

Registered Number  
05061787

PARENT ACCOUNTS  
CCL CORPORATE COMMUNICATIONS  
SERVICES LTD  
2955679

Virgin Media Finance PLC  
Reports and Financial Statements  
31 December 2013

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**Virgin Media Finance PLC**  
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**Virgin Media Finance PLC**  
**Directors and Officers**  
**Registered Number**  
**05061787**

**Directors**  
R D Dunn  
M O Hifzi  
T Mockridge  
D M Strong

**Company Secretary**  
G E James

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## **Virgin Media Finance PLC**

### **Strategic Report**

The directors present their Strategic Report on the group for the year ended 31 December 2013

For the purposes of this Strategic Report, Directors' Report and financial statements, the Virgin Media Finance PLC group will be referred to as "the group", Virgin Media Finance PLC the entity will be referred to as "the company", the group headed by Virgin Media Inc will be referred to as "the Virgin Media group", and the group headed by Liberty Global plc will be referred to as "the Liberty Global group"

The company is 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

### **PRINCIPAL ACTIVITIES**

The Virgin Media 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 by number 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 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.

The group's residential broadband subscribers generally access the internet at various download speeds up to 152 Mbps, as of February 2014, depending on the tier of service selected. The group determine pricing for each different tier of broadband internet service through analysis of speed, market conditions and other factors.

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

The group provide mobile services to our customers using a third-party network through an MVNO arrangement. In addition, the group provide broadband internet, fixed-line and mobile telephony and other connectivity services to businesses, public sector organizations and service providers

As of 31 December 2013, the group provided services to approximately 4.7 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

The principal activity of the company is to facilitate the group's financing structure by implementing the group's capital management policies, making and facilitating external borrowings and holding investments in subsidiary companies. The company's investments include substantially all of the Virgin Media group's trading operating companies

The group's reporting segments are based on its method of internal reporting and the information used by its chief executive officer, who is the chief operating decision maker, or CODM, to evaluate segment performance and make capital allocation decisions. Following the LG/VM Transaction it was determined that the group comprises a single operating segment. This change in segment reporting reflects changes in how our new CODM reviews the results of our business. Segment information for all periods has been restated to reflect the change from the previously disclosed two reportable segments

**Virgin Media Finance PLC**  
**Strategic Report**

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

For the year ended 31 December 2013, revenue increased by 0.6% to £4,002.8 million from £3,980.7 million for the same period in 2012 primarily as result of an increase in cable subscription revenue, partially offset by a reduction in business and other revenue. See further discussion of revenue under '*Performance against Key Performance Indicators*' below.

Cost of sales increased by 0.8% to £1,218.1 million for the year ended 31 December 2013, from £1,208.2 million for the year ended 31 December 2012. This increase has been driven by increased programming costs, due primarily to growth in digital service and rate increases for live sports content, and increased mobile handset equipment costs due to the growth in postpaid customer base and the introduction of higher value handsets. This increase has been partially offset by a reduction in interconnect costs due to lower mobile and fixed-line telephony termination rates, a decline in business and residential telephony call volumes and a decline in circuit rental costs as business traffic is migrated to the group's network.

Gross profit increased by 0.4% to £2,784.6 million for the year ended 31 December 2013, from £2,772.5 million for the year ended 31 December 2012 primarily due to the reasons detailed above. Gross margin has remained unchanged at 69.6% for 2013 and 2012.

Administrative expenses increased by 6.4% to £2,182.5 million for the year ended 31 December 2013, from £2,051.5 million for the year ended 31 December 2012. The increase was primarily due to higher share-based payments which increased from £17.7 million in 2012 to £80.4 million in 2013, following the modification of awards on consummation of the LG/VM Transaction as detailed in note 25, and the associated national insurance costs on the exercise of such awards. In addition, redundancy and property exit related restructuring expenses increased from £2.3m in 2012 to £31.0 million in 2013 following the LG/VM transaction, along with an increase in depreciation from £931.7 million to £957.8 million offset by higher gains on disposal on fixed assets.

Finance income increased to £330.6 million for the year ended 31 December 2013, from £62.9 million for the year ended 31 December 2012. The increase in income was primarily as a result of interest income earned on an increase in loans to other Virgin Media group undertakings, interest income earned on related party notes receivable from other Liberty Global group undertakings that were entered into following the LG/VM Transaction, and foreign exchange gains due to the weakening of the U.S. dollar relative to the pound sterling in respect of the U.S. dollar denominated debt issued by the group.

Finance costs increased to £625.6 million for the year ended 31 December 2013, from £610.6 million for the year ended 31 December 2012. The increase in costs was principally net losses driven by changes in the fair value of derivative financial instruments which following the LG/VM Transaction are no longer designated as accounting hedges, and an increase in interest payable due to the net effect of higher average outstanding third party debt offset by lower weighted average interest rates. These increases were all partially offset by losses on the extinguishment of debt in 2012 as a result of refinancing activities, and foreign exchange losses in 2012 due to the strengthening of the U.S. dollar relative to the pound sterling in respect of the U.S. dollar denominated debt issued by the group.

**Virgin Media Finance PLC**  
**Strategic Report**

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)**

**Performance against Key Performance Indicators**

*Revenue*

Revenue includes amounts received from residential subscribers for ongoing services, as well as revenue earned from services to business customers, interconnect fees and other categories of non-subscription revenue. We use the term "subscription revenue" in the following discussion to refer to amounts received from cable and mobile residential customers for ongoing services. Other revenue includes, among other items, interconnect revenue, mobile interconnect revenue, non-cable services, mobile handset sales, installation revenue and late fees.

