzi  
Director

Approved by the directors on 30 June 2014

# Virgin Media Limited

## Directors' Responsibilities Statement

Year ended 31 December 2013

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Year ended 31 December 2013**

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We have audited the financial statements of Virgin Media Limited for the year ended 31 December 2013 on pages 11 to 49. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

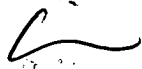
Year ended 31 December 2013

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**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Xavier Timmermans (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

30 June 2014

# Virgin Media Limited

## Profit and Loss Account

Year ended 31 December 2013

	Note	2013 £000	2012 £000
<b>Turnover</b>		<b>466,967</b>	<b>449,499</b>
<b>Cost of sales</b>		<b>(114,364)</b>	<b>(100,428)</b>
<b>Gross profit</b>		<b>352,603</b>	<b>349,071</b>
Administrative expenses (including exceptional items of £1,698,607,000 (2012 - (£21,928,000)))		<b>144,180</b>	<b>(1,543,337)</b>
Other operating income	2	<b>1,283,631</b>	<b>1,265,482</b>
<b>Operating profit</b>	3	<b>1,780,414</b>	<b>71,216</b>
Attributable to:			
Operating profit before exceptional items		<b>81,807</b>	<b>93,144</b>
Exceptional items	3	<b>1,698,607</b>	<b>(21,928)</b>
		<b>1,780,414</b>	<b>71,216</b>
Other interest receivable and similar income	6	<b>171,842</b>	<b>154,822</b>
Interest payable and similar charges	7	<b>(40,860)</b>	<b>(57,130)</b>
<b>Profit on ordinary activities before tax</b>		<b>1,911,396</b>	<b>168,908</b>
Tax on profit on ordinary activities	8	<b>(98,438)</b>	<b>627,653</b>
<b>Profit for the financial year</b>	24	<b>1,812,958</b>	<b>796,561</b>

All results relate to continuing operations.

The notes on pages 14 to 49 form part of these financial statements.

# Virgin Media Limited

## Statement of Total Recognised Gains and Losses

Year ended 31 December 2013

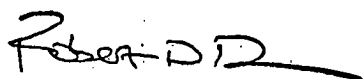
	2013 £000	2012 £000
Profit for the financial year attributable to the shareholder	1,812,958	796,561
Actuarial loss in respect of defined benefit pension scheme	(20,519)	(17,485)
Deferred tax on defined benefit pension scheme actuarial loss	(1,927)	10,685
Total gains and losses recognised since the last annual report	<u>1,790,512</u>	<u>789,761</u>

The notes on pages 14 to 49 form part of these financial statements.

**Virgin Media Limited****Balance Sheet****31 December 2013**

	Note	2013 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	9	1,825,763	1,803,611
Investments	10	659,636	20,772
		<u>2,485,399</u>	<u>1,824,383</u>
<b>Current assets</b>			
Stocks	11	7	751
Debtors due after one year	12	43,980	41,918
Debtors due after one year – Deferred Tax	12,13	524,046	622,484
Debtors due within one year	12	7,750,368	5,744,777
Cash at bank		11,308	176,486
		<u>8,329,709</u>	<u>6,586,416</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(6,430,994)</u>	<u>(5,748,875)</u>
<b>Net current assets</b>		<u>1,898,715</u>	<u>837,541</u>
<b>Total assets less current liabilities</b>		<u>4,384,114</u>	<u>2,661,924</u>
<b>Creditors: Amounts falling due after more than one year</b>	15	(159,673)	(167,528)
<b>Provisions for liabilities and charges</b>	17	(78,588)	(138,316)
<b>Net assets excluding pension liability</b>		<u>4,145,853</u>	<u>2,356,080</u>
Defined benefit pension scheme liability	20	(35,031)	(35,770)
<b>Net assets including pension liability</b>		<u>4,110,822</u>	<u>2,320,310</u>
<b>Capital and reserves</b>			
Share capital	23	726	726
Share premium account	24	12,214,200	12,214,200
Share options reserve	24	15,115	15,115
Other reserves	24	11	11
Profit and loss account	24	(8,119,230)	(9,909,742)
<b>Shareholder's funds</b>	24	<u>4,110,822</u>	<u>2,320,310</u>

These financial statements were approved by the directors on 30 June 2014 and are signed on their behalf by:



R D Dunn  
Director

The notes on pages 14 to 49 form part of these financial statements.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 1. Accounting policies

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

#### Basis of accounting

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

#### Group accounts

The company has taken advantage of the exemption from preparing group accounts afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of another company incorporated in the United Kingdom which prepares group accounts (see note 26). These financial statements therefore present information about the company as an individual undertaking and not about its group.

#### Investments

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

#### Cash flow statement

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

#### Turnover

Turnover represents the value of services provided, stated net of value added tax and discounts, and is attributable to continuing activities, being the provision of digital cable, fixed-line telephony, broadband internet and other telecommunication services and to run certain of the telecommunication systems over which they are provided. Turnover is all derived from operations in the United Kingdom and is recognised as the services are provided to customers. The directors consider this to be a single class of business.

#### Tangible fixed assets

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

Network assets	3 - 30 years
Other fixed assets:	
- Freehold property	30 years
- Leasehold property	period of lease
- Other	3 - 12 years



# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 1. Accounting policies (*continued*)

#### *Construction in progress*

Construction in progress comprising materials, consumables and direct labour relating to network construction has been included in property, plant and equipment and is stated at the cost incurred in bringing each product to its present location and condition, as follows:

Raw materials and consumables - purchase cost  
Work in progress - cost of direct materials and labour

Construction in progress is not depreciated.

#### *Capitalised overheads*

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

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### **Finance leases**

Where the company enters into a lease under which it takes substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the Balance Sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Finance lease creditors are recorded in the Balance Sheet, and future instalments payable under finance leases are included within creditors, net of finance charges. Rentals payable under these finance lease arrangements are apportioned; the finance elements are recorded in the Profit and Loss Account on a reducing balance or straight line basis as appropriate, and the capital elements reduce the outstanding liability in accordance with the terms of the contract.

#### **Operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### **Pensions**

The company contributes to the Virgin Media-sponsored group personal pension plans for eligible employees. Contributions are charged to the Profit and Loss Account as they become payable in accordance with the rules of each of the plans.

The company operates two defined benefit pension plans. The plans are funded by the payment of contributions to separately administered trust funds and are closed to new entrants.

The regular cost of providing benefits under the defined benefit plans is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 1. Accounting policies *(continued)*

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related scheme assets are re-measured using the current actuarial assumptions and the resultant gain or loss recognised in the Profit and Loss Account during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit pension cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on scheme assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect of fair value of the scheme assets of contributions received and benefits paid during the year. The difference between the expected return on scheme assets and the interest cost is recognised in the Profit and Loss Account.

Actuarial gains and losses are recognised in full in the Statement of Total Recognised Gains and Losses in the period in which they occur.

The defined benefit pension asset or liability in the Balance Sheet comprises the total for each scheme of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of scheme assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price.

#### **Employee benefits**

When an employee has rendered services to the company during an accounting period, short-term benefits expected to be paid in exchange for those services are recognised in the same accounting period. Cash based long-term incentives are accrued at fair value, recognising the movement in the accrual in the financial statements where the conditions and the plan extend beyond a year.