Revenue by major category for the years ended 31 December 2013 and 2012 was as follows

| Revenue                    | 2013<br>£ million | 2012<br>£ million      | Increase/<br>(decrease) |
|----------------------------|-------------------|------------------------|-------------------------|
| Subscription revenue       |                   |                        |                         |
| Cable                      | 2,718.3           | 2,578.8 <sup>(1)</sup> | 5.4 %                   |
| Mobile                     | 440.3             | 437.9                  | 0.5 %                   |
| Total subscription revenue | 3,158.6           | 3,016.7                | 4.7 %                   |
| Business                   | 598.7             | 659.5                  | (9.2%)                  |
| Other revenue              | 245.5             | 304.5 <sup>(1)</sup>   | (19.4%)                 |
|                            | 4,002.8           | 3,980.7                | 0.6 %                   |

The increase in cable subscription revenue was primarily due to an increase in the average number of broadband subscribers, and an increase in cable average revenue per user ("cable ARPU") to £48.02 for the year ended 31 December 2013 from £46.17<sup>(1)</sup> for the year ended 31 December 2012. The increase in cable ARPU was due to selective price increases in February 2013 and October 2013, the successful up-selling and cross-selling to existing customers, partially offset by a decrease in telephony usage and price discounting. Cable products per customer remained consistent at 2.5 as at 31 December 2013 and 2012, and "triple play" penetration grew to 65.7% at 31 December 2013 from 64.9% at 31 December 2012. A triple play customer is a customer who subscribes to the group's cable television, broadband and fixed line telephony services.

For the year ended 31 December 2013, mobile subscription revenue increased to £440.3 million from £437.9 million for the same period in 2012. The increase in mobile subscription revenue is due to an increase in the number of customers taking postpaid mobile services and a price increase in July 2013, partially offset by a decrease in the number of prepaid mobile customers, a reduction in chargeable usage as subscribers move to unlimited usage bundles, and a decrease due to higher proportions of our postpaid customers taking lower-priced subscriber identification module ("SIM")-only contracts.

Other revenue for the year ended 31 December 2013 decreased to £245.5 million from £304.5 million for the year ended 31 December 2012. The decrease in other revenue is primarily due to a decline in interconnect revenue as a result of lower mobile, short message service (SMS) and fixed-line telephony termination rates, lower cable installation activities and a decline in our non-cable subscriber base.

Our business revenue for the years ended 31 December 2013 and 2012 was as follows.

| Business Revenue        | 2013<br>£ million | 2012<br>£ million | Increase/<br>(decrease) |
|-------------------------|-------------------|-------------------|-------------------------|
| Data                    | 396.0             | 386.1             | 2.6 %                   |
| Voice                   | 147.3             | 158.9             | (7.3%)                  |
| Other                   | 55.4              | 114.5             | (51.6%)                 |
| Total Business Revenue: | 598.7             | 659.5             | (9.2%)                  |

## Virgin Media Finance PLC Strategic Report

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Business data revenue increased to £396.0 million for the year ended 31 December 2013, from £386.1 million for the year ended 31 December 2012. This increase was primarily due to higher contract acquisitions leading to increased rental revenue, partially offset by price reductions on the renewal of certain contracts.

Business voice revenue decreased to £147.3 million for the year ended 31 December 2013, from £158.9 million for the year ended 31 December 2012. This decrease was primarily due to lower telephony termination rates and lower pricing, partially offset by a reduction of revenue in 2012 as a result of a regulatory ruling.

Other business revenue includes equipment sales, certain non-recurring contract termination and modification fees, and installation revenue. Other revenue has decreased to £55.4 million for the year ended 31 December 2013 from £114.5 million for the year ended 31 December 2012. This decrease is primarily due to reduction in the amount of business installation revenue recognised (see note 2 for further information), a decrease due to non-recurring contract termination and modification fees and other non-recurring items recognised during 2012, partially offset by an increase in equipment sales.

#### *Summary residential cable statistics*

Selected statistics for the group's residential cable customers are shown below

|                                 | 2013       | 2012                  |
|---------------------------------|------------|-----------------------|
| Total cable customers           | 4,730,000  | 4,714,000             |
| Cable products                  |            |                       |
| Television                      | 3,599,100  | 3,641,700             |
| Telephone                       | 3,976,900  | 4,016,200             |
| Broadband                       | 4,222,800  | 4,121,300             |
| Total cable products            | 11,798,800 | 11,779,200            |
| Cable products per customer (i) | 2.50x      | 2.50x                 |
| Triple play penetration         | 65.7%      | 64.9%                 |
| Cable ARPU (ii)                 | £48.02     | £46.17 <sup>(1)</sup> |

(i) Each telephone, television and broadband internet subscriber directly connected to the Virgin Media group's network counts as one product. Accordingly, a subscriber who receives both telephone and television service counts as two products. Products may include subscribers receiving some services for free or at a reduced rate in connection with promotional offers.

(ii) Cable ARPU is calculated by dividing the average monthly subscription revenue (excluding installation, late fees, interconnect and mobile services revenue) for the indicated period, by the average of the opening and closing balances for Customer Relationships for the period.

The total number of cable products grew to 11,798,800 at 31 December 2013, from 11,779,200 at 31 December 2012, representing a net increase in products of 19,600. This growth in cable products, and cable customers, was partly as a result of an improvement in customer churn, particularly following the launch of BT Sport on our TV platform along with enhancements to our bundles and other services.

Of the Virgin Media group's total broadband customers of 4.2 million, 3.1 million (or 74%) now subscribe to superfast broadband services of 30 Mbps or higher, an increase of 1.0 million from the prior year. Nearly half of new customers subscribe to speeds of 60 Mbps or higher, showing the strong, ongoing demand for faster speeds. The group again demonstrated the power of our network during 2014 with another significant speed increase which began in February, where the top tier increases to 152 Mbps, twice the speed of VDSL products offered by competitors.

There has been a strong uptake of TiVo during the year ended 31 December 2013, as the Virgin Media group added over 0.6 million TiVo customers during the year, and the TiVo service is now in over 2 million homes. We continue to enhance the value of the service, and in the final quarter of 2013 we extended Virgin TV Anywhere to Android devices and added more live streaming channels to make it the most comprehensive cloud-based entertainment service offered by any UK pay-TV provider.

## Virgin Media Finance PLC Strategic Report

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

In December 2013, the group extended its range of triple-play bundles with the launch of "Essential Family Collection" which combines 30 Mbps broadband and our XL TV service with TiVo and BT Sport. The group ended 2013 with a triple-play penetration of 65.7%.