#### **Deferred tax**

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

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

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

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

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 1. Accounting policies (*continued*)

#### **Foreign currencies**

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

#### **Share-based payments**

The company is an indirect, wholly-owned subsidiary of Virgin Media Inc. and Liberty Global plc. The company has no share-based compensation plans. To 7 June 2013, the company's directors and certain of its employees participated in the share-based compensation plans of Virgin Media Inc. From 7 June 2013, following the LG/VM Transaction, the share based compensation plans were modified to be share based-compensation plans of Liberty Global plc as summarised in note 18 below, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions) of Liberty Global plc common stock.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of options and share appreciation rights are determined using the Black-Scholes model. The fair value of restricted share units is determined using either the share price at the grant date or the Monte Carlo model, depending on the conditions attached to the restricted share units being granted. These transaction costs are recognised, together with a corresponding increase in either equity or amounts owed to parent undertakings, over the service period, or, if applicable, over the period in which any performance conditions are fulfilled, which ends on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest, in the opinion of management at that date and based on the best available estimates.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

In connection with the LG/VM Transaction, the modification of the Virgin Media share-based compensation plans to Liberty Global share-based compensation plans resulted in a remeasurement of the fair value of the awards as at 7 June 2013. The remeasured fair value of these awards will be amortised over the remaining service periods of the unvested awards, subject to forfeitures and the satisfaction of performance conditions.

#### **Provisions for liabilities**

A provision is recognised when the company has a present, legal or constructive obligation as a result of a past event for which it is probable that the company will be required to settle by an outflow of resources and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

When the effect of the time value of money is material provisions are discounted using a rate that reflects the risks specific to the liability. Where discounting is used, the unwinding of the discount is expensed as incurred and recognised in profit and loss as an interest expense.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 1. Accounting policies (continued)

#### *Provision for dilapidations*

The company recognises a provision for the expected cost of dilapidation to leasehold properties which are charged against profits when the cost of returning a property to its original state can be reliably estimated.

#### *Provision for asset retirement obligation*

The company recognises a provision for liabilities associated with participation in the market for Waste Electrical and Electronic Equipment ('WEEE'). The company has made assumptions in relation to historical waste regarding the number of units of equipment purchased, the number subsequently disposed of and the expected cost of disposal. In relation to future waste, the company has made assumptions about the age profile of the equipment distributed and the cost of disposal.

#### **Trade and other debtors**

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

#### **Creditor payment policy**

The company's policy concerning the payment of trade creditors is to agree the terms of payment with suppliers when negotiating the terms and conditions of each transaction. Creditors are paid in accordance with the company's contractual and other legal obligations.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 2. Other operating income

	2013 £000	2012 £000
Recharges to group undertakings	1,283,631	1,265,482
	<u>1,283,631</u>	<u>1,265,482</u>

### 3. Operating profit

Operating profit is stated after charging/(crediting):

	2013 £000	2012 £000
Depreciation of owned tangible fixed assets	314,332	289,818
Depreciation of tangible fixed assets held under finance lease agreements	72,976	74,927
Profit on disposal of fixed assets	(46,533)	(13,728)
Operating lease costs:		
- Plant and equipment	29,338	31,502
- Other	18,873	18,245
Net loss on foreign currency translation	<u>42,486</u>	<u>10,650</u>

### Operating Exceptional Items:

	2013 £000	2012 £000
(Release of)/increase in provision against amounts owed by group undertakings	(1,065,194)	21,928
Write off on amount due from group undertakings	5,451	-
Release of provision against value of investment in subsidiary undertakings	(638,864)	-
	<u>(1,698,607)</u>	<u>21,928</u>

The group's inter-company funding arrangements are managed centrally. Recoverability of inter-company receivables is assessed annually. The provision for non-recoverability may increase or decrease as a result of that review. The review of inter-company indebtedness as at 31 December 2013 concluded that a release of provision should be recorded against amounts due from group undertakings totalling £1,065,194,000 (2012 - increase of £21,928,000).

During the year amounts due from group undertakings written off were £5,451,000 (2012 - nil).

Investments are assessed and impairments released due to a change in the economic conditions or in the expected use of the asset in accordance with FRS 11 "Impairment of fixed assets and goodwill". Consequently the investment impairment review as at 31 December 2013 concluded that a release should be made of £638,864,000 (2012 - nil).

Auditor's remuneration of £47,000 (2012 - £52,000) represents costs allocated to the company by fellow group undertakings that pay all auditor's remuneration on behalf of the group.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 4. Staff costs

The average number of staff employed by the company during the financial year amounted to:

	2013 No	2012 No
Subscription	4,460	4,527
Business	868	807
Access and Networks	6,049	5,986
Technology	1,459	818
Corporate	1,238	1,214
	<u>14,074</u>	<u>13,352</u>

The aggregate payroll costs of the above were:

	2013 £000	2012 £000
Wages and salaries	508,667	499,231
Social security costs	73,367	62,810
Other pension costs	20,689	15,474
Equity-settled share-based payments	80,366	17,651
	<u>683,089</u>	<u>595,166</u>

The analysis of other pension costs charged to operating profit is:

	2013 £000	2012 £000
Defined contribution scheme (note 20)	19,051	13,681
Defined benefit scheme - total operating charge (note 20)	1,638	1,793
	<u>20,689</u>	<u>15,474</u>

Other pension costs are amounts charged to operating profit and do not include amounts credited to finance income or charged to finance costs and amounts recognised in the Statement of Total Recognised Gains and Losses.

The company is the principal employer of the group.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2013 £000	2012 £000
Remuneration receivable	1,050	458
Value of company pension contributions to money purchase schemes	69	41
	<u>1,119</u>	<u>499</u>

#### Remuneration of highest paid director:

	2013 £000	2012 £000
Total remuneration (excluding pension contributions)	603	319
Value of company pension contributions to money purchase schemes	29	31
	<u>632</u>	<u>350</u>

The number of directors who exercised share options and accrued benefits under a money purchase pension scheme were as follows:

	2013 No	2012 No
Directors who exercised share options	3	1
Number of directors accruing benefits under money purchase schemes	<u>5</u>	<u>3</u>

The aggregate amount of remuneration receivable in relation to qualifying services as directors of this company was £129,099 (2012 - £46,727).

During 2013 £322,500 (2012 - £nil) was paid to one director as compensation for loss of office.