#### Summary mobile statistics

Selected statistics for the group's mobile customers are shown below:

|                               | 2013             | 2012             |
|-------------------------------|------------------|------------------|
| Postpaid mobile customers (i) | 1,879,100        | 1,708,900        |
| Prepaid mobile customers (i)  | 1,111,100        | 1,328,600        |
| Total mobile customers        | <u>2,990,200</u> | <u>3,037,500</u> |
| Mobile ARPU (ii)              | £14.36           | £14.89           |

#### Summary mobile statistics

(i) Mobile customer information is for active customers as at 31 December 2013 and 2012. Postpaid customers are defined as active customers if they have entered into a contract with Virgin Mobile for a minimum 30-day period and have not been disconnected. Prepaid Mobile Subscribers are considered active if they have made an outbound call or text in the preceding 30 days.

(ii) Mobile monthly average revenue per user ("Mobile ARPU") is calculated by dividing the average monthly mobile subscription revenue (excluding activation, handset fees and late fees) for the indicated period by the average of the opening and closing balances of total mobile subscribers in service for the period.

Between 31 December 2012 and 31 December 2013, the number of mobile customers decreased by a net 47,300 customers. Prepaid customer net losses of 217,500 were offset by net gains of 170,200 postpaid customers. This shift in the customer base reflects the group's strategy of acquiring higher-value postpaid customers, particularly amongst existing cable customers as the group believes that churn is meaningfully lower for households that have both mobile and cable services.

#### Future outlook

The operations of the group substantially include all the operational activity of the Virgin Media group and as such the group's aligns its future objectives with the Virgin Media group.

The Virgin Media group's customer growth was 21,200, including 6,000 customers from a small acquisition, during the three months ended 31 March 2014. Average revenue per customer relationship increased by 3% during the same period compared to the equivalent period in 2013. In addition, new quad-play bundles were launched in May incorporating superfast broadband, TiVo and SIM-only mobile tariffs. A discussion of the future outlook of the group is provided in Virgin Media Inc's annual report for 2013 and in the Q1 2014 Selected Operating and Financial Results release, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

(1) The revenue figure for cable products in 2012 included interconnect revenue and installation fees which are now included in other revenue. The ARPU figure for the year ended 31 December 2012 has been restated from £48.26 to £46.10 following the LG/VM Transaction and our adoption of a 'subscription revenue' definition.



## Virgin Media Finance PLC

### Strategic Report

#### FINANCING

As of 31 December 2013 the group had £9,019.7 million of financial liabilities compared with £5,869.3 million at 31 December 2012. The principal components of financial liabilities are discussed below:

##### *Senior credit facility*

On 7 June 2013, Virgin Media Investment Holdings Limited ("VMIH"), together with certain other subsidiaries of Virgin Media as borrowers and guarantors ("the Virgin Media Borrowing Group") entered into a new senior secured credit facility agreement ("the VM Credit Facility"), as amended and restated on 14 June 2013. The restated facility included (i) a £375.0 million term loan ("VM Facility A"), (ii) a \$2,755.0 million (£1,622.9 million) term loan ("VM Facility B"), (iii) a £600.0 million term loan ("VM Facility C") and (iv) a £660.0 million revolving credit facility ("the VM Revolving Facility"). With the exception of the VM Revolving Facility, all available amounts were borrowed under the VM Credit Facility in June 2013. In connection with the LG/VM Transaction, the previous £750.0 million senior secured credit facility outstanding at 31 December 2012 was repaid.

At 31 December 2013, all three term loan facilities had been drawn and the group's availability under the £660 million revolving credit facility was limited to £653.6 million.

##### *Senior notes and senior secured notes*

At 31 December 2013, the group had in issue U.S. dollar and pounds sterling denominated senior unsecured notes and senior secured notes with a principal amount outstanding of £1,276.1 million (2012 - £1,803.6 million) and £4,095.2 million (2012 - £2,555.2 million), net of issue costs respectively.

In February 2013, subsidiaries of Liberty Global issued \$530 million 6.375% and £250 million 7% senior notes due 2023, together with the \$1,000 million 5.375% and £1,100 million 6% senior secured notes due 2021 in connection with the execution of the LG/VM Transaction Agreement. The net proceeds (after deducting certain transaction expenses) from these notes of £2,198.3 million were placed into segregated escrow accounts with a trustee. Such net proceeds were released in connection with the closing of the LG/VM Transaction. On completion of the LG/VM Transaction, these notes were assumed by the group.

Under the terms of the applicable indentures, the completion of the LG/VM Transaction represented a "Change of Control" event that required the company and Virgin Media Secured Finance PLC, as applicable, to offer to repurchase the existing senior notes and senior secured notes due 2021 and 2022, respectively, at a repurchase price of 101% of par. On 11 June 2013, the company and Virgin Media Secured Finance PLC, as applicable, redeemed the following senior notes and senior secured notes.

##### *(i) Senior Notes issued by the company:*

- \$405 million (£244.5 million) of the 5.25% senior notes due 2022
- \$781.3 million (£471.6 million) of the 4.875% senior notes due 2022
- £355.9 million of the 5.125% senior notes due 2022

##### *(ii) Senior Secured Notes issued by Virgin Media Secured Finance PLC*

- \$52.1 million (£31.4 million) of the 5.25% senior secured notes due January 2021
- £21.6 million of the 5.50% senior secured notes due January 2021

Virgin Media Inc previously had obtained consent from holders of the 8.375% \$507.1 million and 8.875% £253.5 million senior notes due 2019, together with the 6.50% \$1,000 million and 7.00% £875 million senior secured notes due 2018 to waive its repurchase obligations under the respective indentures related to the "Change of Control" provisions.

The LG/VM Transaction did not constitute a "Change of Control" event under the indentures governing the 6.375% \$530.0 million senior notes due 2023, 7.00% £250 million senior notes due 2023, 5.375% \$1,000 million senior secured notes due April 2021 and the 6.00% £1,100 senior secured notes due April 2021.