### 6. Other interest receivable and similar income

	2013 £000	2012 £000
Bank interest receivable	667	896
Net finance income in respect of defined benefit pension schemes (note 20)	2,235	-
Interest on amounts owed by group undertakings	168,940	153,926
	<u>171,842</u>	<u>154,822</u>

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 7. Interest payable and similar charges

	2013 £000	2012 £000
Finance charges	12,791	16,838
Unwinding of discounts on provisions	2,749	2,140
Other finance charges	3,326	2,814
Net finance costs in respect of defined benefit pension schemes (note 20)	-	1,217
Interest on amounts owed to group undertakings	21,994	34,121
	<u>40,860</u>	<u>57,130</u>

### 8. Tax on profit on ordinary activities

The tax charge/(credit) is made up as follows:

	2013 £000	2012 £000
<b>Current tax credit:</b>		
Adjustments to tax charge in respect of prior periods	-	(5,169)
Total current tax	-	(5,169)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	17,244	(622,484)
Effect of tax rate change on opening balances	81,194	-
Total deferred tax (note 13)	98,438	(622,484)
Total tax charge/(credit) on profit on ordinary activities	<u>98,438</u>	<u>(627,653)</u>

Tax included in the statement of total recognised gains and losses:

<b>Deferred tax:</b>		
Defined benefit pension scheme liability recognised in the statement of total recognised gains and losses	1,927	(10,685)
Total deferred tax (note 13)	1,927	(10,685)
Total tax charge/(credit)	<u>1,927</u>	<u>(10,685)</u>



# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 8. Tax on profit on ordinary activities *(continued)*

The tax assessed on the profit on ordinary activities for the year is lower than (2012 – lower) the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	<u>1,911,396</u>	<u>168,908</u>
Profit on ordinary activities multiplied by rate of tax	444,400	41,383
Effects of:		
(Accelerated capital allowances)/depreciation in excess of capital allowances	(23,275)	20,746
Utilisation of tax losses	-	(1,908)
Adjustments to tax charge in respect of previous periods	-	(5,169)
Group relief surrendered/(claimed) without payment	24,893	(26,328)
Income not taxable	(439,411)	(19,590)
Other short term timing differences	<u>(6,607)</u>	<u>(14,303)</u>
Total current tax	<u>-</u>	<u>(5,169)</u>

### Factors affecting current and future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax assets have been calculated using the enacted rate of 20% (2012 - 23%).

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 9. Tangible fixed assets

	Network £000	Construction in progress £000	Other £000	Total £000
<b>Cost</b>				
At 1 January 2013	3,293,452	16,484	614,274	3,924,210
Additions	273,747	68,888	107,722	450,357
Disposals	(39,502)	—	(37,994)	(77,496)
Transfers	(276)	—	(3,809)	(4,085)
<b>At 31 December 2013</b>	<b><u>3,527,421</u></b>	<b><u>85,372</u></b>	<b><u>680,193</u></b>	<b><u>4,292,986</u></b>
<b>Depreciation</b>				
	Network £000	Construction in progress £000	Other £000	Total £000
At 1 January 2013	1,873,206	—	247,393	2,120,599
Charge for the year	263,334	—	123,974	387,308
On disposals	(26,314)	—	(13,620)	(39,934)
Transfers	(17)	—	(733)	(750)
<b>At 31 December 2013</b>	<b><u>2,110,209</u></b>	<b><u>—</u></b>	<b><u>357,014</u></b>	<b><u>2,467,223</u></b>
<b>Net book value</b>				
<b>At 31 December 2013</b>	<b><u>1,417,212</u></b>	<b><u>85,372</u></b>	<b><u>323,179</u></b>	<b><u>1,825,763</u></b>
At 31 December 2012	<u>1,420,246</u>	<u>16,484</u>	<u>366,881</u>	<u>1,803,611</u>

Included in "Other" are the following net book values of land and buildings:

	2013 £000	2012 £000
Freehold	13,721	13,450
Short leasehold	70,537	75,100

### Finance lease agreements

Included within the net book value of £1,825,763,000 is £255,176,000 (2012 - £242,682,000) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £72,976,000 (2012 - £74,927,000).

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 10. Investments

	£000
<b>Cost</b>	
At 1 January 2013 and 31 December 2013	<u>10,226,484</u>
<b>Amounts written off</b>	
At 1 January 2013	10,205,712
Amounts written back in the year	(638,864)
At 31 December 2013	<u>9,566,848</u>
<b>Net book value</b>	
At 31 December 2013	<u>659,636</u>
At 31 December 2012	<u>20,772</u>

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

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

Name of Company	Holdings	Proportion Held	Nature of Business
<i>Direct subsidiaries</i>			
<b>Limited companies - direct:</b>			
ntl Rectangle Limited	Ordinary	100%	Holding
Virgin Media Payments Limited	Ordinary	100%	Collections
X-Tant Limited	Ordinary	100%	Telecoms
Virgin Media Secretaries Limited	Ordinary	100%	Finance
<b>Limited liability corporation incorporated in the USA:</b>			
NTL (Triangle) LLC	Common Stock	100%	Holding

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 10. Investments (continued)

Name of Company	Holdings	Proportion Held	Nature of Business
<i>Indirect subsidiaries</i>			
<b>Limited companies:</b>			
ntl Cambridge Limited	Ordinary	100%	Telecoms
ntl Irish Holdings Limited	Ordinary	100%	Telecoms
ntl (CWC) Limited	Ordinary	100%	Holding
ntl (B) Limited	Ordinary	100%	Holding
ntl Communications Services Limited	Ordinary	100%	Telecoms
ntl CableComms Limited	Ordinary	100%	Telecoms
ntl (South Hertfordshire) Limited	Ordinary	100%	Telecoms
BCMV Limited	Ordinary	100%	Telecoms
<b>Unlimited companies:</b>			
ntl (V)	Ordinary	100%	Holding
ntl CableComms Bolton	Ordinary	100%	Telecoms
ntl CableComms Bromley	Ordinary	100%	Telecoms
ntl CableComms Bury and Rochdale	Ordinary	100%	Telecoms
ntl CableComms Cheshire	Ordinary	100%	Telecoms
ntl CableComms Derby	Ordinary	100%	Telecoms
ntl CableComms Greater Manchester	Ordinary	100%	Telecoms
ntl CableComms Macclesfield	Ordinary	100%	Telecoms
ntl CableComms Oldham and Tameside	Ordinary	100%	Telecoms
ntl CableComms Solent	Ordinary	100%	Telecoms
ntl CableComms Staffordshire	Ordinary	100%	Telecoms
ntl CableComms Stockport	Ordinary	100%	Telecoms
ntl CableComms Surrey	Ordinary	100%	Telecoms
ntl CableComms Sussex	Ordinary	100%	Telecoms
ntl CableComms Wessex	Ordinary	100%	Telecoms
ntl CableComms Wirral	Ordinary	100%	Telecoms
ntl Wirral Telephone and Cable TV Company	Ordinary	100%	Telecoms

All companies are registered in England and Wales unless otherwise noted.

The company has taken advantage of Section 410 of the Companies Act 2006 and disclosed only those investments whose results or financial position materially affected the figures shown in the company's annual financial statements.

### 11. Stocks

	2013	2012
	£000	£000
Goods for resale	7	751

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 12. Debtors

	2013 £000	2012 £000
Trade debtors	329,658	334,007
Consortium relief recoverable	–	5,169
Amounts owed by group undertakings	7,337,487	5,316,620
Other debtors	43,980	41,918
Prepayments and accrued income	83,223	88,981
Deferred tax (note 13)	524,046	622,484
	<u>8,318,394</u>	<u>6,409,179</u>

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

	2013 £000	2012 £000
Other debtors	43,980	41,918
Deferred tax	524,046	622,484
	<u>568,028</u>	<u>664,402</u>

The analysis of amounts owed by group undertakings is:

	2013 £000	2012 £000
Loans advanced to group undertakings	3,094,781	1,729,171
Other amounts owed by group undertakings	4,242,706	3,587,449
	<u>7,337,487</u>	<u>5,316,620</u>

Loans advanced to group undertakings are stated after deducting an impairment provision of £nil (2012 - £716,331,000). Other amounts owed by fellow group undertakings are stated after deducting an impairment provision of £227,755,000 (2012 - £576,618,000).