On 14 March 2014 and 1 April 2014 the group issued further loan notes and redeemed in part loan notes that were in issue at 31 December 2013. See further discussion under 'Events since the balance sheet date' below.

## **Virgin Media Finance PLC**

### **Strategic Report**

#### **DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The group is exposed to volatility in its cash flows and earnings resulting from changes in interest rates and foreign currency exchange rates. The group has entered into various derivative instruments with a number of counterparties to manage this volatility of its cash flows and earnings.

The group has entered into cross-currency interest rate swaps to manage interest rate and foreign exchange rate currency exposures resulting from the variable and fixed rates of interest paid on dollar denominated debt obligations and movements in fair value on certain of its U.S. dollar denominated debt. Additionally, the group has entered into interest rate swaps to manage interest rate exposures resulting from the variable and fixed rates of interest paid on sterling denominated debt obligations and movements in fair value on certain of its sterling denominated debt. The group has also entered into U.S. dollar forward rate contracts to manage foreign exchange rate currency exposures related to certain committed and forecasted purchases. See Note 23 to the financial statements for further information on the group's derivative instruments.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Financial risk management**

Details of the financial risks and how they are managed are outlined in note 22 to the financial statements. The principal financial risks faced by the group are credit risk, interest rate risk, foreign exchange rate risk and liquidity risk.

##### **Principal non-financial risks**

Virgin Media Finance PLC is a member of the Virgin Media group, which manages the principal non-financial risks and uncertainties and is headed by Virgin Media Inc. These risks, among others, are discussed in more detail in Virgin Media Inc's annual report, which is available to the public on its website at [www.virginmedia.com/investors](http://www.virginmedia.com/investors) under the heading "Annual Reports". The information on the website is not part of this report. The principal non-financial risks include the following.

- economic and business conditions and industry trends in the markets in which we operate;
- the competitive environment in the cable television, broadband and telecommunications industries in the U.K., including competitor responses to our products and services,
- instability in global financial markets, including sovereign debt issues in the European Union (EU) and related fiscal reforms,
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt,
- changes in consumer television viewing preferences and habits,
- consumer acceptance of our existing service offerings, including our digital cable, broadband internet, fixed-line telephony and mobile and B2B (as defined in this annual report) service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future,
- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our digital cable, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household,
- our ability to provide satisfactory customer service, including support for new and evolving products and services,
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers,

**Virgin Media Finance PLC**  
**Strategic Report**

**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

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

**EVENTS SINCE THE BALANCE SHEET DATE**

On 14 March 2014, Virgin Media Secured Finance PLC, a wholly-owned subsidiary of the company, issued \$425.0 million 5.5% senior secured notes due 2025, £430.0 million 5.5% senior secured notes due 2025 and £225.0 million 6.25% senior secured notes due 2029. The net proceeds were used to redeem all of the £875.0 million 7.0% senior secured notes due 2018, including the related redemption premium, in April 2014.


**Virgin Media Finance PLC**  
**Strategic Report**

**EVENTS SINCE THE BALANCE SHEET DATE (continued)**

On 1 April 2014, Virgin Media Secured Finance issued £175.0 million principal amount of 6.25% senior secured notes due 28 March 2029 at an issue price of 101.75% of face value. In May 2014, the group issued term loan Facility D (£100 million) and Facility E (£849.4 million) and drew £100 million under the VM revolving credit facility. The proceeds received from the term loan Facilities D and E, the VM revolving credit facility and the additional £175.0 million 2029 VM Senior Secured Notes, were used to fully redeem the \$1.0 billion (£599.5 million) principal amount of 6.5% senior secured notes due 2018 (the 2018 VM Dollar Senior Secured Notes), including the related redemption premium, and the term loan Facility C with a principal amount of £600.0 million.

On 19 March 2014, the government announced a change in legislation with respect to the charging of VAT in connection with prompt payment discounts such as those that we offer to our fixed-line telephony customers. The change took effect on 1 May 2014 and will have an effect on us and some of our competitors. We currently believe that this legislative change will result in a reduction in revenue and operating profit of approximately £28 million to £30 million from the effective date of 1 May 2014 through to the end of 2014.

On behalf of the board



M O Hifzi  
Director  
23 June 2014

## **Virgin Media Finance PLC**

### **Directors' Report**

The directors present their report and the financial statements for the group for the year ended 31 December 2013

#### **RESULTS AND DIVIDENDS**

The group made a loss for the year, after taxation, of £70.1 million (2012 – profit of £2,708.9 million). The directors have not recommended the payment of a dividend (2012 – £nil). In addition, the agreements governing the group's senior notes and the senior credit facility, significantly, and, in some cases absolutely, restrict the company's ability to pay dividends.

#### **DIRECTORS AND THEIR INTERESTS**

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

R D Dunn (appointed 7 June 2013)

R C Gale (resigned 29 November 2013)

M O Hifzi (appointed 31 March 2014)

T Mockridge (appointed 7 June 2013)

D M Strong (appointed 22 November 2013)

C B E Withers (resigned on 31 March 2014)

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

#### **EMPLOYMENT POLICIES AND DISABLED EMPLOYEES**

Virgin Media remains committed to the continuing introduction and practice of progressive employment policies which reflect changing business, social and employee needs.

Virgin Media 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 gender, gender reassignment, marital status, 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 Virgin Media, ex-employees and people applying for jobs. This applies to all aspects of employment, including recruitment and training.

Virgin Media 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 Virgin Media's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

#### **Employee Involvement**

Virgin Media is dedicated to increasing the practical involvement of individuals in the running of its business. It seeks to achieve this as follows.

- All employees are encouraged to understand the aims of Virgin Media and of their own business area 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 Virgin Media. The online news channel, open forums, newsletters and team meetings play important roles in this, as do the development of people management skills and the ongoing conversations about performance and development which underpin mid-year and year-end reviews,

## **Virgin Media Finance PLC Directors' Report**

### **EMPLOYMENT POLICIES AND DISABLED EMPLOYEES (continued)**

- 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.