The loans advanced to group undertakings include U.S. dollar denominated balances totalling \$1,673,478,000 (2012 - \$910,440,000) which had a carrying value of £1,010,158,000 (2012 - £562,382,000).

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

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 13. Deferred tax

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

	2013 £000	2012 £000
Included in debtors (note 12)	<u>524,046</u>	<u>622,484</u>

The movement in deferred tax during the year was:

	2013 £000	2012 £000
Balance at 1 January	633,169	-
Profit and loss account movement arising during the year	(98,438)	622,484
Statement of total recognised gains and losses movement arising during the year	<u>(1,927)</u>	<u>10,685</u>
Balance at 31 December	<u>532,804</u>	<u>633,169</u>

Included within:

Debtors – Deferred tax	524,046	622,484
Defined benefit pension scheme liability	<u>8,758</u>	<u>10,685</u>
	<u>532,804</u>	<u>633,169</u>

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

	2013 £000	2012 £000
Depreciation in excess of capital allowances	495,164	583,242
Share-based payments	23,237	26,728
Other timing differences	<u>5,645</u>	<u>12,514</u>
	<u>524,046</u>	<u>622,484</u>

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

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 14. Creditors: Amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	270,391	335,411
Amounts owed to group undertakings	5,392,193	4,712,300
Other taxation and social security	90,234	85,715
Finance lease agreements	86,933	77,056
Accruals and deferred income	591,243	538,393
	<u>6,430,994</u>	<u>5,748,875</u>

The analysis of amounts owed to group undertakings is:

	2013 £000	2012 £000
Loan advanced by group undertakings	619,520	556,858
Other amounts owed to group undertakings	4,772,673	4,155,442
	<u>5,392,193</u>	<u>4,712,300</u>

The loans advanced by group undertakings include U.S. dollar denominated balances totalling \$34,701,000 (2012 - \$nil) which had a carrying value of £20,946,000 (2012 - £nil) and euro denominated balances totalling €442,157,000 (2012 - €429,695,000) which had a carrying value of £368,025,000 (2012 - £350,486,000).

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

### 15. Creditors: Amounts falling due after more than one year

	2013 £000	2012 £000
Finance lease agreements	138,497	151,916
Other creditors	21,176	15,612
	<u>159,673</u>	<u>167,528</u>

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 16. Commitments under finance lease agreements

Future commitments under finance lease agreements are as follows:

	2013 £000	2012 £000
Amounts payable within 1 year	96,750	87,598
Amounts payable between 2 to 5 years	119,394	131,974
Amounts payable after more than 5 years	145,433	152,513
	<u>361,577</u>	<u>372,085</u>
Less interest and finance charges relating to future periods	(136,147)	(143,113)
	<u>225,430</u>	<u>228,972</u>
Finance lease agreements are analysed as follows:		
Current obligations	86,933	77,056
Non-current obligations	138,497	151,916
	<u>225,430</u>	<u>228,972</u>



# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 17. Provisions for liabilities

	Redundancy costs £000	Property and contract exit costs £000	Waste Electrical and Electronic Equipment £000	National Insurance £000	Total £000
At 1 January 2013	(55)	(71,797)	(49,012)	(17,452)	(138,316)
Provided during the year	(29,109)	(6,358)	(6,468)	(21,233)	(63,168)
Utilised during the year	23,790	8	—	26,022	49,820
Revisions to cashflow estimates	—	(302)	39,866	—	39,564
Movement in discount rate	—	23,383	10,129	—	33,512
<b>31 December 2013</b>	<b>(5,374)</b>	<b>(55,066)</b>	<b>(5,485)</b>	<b>(12,663)</b>	<b>(78,588)</b>

#### *Redundancy costs*

Following the LG/VM Transaction the Virgin Media group commenced the implementation of a restructuring plan aimed at realising synergies as a result of the merger.

#### *Property & contract exit costs*

Property and contract exit costs relate primarily to the restructuring plan aimed at driving improvements in operational performance and eliminating inefficiencies. There are a large number of properties to which the provision relates, with a wide range of remaining lease terms. The majority of the costs are expected to be incurred over the next 25 years. The net impact of the release of the provision on the income statement was £3.5 million and is shown as part of the profit on disposal of fixed assets, see note 3.

#### *Waste Electrical & Electronic Equipment (WEEE)*

The provision for the asset retirement obligation in respect of WEEE is calculated based on the total equipment purchased, its expected useful economic life and the anticipated cost of disposal. During the year the company revised its estimate on the number of units of equipment that need to be disposed and the cost of disposal. Costs in relation to disposal of WEEE are expected to be incurred over the next 5 years. The net impact of the release of the provision on the income statement was £29.3 million and is shown as part of the gain on disposal of fixed assets, see note 3.

#### *National Insurance*

Provision has been made for National Insurance contributions on share options and restricted stock unit grants, which are expected to be exercised. The provision has been calculated based on Liberty Global plc's closing share price at 31 December 2013 and the exercise price of the options and is being allocated over the date of the award to the date that the employee will become unconditionally entitled to the options, which is expected to be the next 5 years.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 18. Share-based payments

The company is an indirect, wholly-owned subsidiary of Virgin Media Inc. and Liberty Global plc. The company has no share-based compensation plans. To 7 June 2013, the group's directors and certain of its employees participated in the share-based compensation plans of Virgin Media Inc. From 7 June 2013, following the merger of Virgin Media Inc. and Liberty Global, Inc., the share based compensation plans issued to employees were modified to be share based-compensation plans of Liberty Global plc.

#### Liberty Global Share Incentive Plans

The Share Incentive Plans are intended to encourage Liberty Global plc share ownership by employees and directors so that they may acquire or increase their proprietary interest in the Liberty Global and Virgin Media groups, and to encourage such employees and directors to remain in the group's employment or service and to put forth maximum efforts for the success of the business. To accomplish such purposes, the plans provide that as at 31 December 2013, Liberty Global is authorised to grant incentive awards under the Liberty Global Incentive Plan and the Virgin Media Incentive Plan.

Generally, the compensation committee of Liberty Global's board of directors may grant non-qualified share options, stock appreciation rights ("SARs"), restricted shares, restricted stock units ("RSUs"), cash awards, performance awards or any combination of the foregoing under any of the incentive plans (collectively, "awards"). Ordinary shares issuable pursuant to awards made under these incentive plans will be made available from either authorised 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. As of 31 December 2013, the Liberty Global Incentive Plan and the Virgin Media Incentive Plan had 238,907 and 12,017,912 ordinary shares available for grant, respectively.

In connection with the LG/VM Transaction, Liberty Global assumed the Virgin Media Incentive Plan. Awards under the Virgin Media Incentive Plan issued prior to 7 June 2013 have a ten-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 cancelled upon completion of the LG/VM Transaction. These cancelled awards were subsequently replaced by performance stock units ("PSUs") that were granted under the Virgin Media Incentive Plan on 24 June 2013. For the remaining performance-based awards that were outstanding prior to 7 June 2013, the performance objectives lapsed upon the completion of the LG/VM Transaction and such awards will vest on the third anniversary of the grant date.

Awards (other than performance-based awards) under the Liberty Global Incentive Plan issued after June 2005 and under the Virgin Media Incentive Plan after 7 June 2013 generally (i) 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 (ii) expire seven years after the grant date. Restricted shares and RSUs vest on the date of the first annual meeting of Liberty Global shareholders following the grant date. These shares may be awarded at or above fair value in any class of ordinary shares.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 18. Share-based payments *(continued)*

Subsequent to 31 December 2013, Liberty Global's shareholders approved the Liberty Global 2014 Incentive Plan. Generally, the compensation committee of Liberty Global's board of directors may grant non-qualified share options, SARs, restricted shares, RSUs, cash awards, performance awards or any combination of the foregoing under this incentive plan. Ordinary shares issuable pursuant to awards made under the Liberty Global 2014 Incentive Plan will be made available from either authorised 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 series of ordinary shares. The maximum number of Liberty Global shares with respect to which awards may be issued under the Liberty Global 2014 Incentive Plan is 50 million (of which no more than 25 million shares may consist of Class B ordinary shares), subject to anti-dilution and other adjustment provisions in the respective plan. As the Liberty Global 2014 Incentive Plan has now been approved by Liberty Global's shareholders, no further awards will be granted under the Liberty Global Incentive Plan or the Virgin Media Incentive Plan.

#### **Liberty Global 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 for which awards were granted under the Liberty Global Incentive Plan and the Virgin Media Incentive Plan.

#### *Liberty Global PSUs*

In March 2010, Liberty Global's compensation committee determined to modify the equity incentive award component of Liberty Global's executive officers' and other key employees' compensation packages, whereby a target annual equity value would be set for each executive or key employee, of which approximately two-thirds would be delivered in the form of an annual award of PSUs and approximately one-third in the form of an annual award of SARs. Each PSU represents the right to receive one Class A or Class C ordinary share, as applicable, subject to performance and vesting. Generally, the performance period for the PSUs covers a two-year period and the performance target is based on the achievement of a specified compound annual growth rate ("CAGR") in a consolidated operating cash flow metric (as defined in the applicable underlying agreement), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability ("OCF CAGR"), and the participant's annual performance ratings during the two-year performance period. A performance range of 75% to 125% of the target OCF CAGR generally results in award recipients earning 50% to 150% of their respective PSUs, subject to reduction or forfeiture based on individual performance. The PSUs generally vest 50% on each of 31 March and 30 September of the year following the end of the performance period. During the post-merger period, Liberty Global granted PSUs to certain of the company's executive officers and key employees.

#### *Liberty Global Challenge Performance Awards*

Effective 24 June 2013, Liberty Global's compensation committee approved a challenge performance award plan for certain executive officers and key employees (the Challenge Performance Awards), which consisted solely of performance stock appreciation rights ("PSARs") for Liberty Global's senior executive officers and a combination of PSARs and PSUs for other executive officers and key employees. Each PSU represents the right to receive one Class A ordinary share or one Class C ordinary share of Liberty Global, as applicable, subject to performance and vesting. The performance criteria for the Challenge Performance Awards will be based on the participant's performance and achievement of individual goals in each of the years 2013, 2014 and 2015. Subject to forfeitures and the satisfaction of performance conditions, 100% of each participant's Challenge Performance Awards will vest on 24 June 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 post-merger period, Liberty Global granted PSARs to certain of the company's executive officers.

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# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 18. Share-based payments *(continued)*

#### Virgin Media Stock Incentive Plans

Equity awards were granted to certain of our employees prior to the LG/VM Transaction under certain incentive plans maintained and administered by Virgin Media Inc. and no new grants will be made under these incentive plans. The equity awards granted include stock options, restricted shares, RSUs and PSUs (collectively, "Virgin Media Awards"). In accordance with the terms of 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 Virgin Media Awards.

#### Stock Options

A summary of the activity of the group's share options grants relating to employees of the group during the year ended 31 December 2013 is given below.

Virgin Media Awards	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Outstanding at 1 January 2013	10,248,798	\$18.33	
Granted	1,070,934	\$37.87	
Cancelled	(324,513)	\$21.69	
Exercised	(2,485,429)	\$16.44	
<b>Outstanding at 7 June 2013</b>	<b>8,509,790</b>	<b>\$21.21</b>	<b>6.8</b>
<b>Exercisable at 7 June 2013</b>	<b>3,410,963</b>	<b>\$17.96</b>	<b>4.8</b>

Liberty Global Class A Ordinary Shares	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Issued in exchange for Virgin Media Options on 7 June 2013	3,376,658	\$29.12	
Granted			
Cancelled	(144,329)	\$52.78	
Exercised	(1,501,458)	\$25.03	
Transfers	(16,390)	\$43.38	
<b>Outstanding at 31 December 2013</b>	<b>1,714,481</b>	<b>\$30.57</b>	<b>7.0</b>
<b>Exercisable at 31 December 2013</b>	<b>675,130</b>	<b>\$19.69</b>	<b>5.3</b>

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 18. Share-based payments (continued)

<b>Liberty Global Class C Ordinary Shares</b>	<b>Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Issued in exchange for Virgin Media Options on 7 June 2013	2,518,875	\$24.58	
Granted			
Cancelled	(107,690)	\$48.77	
Exercised	(1,092,500)	\$20.53	
Transfers	(12,235)	\$42.35	
<b>Outstanding at 31 December 2013</b>	<b>1,306,450</b>	<b>\$25.80</b>	<b>7.0</b>
<b>Exercisable at 31 December 2013</b>	<b>531,670</b>	<b>\$14.44</b>	<b>5.4</b>

In connection with the LG/VM Transaction, 8,509,790 Virgin Media stock options were exchanged for 3,376,658 Liberty Global Class A stock options and 2,518,875 Liberty Global Class C stock options.

A summary of the activity of the group's share options grants relating to employees of the group during the year ended 31 December 2012 is given below.

<b>Virgin Media Awards</b>	<b>Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Outstanding at 1 January 2012	12,731,980	\$16.43	
Granted	1,441,434	\$24.36	
Cancelled	(861,820)	\$20.29	
Exercised	(3,062,796)	\$13.77	
<b>Outstanding at 31 December 2012</b>	<b>10,248,798</b>	<b>\$18.33</b>	<b>6.7</b>
<b>Exercisable at 31 December 2012</b>	<b>3,849,623</b>	<b>\$18.14</b>	<b>5.1</b>

The weighted average share prices of Liberty Global Class A and Class C shares during the period 7 June 2013 to 31 December 2013 for options exercised were \$78.97 and \$74.80, respectively.

The weighted average share price of Virgin Media shares during the period 1 January 2013 to 7 June 2013 for options exercised was \$46.23 (2012 - \$27.06).