### **CHARITABLE AND POLITICAL DONATIONS**

During the year various charitable donations totalling £344,820 (2012 - £346,900) were made but no political donations were made for the year (2012 - £nil).

### **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 6000 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: <http://www.virginmedia.com/sustainability>.

### **SUPPLIER PAYMENT POLICY AND PRACTICE**

It is the group'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.

At 31 December 2013, the group had an average of 32 days purchases outstanding in trade creditors. The company had no trade creditors, as its function is to facilitate the group's financing structure by implementing the group's capital management policies, making and facilitating external borrowings and holding investments in subsidiary companies.

**Virgin Media Finance PLC  
Directors' Report**

**GOING CONCERN**

As Virgin Media Finance PLC is either a direct or indirect parent of substantially all of the trading companies in the Virgin Media group these consolidated financial statements include the majority of the trade and assets of the overall Virgin Media group. Whilst forecasts and projections, which take account of reasonably possible changes in trading performance, have not been prepared at a Virgin Media Finance PLC group level, they have been prepared for the Virgin Media group as a whole. These forecasts and projections showed that cash on hand, together with cash from operations and the undrawn revolving credit facility, are expected to be sufficient for the Virgin Media group's and hence the group's cash requirements through to 30 June 2015.

Taking into account these forecasts and projections and after making enquiries, the directors have a reasonable expectation the group has adequate support and resources to continue in operational existence for the foreseeable future.

For these reasons the directors continue to adopt the going concern basis in preparing these financial statements.

**CORPORATE GOVERNANCE**

Virgin Media Finance PLC is part of the Liberty Global group. Liberty Global group is committed to maintaining high standards of corporate governance and complies with the corporate governance regime of the US State of Delaware, the NASDAQ Listing Rules and the applicable US Securities and Exchange Commission rules and regulations and applicable London Stock Exchange Listing Rules. Liberty Global group's corporate governance statement is available to the public on its website at <http://www.libertyglobal.com/governance.html> under the heading "Corporate Governance". The information on the website is not part of this report.

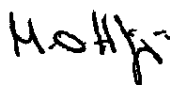
**DISCLOSURE OF INFORMATION TO THE AUDITORS**

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 required by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group'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 KPMG LLP were appointed.

On behalf of the board



M O Hifzi  
Director  
23 June 2014

## **Virgin Media Finance PLC**

### **Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements**

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

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

### **RESPONSIBILITY STATEMENTS UNDER THE DISCLOSURE AND TRANSPARENCY RULES**

Each of the directors confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face



## **Independent Auditor's Report to the Members of Virgin Media Finance PLC**

We have audited the financial statements of Virgin Media Finance PLC for the year ended 31 December 2013 set out on pages 16 to 91. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, 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 members 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 members, as a body, 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 14, 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 group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

  
John Cain (Senior statutory auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
15 Canada Square  
London  
E14 5GL  
25 June 2014

**Virgin Media Finance PLC**  
**Group Income Statement**  
for the year ended 31 December 2013

|  | Notes | 2013<br>£ million | 2012<br>£ million |
|--|-------|-------------------|-------------------|
| <b>Revenue</b>   | 3,4   | 4,002.8           | 3,980.7           |
| <b>Cost of sales</b>   |       | <u>(1,218.1)</u>  | <u>(1,208.2)</u>  |
| <b>Gross profit</b>  |       | 2,784.7           | 2,772.5           |
| <b>Administrative expenses</b>   |       | <u>(2,182.5)</u>  | <u>(2,051.5)</u>  |
| <b>Group operating profit</b>  | 5     | 602.2             | 721.0             |
| <b>Finance income</b>  | 8     | 330.6             | 62.9              |
| <b>Finance costs</b>   | 9     | (625.6)           | (610.6)           |
| <b>Other finance costs - pensions</b>  | 30    | <u>(1.1)</u>      | <u>(1.2)</u>      |
| <b>Net finance costs</b>   |       | <u>(296.1)</u>    | <u>(548.9)</u>    |
| <b>Profit before taxation</b>  |       | 306.1             | 172.1             |
| <b>Tax (expense)/credit</b>  | 10    | <u>(376.2)</u>    | <u>2,536.8</u>    |
| <b>(Loss)/profit for the year attributable to equity holders of the parent</b> |       | <u>(70.1)</u>     | <u>2,708.9</u>    |

All results relate to continuing operations

**Virgin Media Finance PLC**  
**Group Statement of Comprehensive Income**  
**for the year ended 31 December 2013**

|   | Notes | 2013<br>£ million | 2012<br>£ million |
|---|-------|-------------------|-------------------|
| (Loss)/profit for the year  |       | (70.1)            | 2,708.9           |
| <b>Other comprehensive income:</b>  |       |                   |                   |
| <i>Items that will not be reclassified to profit or loss</i>  |       |                   |                   |
| Actuarial gains/(losses) on defined benefit pension plans   | 30    | 1.0               | (17.5)            |
| Tax on defined benefit pension plans  | 10    | (5.1)             | 10.7              |
|   |       | <u>(4.1)</u>      | <u>(6.8)</u>      |
| <i>Items that will or may be subsequently reclassified to profit or loss</i>                        |       |                   |                   |
| Impact of movements in cash flow hedges   | 23    | (2.7)             | (47.7)            |
| Tax on cash flow hedges   | 23    | 2.8               | 15.7              |
| Exchange differences on the retranslation of foreign operations                                     |       | (12.1)            | -                 |
|   |       | <u>(12.0)</u>     | <u>(32.0)</u>     |
| <b>Total comprehensive (loss)/ profit for the year attributable to equity holders of the parent</b> |       | <u>(86.2)</u>     | <u>2,670.1</u>    |