The range of exercise prices for options outstanding at 31 December 2013 was \$9.84 to \$56.42 (2012 - \$3.98 to \$30.64).

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 18. Share-based payments (continued)

The fair value for the Virgin Media Awards and the Virgin Media Replacement Awards options were estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Virgin Media Replacement Awards	Virgin Media Awards	
	Period from 7 June to 31 December 2013	Period from 1 January to 7 June 2013	Year ended 31 December 2012
Risk-free Interest Rate	1.00%	0.40% - 1.42%	0.31% - 1.27%
Expected Dividend Yield	none	0.41% - 0.50%	0.52% - 0.68%
Expected Volatility	23.6% - 32.6%	31.1% - 50.9%	36.5% - 60.2%
Expected Lives of Options	0.4 - 4.6 years	3.0 - 7.3 years	2.9 - 6.9 years
Weighted Average Grant Date Fair Value of Awards Granted in the Period	\$45.64	\$29.13	\$9.71

The ranges shown for the Virgin Media Replacement Awards expected lives and expected volatility exclude the awards for certain former employees of the group 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.

The expected life of options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical realised volatility of the ultimate parent company's shares, matched to the expected life of the options, is indicative of future trends, which may not necessarily be the actual outcome.

### Restricted Stock Units

A summary of the activity of the group's RSU grants relating to employees of the group during the year ended 31 December 2013 is given below.

Virgin Media Awards	RSUs	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (years)
Outstanding at 1 January 2013	1,781,742	\$15.64	
Granted	50,101	\$39.39	
Released from restrictions	(858,701)	\$14.10	
Forfeited	(578,801)	\$15.34	
<b>Outstanding at 7 June 2013</b>	<b>394,341</b>	<b>\$22.43</b>	<b>7.8</b>

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 18. Share-based payments (continued)

<b>Liberty Global Class A Ordinary Shares</b>	<b>RSUs</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Issued in exchange for Virgin Media PSUs and RSUs on 7 June 2013	900,408	\$76.24	
Granted	8,334	\$69.70	
Released from restrictions	(411,356)	\$76.21	
Forfeited	(31,038)	\$76.24	
Transfers	(13,261)	\$78.92	
<b>Outstanding at 31 December 2013</b>	<b>453,087</b>	<b>\$76.06</b>	<b>7.8</b>

<b>Liberty Global Class C Ordinary Shares</b>	<b>RSUs</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Issued in exchange for Virgin Media PSUs and RSUs on 7 June 2013	671,923	\$71.51	
Granted	8,334	\$65.56	
Released from restrictions	(307,078)	\$71.48	
Forfeited	(23,159)	\$71.51	
Transfers	(9,457)	\$75.00	
<b>Outstanding at 31 December 2013</b>	<b>340,563</b>	<b>\$71.30</b>	<b>7.8</b>

In connection with the LG/VM Transaction, 394,341 Virgin Media RSUs were exchanged for 110,321 Liberty Global Class A RSUs and 82,328 Liberty Global Class C RSUs.

A summary of the activity of the group's RSU grants relating to employees of the group during the year ended 31 December 2012 is given below.

<b>Virgin Media Awards</b>	<b>RSUs</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Outstanding at 1 January 2012	2,866,643	\$12.87	
Granted	97,836	\$24.34	
Released from restrictions	(1,014,120)	\$9.08	
Forfeited	(168,617)	\$13.09	
<b>Outstanding at 31 December 2012</b>	<b>1,781,742</b>	<b>\$15.64</b>	<b>7.2</b>

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 18. Share-based payments *(continued)*

#### Performance Stock Units

A summary of the activity of the group's PSU grants relating to employees of the group during the year ended 31 December 2013 is given below.

<b>Virgin Media Awards</b>	<b>PSUs</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Outstanding at 1 January 2013	2,408,426	\$22.40	
Granted	632,762	\$39.66	
Released from restrictions	(14,964)	\$24.08	
Forfeited	(251,936)	\$22.59	
<b>Outstanding at 7 June 2013</b>	<b>2,774,288</b>	<b>\$26.31</b>	<b>8.5</b>

<b>Liberty Global Class A Ordinary Shares</b>	<b>PSUs</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Outstanding at 7 June 2013	-	-	
Granted	164,412	\$69.90	
Released from restrictions	(6,580)	\$40.75	
Forfeited	(75,273)	\$69.70	
Transfers	27,012	\$55.78	
<b>Outstanding at 31 December 2013</b>	<b>109,571</b>	<b>\$68.31</b>	<b>1.7</b>

<b>Liberty Global Class C Ordinary Shares</b>	<b>PSUs</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Outstanding at 7 June 2013	-	-	
Granted	134,258	\$65.81	
Released from restrictions	(6,580)	\$39.21	
Forfeited	(58,607)	\$65.56	
Transfers	27,012	\$53.00	
<b>Outstanding at 31 December 2013</b>	<b>96,083</b>	<b>\$64.19</b>	<b>1.7</b>



# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 18. Share-based payments (continued)

In connection with the LG/VM Transaction, 419,717 of the Virgin Media PSUs were cancelled, and the remaining 2,354,571 PSUs were exchanged for 790,087 Liberty Global Class A RSUs and 589,595 Liberty Global Class C RSUs.

A summary of the activity of the group's PSU grants relating to employees of the group during the year ended 31 December 2012 is given below.

<b>Virgin Media Awards</b>	<b>PSUs</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Outstanding at 1 January 2012	1,212,032	\$19.90	
Granted	1,424,658	\$24.46	
Released from restrictions	(1,403)	\$24.08	
Forfeited	(226,861)	\$21.94	
<b>Outstanding at 31 December 2012</b>	<b>2,408,426</b>	<b>\$22.40</b>	<b>8.6</b>

In connection with the LG/VM Transaction, 419,717 of the Virgin Media PSUs were cancelled, and the remaining 2,354,571 PSUs were exchanged for 790,087 Liberty Global Class A RSUs and 589,595 Liberty Global Class C RSUs.

### Stock Appreciation Rights

A summary of the activity of the group's SARs grants relating to employees of the group during the year ended 31 December 2013 is given below.

<b>Liberty Global Class A Ordinary Shares</b>	<b>SARs</b>	<b>Weighted Average Base Price</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Outstanding at 7 June 2013	-	-	
Granted	17,632	\$80.67	
Transfers	78,199	\$49.97	
<b>Outstanding at 31 December 2013</b>	<b>95,831</b>	<b>\$55.62</b>	<b>5.2</b>
<b>Exercisable at 31 December 2013</b>	<b>36,859</b>	<b>\$40.38</b>	<b>4.2</b>

<b>Liberty Global Class C Ordinary Shares</b>	<b>SARs</b>	<b>Weighted Average Base Price</b>	<b>Weighted Average Remaining Contractual Term (years)</b>
Outstanding at 7 June 2013	-	-	
Granted	17,632	\$76.52	
Transfers	78,199	\$47.47	
<b>Outstanding at 31 December 2013</b>	<b>95,831</b>	<b>\$52.81</b>	<b>5.2</b>
<b>Exercisable at 31 December 2013</b>	<b>36,859</b>	<b>\$38.74</b>	<b>4.2</b>

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 18. Share-based payments (continued)

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

<u>Liberty Global Awards</u>	<b>Period from 7 June to 31 December 2013</b>
Risk-free Interest Rate,	0.78% - 0.81%
Expected Dividend Yield	none
Expected Volatility	26.5% - 26.7%
Expected Lives	3.2 years
Weighted Average Grant Date Fair Value of Awards Granted in the Period	\$15.57

### Performance Stock Appreciation Rights

A summary of the activity of the group's PSARs grants relating to employees of the group during the year ended 31 December 2013 is given below.

<u>Liberty Global Class A Ordinary Shares</u>	<u>PSARs</u>	<u>Weighted Average Base Price</u>	<u>Weighted Average Remaining Contractual Term (years)</u>
Outstanding at 7 June 2013	-	-	-
Granted	353,750	\$71.16	-
Forfeited	(86,252)	\$69.70	-
<b>Outstanding at 31 December 2013</b>	<b>267,498</b>	<b>\$71.63</b>	<b>6.5</b>
<b>Exercisable at 31 December 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>

<u>Liberty Global Class C Ordinary Shares</u>	<u>PSARs</u>	<u>Weighted Average Base Price</u>	<u>Weighted Average Remaining Contractual Term (years)</u>
Outstanding at 7 June 2013	-	-	-
Granted	353,750	\$66.96	-
Forfeited	(86,252)	\$65.56	-
<b>Outstanding at 31 December 2013</b>	<b>267,498</b>	<b>\$67.41</b>	<b>6.5</b>
<b>Exercisable at 31 December 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 18. Share-based payments (continued)

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

<u>Liberty Global Awards</u>	<b>Period from 7 June to 31 December 2013</b>
Risk-free Interest Rate	1.14% - 1.19%
Expected Dividend Yield	none
Expected Volatility	27.5% - 29.0%
Expected Lives	3.8 - 4.0 years
Weighted Average Grant Date Fair Value of Awards Granted in the Period	\$16.67

### Total Expense

The expense relating to the payment of share-based compensation of the company's directors and its employees is £80.4 million (2012 - £17.7 million).

### 19. Commitments under operating leases

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below.

	<b>2013</b>		<b>2012</b>	
	<b>Land and buildings £000</b>	<b>Other Items £000</b>	<b>Land and buildings £000</b>	<b>Other Items £000</b>
Operating leases which expire:				
Within 1 year	3,445	1,975	3,329	4,326
Within 2 to 5 years	6,487	15,347	8,467	10,822
After more than 5 years	8,582	5,398	8,446	4,880
	<u>18,514</u>	<u>22,720</u>	<u>20,242</u>	<u>20,028</u>

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 20. Pensions and other post retirement benefits

#### *Defined contribution plans*

The group contributes to the Virgin Media sponsored group personal pension plans of eligible employees. Contributions are charged to the Company Profit and Loss Account as they become payable, in accordance with the rules of the plans.

Contributions to the defined contribution plans during the period were £19,051,000 (2012 - £13,681,000). The amount of outstanding contributions at 31 December 2013 included within creditors: amounts falling due within one year was £3,252,000 (2012 - £2,269,000).

#### *Defined benefit plans*

The group recognises any actuarial gains and losses in each period in the Statement of Total Recognised Gains and Losses. Service costs and finance costs are recognised through the Profit and Loss account.

The group operates two plans which are defined benefit plans that pay out pensions at retirement based on services and final pay.

#### • ntl 1999 Pension Plan

The company operates a funded pension plan providing defined benefits ("ntl 1999 Pension Plan"). The plan has never been opened to new entrants except when the plan began and subsequently on 31 May 2007, on both occasions new members were transferred from other existing plans. The assets of the plan are held separately from those of the company, being invested in units of exempt unit trusts. The plan is funded by the payment of contributions to separately administered trust funds. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method with a control period.

#### • ntl Pension Plan

The company operates a funded pension plan providing defined benefits ("ntl Pension Plan"). The pension plan was closed to new entrants as of 6 April 1998. The assets of the plan are held separately from those of the company, in an independently administered trust. The plan is funded by the payment of contributions to this separately administered trust. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method.

The plans' assets are measured at fair value. The plans' liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond. As closed plans, under the projected unit method the current service cost will increase as the members of the plan approach retirement.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 20. Pensions and other post retirement benefits (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2013 £000	2012 £000
Defined benefit obligation at start of year	431,051	424,621
Current service cost	1,638	1,793
Interest cost	18,622	20,049
Experience gains	(8,733)	(24,840)
Impact of changes in financial assumptions	18,600	24,186
Employee contributions	258	314
Benefits paid	(14,436)	(15,072)
<b>Defined benefit obligation at end of year</b>	<b>447,000</b>	<b>431,051</b>

Changes in the fair value of plan assets are as follows:

	2013 £000	2012 £000
Fair value of the plan assets at start of year	384,596	381,006
Expected return on assets	21,732	18,832
Actual less expected return on assets	6,618	(18,139)
Employer contributions	22,588	17,655
Employee contributions	258	314
Benefits paid	(14,436)	(15,072)
<b>Fair value of plan assets at end of year</b>	<b>421,356</b>	<b>384,596</b>

The amounts recognised in the company balance sheet, for the current and previous four periods are as follows:

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Present value of funded defined benefit obligations	(447,000)	(431,051)	(424,621)	(390,077)	(377,770)
Fair value of plan assets	421,356	384,596	381,006	351,085	306,200
Non-recoverable surplus on plan assets	(18,145)	-	-	-	-
Deficit in plan	(43,789)	(46,455)	(43,615)	(38,992)	(71,570)
Related deferred tax asset	8,758	10,685	-	-	-
Net liability in the balance sheet	(35,031)	(35,770)	(43,615)	(38,992)	(71,570)
Experience gains/(losses) on plan liabilities	8,733	24,840	(4,061)	5,781	(5,627)
Experience gain/(losses) on plan assets	6,618	(18,139)	3,150	21,341	18,206

The non-recoverable surplus of £18,145,000 relates to the ntl 1999 pension plan. This amount is not considered to be recoverable and is therefore not being recognised.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 20. Pensions and other post retirement benefits (continued)

The amounts recognised in the profit and loss account for the year are as follows:

	2013 £000	2012 £000
<b>Charged to operating profit:</b>		
Current service cost	1,638	1,793
Total recognised in arriving at operating profit	<u>1,638</u>	<u>1,793</u>
<b>Charged/(credited) to net interest expense:</b>		
Expected return on pension plan assets	(21,732)	(18,832)
Restriction on expected return on assets recognised in profit and loss account	875	-
Interest on pension plan liabilities	18,622	20,049
Total net finance (income)/cost	<u>(2,235)</u>	<u>1,217</u>
<b>Taken to the Statement of Total Recognised Gains and Losses:</b>		
Experience (gains)/losses on plan assets	(6,618)	18,139
Experience gains on plan liabilities	(8,733)	(24,840)
Changes in assumptions underlying the present value of the plan liabilities	18,600	24,186
Non-recoverable surplus on plan assets	18,145	-
Restriction on expected return on assets recognised in profit and loss account	(875)	-
<b>Actuarial losses recognised in the Statement of Total Recognised Gains and Losses</b>	<u>20,519</u>	<u>17,485</u>

Principal actuarial assumptions are as follows:

	2013	2012
Discount rate	4.45%	4.40%
Annualised expected return on plan assets for the year	6.13%	5.45%
Rate of salary increases	3.90%	3.30%
Rate of pension increases	3.68%	3.43%
Rate of inflation	2.40%	1.80%
Life expectancy for:		
Male aged 45	88.6	88.6
Male aged 65	87.3	87.3
Female aged 45	91.1	91.0
Female aged 65	89.5	89.4

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 20. Pensions and other post retirement benefits *(continued)*

Where investments are held in bonds and cash, the expected long term rate of return is taken to the yields.