**Virgin Media Finance PLC**  
**Group Balance Sheet**  
**as at 31 December 2013**

|                                      | Notes  | 31 December<br>2013<br>£ million | 31 December<br>2012<br>£ million |
|--------------------------------------|--------|----------------------------------|----------------------------------|
| <b>Non-current assets</b>            |        |                                  |                                  |
| Intangible assets                    | 11     | 1,941.2                          | 1,941.2                          |
| Property, plant and equipment        | 12     | 4,404.1                          | 4,541.6                          |
| Investments                          | 13     | -                                | -                                |
| Financial assets                     | 14     | 2,436.8                          | 161.1                            |
| Trade and other receivables          | 15     | 50.4                             | 51.2                             |
| Deferred tax assets                  | 10     | 2,332.5                          | 2,725.2                          |
|                                      |        | <u>11,165.0</u>                  | <u>9,420.3</u>                   |
| <b>Current assets</b>                |        |                                  |                                  |
| Financial assets                     | 14     | 27.8                             | 6.1                              |
| Trade and other receivables          | 15     | 2,959.5                          | 1,463.1                          |
| Inventories                          | 16     | 16.3                             | 17.5                             |
| Cash and short term deposits         | 17     | 29.4                             | 195.9                            |
|                                      |        | <u>3,033.0</u>                   | <u>1,682.6</u>                   |
| <b>Total assets</b>                  |        | <u>14,198.0</u>                  | <u>11,102.9</u>                  |
| <b>Current liabilities</b>           |        |                                  |                                  |
| Trade and other payables             | 18     | (1,459.5)                        | (1,333.5)                        |
| Financial liabilities                | 19     | (628.7)                          | (518.0)                          |
| Provisions                           | 21     | (18.6)                           | (16.9)                           |
|                                      |        | <u>(2,106.8)</u>                 | <u>(1,868.4)</u>                 |
| <b>Non-current liabilities</b>       |        |                                  |                                  |
| Trade and other payables             | 18     | (65.2)                           | (64.1)                           |
| Financial liabilities                | 19     | (8,391.0)                        | (5,351.3)                        |
| Deferred tax liabilities             | 10     | (140.7)                          | (145.9)                          |
| Provisions                           | 21     | (60.1)                           | (121.4)                          |
| Defined benefit pension plan deficit | 30     | (25.6)                           | (46.5)                           |
|                                      |        | <u>(8,682.6)</u>                 | <u>(5,729.2)</u>                 |
| <b>Total liabilities</b>             |        | <u>(10,789.4)</u>                | <u>(7,597.6)</u>                 |
| <b>Net assets</b>                    |        | <u>3,408.6</u>                   | <u>3,505.3</u>                   |
| <b>Capital and reserves</b>          |        |                                  |                                  |
| Equity share capital                 | 24, 26 | 0.1                              | 0.1                              |
| Share premium account                | 26     | 3,323.2                          | 3,323.2                          |
| Other capital reserves               | 26     | (1,337.6)                        | (1,337.6)                        |
| Unrealised gains and losses          | 26     | (64.3)                           | (64.4)                           |
| Foreign currency translation reserve | 26     | (12.1)                           | -                                |
| Retained earnings                    |        | <u>1,499.3</u>                   | <u>1,584.0</u>                   |
| <b>Total equity</b>                  |        | <u>3,408.6</u>                   | <u>3,505.3</u>                   |



R D Dunn  
Director  
23 June 2014

Company Registration Number: 05061787

**Virgin Media Finance PLC**  
**Group Statement of Changes in Equity**  
**for the year ended 31 December 2013**

|   | <b>Equity share<br/>capital<br/>£ million</b> | <b>Share<br/>premium<br/>account<br/>£ million</b> | <b>Other capital<br/>reserves<br/>£ million</b> | <b>Unrealised<br/>gains<br/>and losses<br/>£ million</b> |
|---|---|--|---|--|
| At 31 December 2011                     | 0.1   | 3,323.2  | (1,336.7)                                       | (32.4)   |
| Total comprehensive income/(loss)       | -   | -  | -   | (32.0)   |
| Acquisition of non-controlling interest | -   | -  | (0.9)   | -  |
| Tax on share based payments             | -   | -  | -   | -  |
| At 31 December 2012                     | 0.1   | 3,323.2  | (1,337.6)                                       | (64.4)   |
| Total comprehensive loss                | -   | -  | -   | 0.1  |
| Tax on share based payments             | -   | -  | -   | -  |
| At 31 December 2013                     | 0.1   | 3,323.2  | (1,337.6)                                       | (64.3)   |

|   | <b>Foreign<br/>Currency<br/>translation<br/>reserve<br/>£ million</b> | <b>Retained<br/>earnings/<br/>(deficit)<br/>£ million</b> | <b>Total equity<br/>£ million</b> |
|---|---|---|-----------------------------------|
| At 31 December 2011                     | -   | (1,133.5)   | 820.7                             |
| Total comprehensive income/(loss)       | -   | 2,702.1   | 2,670.1                           |
| Acquisition of non-controlling interest | -   | -   | (0.9)                             |
| Tax on share based payments             | -   | 15.4  | 15.4                              |
| At 31 December 2012                     | -   | 1,584.0   | 3,505.3                           |
| Total comprehensive loss                | (12.1)  | (74.2)  | (86.2)                            |
| Tax on share based payments             | -   | (10.5)  | (10.5)                            |
| At 31 December 2013                     | (12.1)  | 1,499.3   | 3,408.6                           |

See note 26 for an explanation of each reserve.