The plans' assets and expected return of the main asset classes were as follows:

#### 2013

	Long term rate of return	Total £000
Equities	7.80%	138,838
Property	7.30%	4,674
Corporate bonds	4.45%	102,845
Hedge funds	7.30%	80,344
Insurance policy (buy-in)	4.45%	92,640
Cash and other	3.80%	2,015
Total market value of assets		421,356
Non-recoverable surplus on plan assets		(18,145)
Present value of plan liabilities		(447,000)
Net pension liability (excluding deferred tax)		(43,789)

#### 2012

	Long term rate of return	Total £000
Equities	6.90%	168,386
Property	6.40%	5,205
Government bonds	2.90%	19,499
Corporate bonds	4.40%	81,195
Hedge funds	6.40%	9,092
Insurance policy (buy-in)	4.40%	90,589
Cash and other	2.90%	10,630
Total market value of assets		384,596
Present value of plan liabilities		(431,051)
Net pension liability (excluding deferred tax)		(46,455)

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 20. Pensions and other post retirement benefits *(continued)*

The benefits expected to be paid out of the pension plans in total are set out below for each of the next five years and the following five years in aggregate. The benefits expected to be paid are based on the same assumptions used to measure our benefit obligation at December 31, 2013 and include estimated future employee services:

	£000
2014	14,900
2015	14,600
2016	15,600
2017	17,000
2018	18,100
Years 2019 - 2023	105,100

Weighted average duration of the defined benefit obligation	17.9 years
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### 21. Contingent liabilities

The company along with fellow group undertakings is party to a senior secured credit facility with a syndicate of banks. As at 31 December 2013, this comprised term facilities that amounted to £2,638 million (2012 - £750 million) and a revolving credit facility of £660 million (2012 - £450 million). With the exception of the revolving credit facility, all available amounts were borrowed under the senior secured credit facility with an equivalent aggregate value of £2,638 million (2012 - £750 million). Borrowings under the facilities are secured against the assets of certain members of the group including those of this company.

In addition, a fellow group undertaking has issued senior secured notes which, subject to certain exceptions, share the same guarantees and security which have been granted in favour of the senior secured credit facility. The amount outstanding under the senior secured notes at 31 December 2013 amounted to £4,081 million (2012 - £2,582 million). Borrowings under the notes are secured against the assets of certain members of the group including those of this company.

During March 2014, a fellow group undertaking of the company, issued (i) \$425 million principal amount of 5.5% senior secured notes due 15 January 2025 (ii) £430 million principal amount of 5.5% senior secured notes due 15 January 2025 and (iii) £225 million principal amount of 6.25% senior secured notes due 28 March 2029. The net proceeds of the issuance of these senior secured notes were used to redeem an equivalent aggregate amount of £875 million of the group's existing senior secured notes.

In April 2014, a fellow group undertaking issued a further £175 million principal amount of 6.25% senior secured notes due 28 March 2029. In addition, fellow group undertakings entered into (i) a new £100 million term loan ("Facility D") that matures on 30 June 2022 and (ii) a new £849.4 million term loan ("Facility E") that matures on 30 June 2023, each under the existing senior secured credit facility, and for which all available amounts were borrowed with an equivalent aggregate value of £949.4 million.

On 22 May 2014, the net proceeds from the issuance of the £175 million senior secured notes, along with borrowings under Facility D and Facility E, were used to fully redeem an equivalent aggregate amount of £592.7 million and £600 million of the group's existing senior secured notes and senior secured credit facility respectively.



# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 21. Contingent liabilities (continued)

Following the refinancing activities detailed above, the amounts borrowed under the senior secured credit facility amounted to £1,324.4 million and \$2,755.0 million and the amounts borrowed under the senior secured notes amounted to £2,558.4 million and \$1,872.9 million.

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

### 22. Related party transactions

In accordance with the exemptions offered by FRS 8 "Related Party disclosures" there is no disclosure in these financial statements of transactions with entities that are part of Liberty Global plc., and its subsidiaries (see note 26).

### 23. Share capital

#### Authorised share capital:

	2013	2012
	£000	£000
5,378,375 Ordinary shares of £0.01 each	54	54
5,243,153 Ordinary shares of \$0.20 each	682	682
	<u>736</u>	<u>736</u>

#### Allotted and called up:

	2013		2012	
	No	£000	No	£000
Ordinary shares fully paid of £0.01 each	5,179,802	52	5,179,802	52
Ordinary shares fully paid of \$0.20 each (converted at exchange rate in place at date of issue of shares)	5,179,680	674	5,179,680	674
	<u>10,359,482</u>	<u>726</u>	<u>10,359,482</u>	<u>726</u>

All shares rank pari passu with each other in all material aspect.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 24. Reconciliation of shareholder's funds and movement on reserves

	Share capital £000	Share premium account £000	Share options reserve £000	Other reserves £000	Profit and loss account £000	Total share- holder's funds £000
At 1 January 2012	726	12,214,200	15,115	11	(10,699,503)	1,530,549
Profit for the year	–	–	–	–	796,561	796,561
Actuarial losses on pension plans	–	–	–	–	(17,485)	(17,485)
Movement on deferred tax relating to pension liability	–	–	–	–	10,685	10,685
At 31 December 2012 and 1 January 2013	726	12,214,200	15,115	11	(9,909,742)	2,320,310
Profit for the year	–	–	–	–	1,812,958	1,812,958
Actuarial losses on pension plans	–	–	–	–	(20,519)	(20,519)
Movement on deferred tax relating to pension liability	–	–	–	–	(1,927)	(1,927)
At 31 December 2013	726	12,214,200	15,115	11	(8,119,230)	4,110,822

### 25. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £119,331,000 (2012 - £148,479,000).

In the ordinary course of its business, the company contracts on behalf of fellow group undertakings and subsidiaries, therefore the above amounts include commitments entered into on behalf of these companies.

# Virgin Media Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 26. Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Media Investments Limited.

The smallest and largest groups of which the company is a member and in to which the company's accounts were consolidated at 31 December 2012 are Virgin Media Finance PLC and Liberty Global plc., respectively.

On 7 June 2013 Liberty Global, Inc. and Virgin Media Inc. completed a series of mergers, which resulted in the company's ultimate parent and controlling party changing to Liberty Global plc.

The company's ultimate parent undertaking and controlling party at 31 December 2013 was Liberty Global plc.

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

In addition copies of the consolidated Liberty Global plc accounts are available on Liberty Global's website at [www.libertyglobal.com](http://www.libertyglobal.com).