**Virgin Media Finance PLC**  
**Group Cash Flow Statement**  
**for the year ended 31 December 2013**

|   | Notes | 2013<br>£ million | 2012<br>£ million |
|---|-------|-------------------|-------------------|
| <b>Operating activities</b>   |       |                   |                   |
| (Loss)/profit for the year  |       | (70.1)            | 2,708.9           |
| <i>Adjustments to reconcile net profit to net cash inflow from operating activities</i> |       |                   |                   |
| Depreciation of property, plant and equipment   |       | 957.8             | 928.1             |
| Impairment of network assets  |       | 9.2               | -                 |
| Net finance costs   |       | 408.6             | 513.2             |
| Share-based payments  | 25    | 80.4              | 17.7              |
| Income taxes  |       | 369.5             | (2,535.0)         |
| Loss/(profit) on disposal of property, plant & equipment                                |       | (58.9)            | (11.9)            |
| Unrealised losses on derivative instruments   |       | 164.4             | 13.6              |
| Non-cash foreign exchange movements   |       | (93.7)            | 0.6               |
| Decrease/(increase) in trade and other receivables                                      |       | 17.3              | 3.5               |
| Decrease/(increase) in inventories  |       | 1.2               | (4.4)             |
| Decrease/(increase) in prepayments and other assets                                     |       | 18.9              | (18.2)            |
| (Decrease)/increase in trade and other payables   |       | (55.7)            | 30.1              |
| Increase/(decrease) in accruals, deferred income and other current liabilities          |       | 40.1              | (12.4)            |
| Increase/(decrease) in deferred income and other long term liabilities                  |       | 2.9               | (19.4)            |
| Movement in provisions  |       | (11.8)            | (41.9)            |
| <b>Net cash inflow from total operating activities</b>                                  |       | <u>1,780.1</u>    | <u>1,572.5</u>    |
| <b>Investing activities</b>   |       |                   |                   |
| Purchase of property, plant and equipment   |       | (718.1)           | (770.2)           |
| Loans to parent and group undertakings  |       | (3,872.1)         | (399.0)           |
| Proceeds on sale of property, plant and equipment                                       |       | 5.5               | 2.6               |
| Disposal of equity investments, net   |       | -                 | (2.5)             |
| Acquisition of subsidiary undertakings, net of cash acquired                            |       | -                 | (0.6)             |
| Change in restricted cash   |       | 0.4               | -                 |
| Interest received   |       | 232.4             | 57.4              |
| <b>Net cash outflow from investing activities</b>                                       |       | <u>(4,351.9)</u>  | <u>(1,112.3)</u>  |
| <b>Financing activities</b>   |       |                   |                   |
| Interest paid   |       | (622.9)           | (571.8)           |
| Settlement of cross currency interest rate swaps  |       | 20.8              | (26.0)            |
| New borrowings (net of financing fees)  |       | 4,270.3           | 1,441.7           |
| Repayment of borrowings   |       | (1,171.8)         | (1,294.3)         |
| Capital lease payments  |       | (91.0)            | (97.8)            |
| <b>Net cash outflow from financing activities</b>                                       |       | <u>2,405.4</u>    | <u>(548.2)</u>    |
| Effect of exchange rate changes on cash and cash equivalents                            |       | (0.1)             | -                 |
| <b>Net decrease in cash and cash equivalents</b>  |       | <u>(166.5)</u>    | <u>(88.0)</u>     |
| Cash and cash equivalents at 1 January  | 17    | <u>195.9</u>      | <u>283.9</u>      |
| Cash and cash equivalents at 31 December  | 17    | <u>29.4</u>       | <u>195.9</u>      |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**1 Authorisation of financial statements and statement of compliance with IFRS**

The consolidated financial statements of Virgin Media Finance PLC for the year ended 31 December 2013 were authorised for issue by the board of directors on 23 June 2014 and the Group Balance Sheet was signed on the board's behalf by R D Dunn. Virgin Media Finance PLC is a public limited company incorporated and domiciled in England & Wales. The company's shares are not publicly traded although the Senior Notes issued by the company are registered on the Luxembourg Stock Exchange.

**2 Accounting policies**

The principal accounting policies adopted by the group are set out below and have all been applied consistently throughout the current year and the preceding year.

***Basis of preparation***

The group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the group for the year ended 31 December 2013 and applied in accordance with the Companies Act 2006. The separate financial statements of the parent company are prepared under UK GAAP.

The financial statements are prepared on the going concern basis because, after making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Directors' Report on page 13.

The group financial statements are presented in sterling and all values are rounded to the nearest one hundred thousand pounds, except when otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the group's financial statements for the year ended 31 December 2013.

Prior period information has been presented on a consistent basis with the current year presentation.

Foreign exchange movements have been presented within Finance income and/or costs to align with the nature of how these gains and/or losses arise (see notes 8 and 9).

***New and amended standards adopted by the group***

The Group adopted IAS 19 (Revised) Employee Benefits from 1 January 2013. As a result of IAS 19 (Revised), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans. Under previous IAS 19, interest cost on the defined benefit obligation and an expected return on plan assets were recognised in the income statement within finance costs and finance income respectively. Under IAS 19R, these two amounts have been replaced by a single measure called 'net interest' calculated on the net defined benefit liability/(asset). This change affects the difference between actual and expected returns on plan assets, which is recognised in full within OCI as part of remeasurements. The 2012 pension figures have not been restated in these accounts because the impact would be immaterial. If they had been restated, the effect on the income statement would have been to increase net finance costs by £0.5 million and reduce remeasurements of the net defined benefit liability in OCI by £0.5 million.

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its consolidated income statement and OCI, to present separately items that would be reclassified to the income statement from those that would never be. Comparative information has been re-presented accordingly.

***New standards and interpretations not applied***

The following standards and interpretations have been issued with an effective date for accounting periods beginning after the date of these financial statements:

| <b><i>International Accounting Standards (IAS/IFRSs/IFRICs)</i></b> |   | <b><i>Effective Date</i></b>   |
|---|---|--------------------------------|
| IFRS 9  | Financial Instruments   | Effective date to be confirmed |
| IAS 32  | Amendment to IAS 32 Financial Instruments Presentation                              |                                |
|   | - Offsetting of Financial Assets and Financial Liabilities                          | 1 January 2014                 |
|   | IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendment)                         | 1 January 2014                 |
|   | Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' | 1 January 2014                 |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**2 Accounting policies (continued)**

The effective dates are for accounting periods beginning on or after the dates stated. The effective dates are those given in the original IASB/IFRIC standards and interpretations. As the group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to them having been endorsed in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the group's discretion to early adopt standards.

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the group's financial statements in the period of initial application.

The following standards and interpretations have been issued with an effective date of 1 January 2013 but were not endorsed by the EU until 1 January 2014.

***International Accounting Standards (IAS/IFRSs/IFRICs)***

|         |   |
|---------|---|
| IFRS 10 | Consolidated Financial Statements                 |
| IFRS 12 | Disclosure of Interests in Other Entities         |
| IAS 27  | Revision to IAS 27: Separate Financial Statements |

The directors do not anticipate that the adoption of these specific standards and interpretations will have a material impact on the group's financial statements.

***Judgements and key sources of estimation uncertainty***

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The most significant judgments and estimations used by management in the process of applying the group's accounting policies are discussed below.

***Impairment of intangible assets***

Goodwill and intangible assets with indefinite lives are assessed for impairment annually and when such indicators exist.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of these cash flows. Where fair value less cost to sell is used, the valuation must represent the fair value of the cash-generating unit in an orderly transaction between market participants under current market conditions, less costs to sell. Further details of the key assumptions are given in note 11.

***Share-based payments***

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires a determination of the most appropriate valuation model for the grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires a determination of the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend. The model used and assumptions made are disclosed in note 25.

***Deferred tax assets***

Deferred tax assets are recognised for unused tax losses and allowances to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Details of the measurement of the group's deferred tax asset recognition and measurement are provided in note 10.



**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**2 Accounting policies (continued)**

*Pension plans*

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation is based on assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details of the assumptions used in actuarial valuations are provided in note 30.

*Provision for asset retirement obligation*

The group recognises a provision for liabilities associated with participation in the market for Waste Electrical and Electronic Equipment ('WEEE') in accordance with the accounting policy stated below. The group 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 group has made assumptions about the age profile of the equipment distributed and the cost of disposal.

*Restructuring provisions*

Amounts provided for in relation to restructuring programmes include amounts expected to be settled in relation to vacant leased properties and redundancy costs. These provisions are based on the best estimates of factors such as the number of people expected to be made redundant, their length of service and remuneration, the cost of exiting a leased property and the discount rate applied to those specific costs. Further details are contained in note 21.

*Property, plant and equipment*

Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis at rates calculated to write off the cost of each asset over the shorter of its leasing period or estimated useful life. Useful lives are reviewed annually and where adjustments are required, these are made prospectively.

Overheads, including staff costs, relating to the design, construction and development of the network, capital projects, and related services are capitalised and depreciated on a straight-line basis over the life of the relevant assets.

*Basis of consolidation*

The group accounts consolidate the financial statements of Virgin Media Finance PLC and the entities it controls (its subsidiaries) drawn up to 31 December each year.

*Subsidiaries*

Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Control is defined as the power to govern the financial and operational policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated in full.

*Foreign currency translation*

The group's consolidated financial statements are presented in sterling, which is also the parent company's functional currency. Transactions in foreign currencies are initially recorded in the local entity's functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange differences are taken to the Group Income Statement, except where hedge-accounting is applied and for differences on monetary assets and liabilities that form part of the group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are reclassified from equity to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**2 Accounting policies (continued)**

***Goodwill***

Business combinations are accounted for using the purchase method. Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Group Balance Sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the Group Income Statement. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and at the reporting date when such indicators exist.

For the purpose of impairment testing, goodwill is allocated to cash generating units which are no larger than a reporting segment and represent the level at which results are monitored by management. Where the recoverable amount of a cash generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the Group Income Statement.

When goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

***Property, plant and equipment***

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset. Property, plant and equipment acquired through business combinations is initially recorded at fair value on acquisition.

Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis at rates calculated to write off the cost of each asset over the shorter of its leasing period or estimated useful life as follows:

***Network assets, cable plant and equipment***

Network assets - 3 - 30 years

***Other fixed assets***

- Property held under finance lease - period of lease
- Freehold property, other than land - 30 years
- Leasehold improvements - 20 years or, if less, the term of the lease
- Furniture and fixtures - 5 - 12 years
- Computer equipment - 3 - 5 years
- Motor vehicles - 5 years

***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.

## **2 Accounting policies (continued)**

Overheads, including staff costs, relating to the design, construction and development of the network, capital projects, and related services are capitalised and depreciated on a straight-line basis over the life of the relevant assets

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively

### ***Impairment of intangible assets and property, plant and equipment***

In accordance with IAS 36 '*Impairment of Assets*', the group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Group Income Statement in those expense categories consistent with the function of the impaired asset

An assessment is made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed, other than on goodwill, only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised

### ***Provisions for liabilities and charges***

#### ***General***

Provisions are recorded when the group has a legal or constructive obligation as a result of a past event for which it is probable that the group will be required to settle by an outflow of economic benefits 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.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation

#### ***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.

### ***Leases***

#### ***Group as a lessee***

Assets held under finance leases, which transfer to the group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the Group Income Statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are generally depreciated over the estimated useful life of the asset, certain assets held under finance leases are depreciated over the lease term where this is shorter than the estimated useful life.

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**2 Accounting policies (continued)**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

***Interest bearing loans and borrowings***

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs

Finance costs which are incurred in connection with the issuance of debt are deferred and set off against the borrowings to which they relate. Deferred finance costs are amortised over the term of the related debt using the effective interest method.

***Derivative financial instruments and hedging***

The group has established policies and procedures to govern the management of risks associated with fluctuating interest rates and foreign currency exchange rates through the use of derivative financial instruments, including interest rate swaps, cross-currency interest rate swaps and foreign currency forward contracts

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

The foreign currency forward rate contracts, interest rate swaps and cross-currency interest rate swaps are valued using internal models based on observable inputs, counterparty valuations or market transactions in either the listed or over-the-counter markets, adjusted for non-performance risk. Non-performance risk is based upon quoted credit default spreads for counterparties to the contracts and swaps. Derivative contracts which are subject to master netting arrangements are not offset and have not provided, nor require, cash collateral with any counterparty.

While these instruments are subject to the risk of loss from changes in exchange rates and interest rates, these losses would generally be offset by gains in the related exposures. Financial instruments are only used to hedge underlying commercial exposures. The group does not enter into derivative financial instruments for speculative trading purposes, nor does it enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed.

For derivatives which are designated as hedges, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

The group designates certain derivatives as either fair value hedges, when hedging exposure to variability in the fair value of recognised assets or liabilities or firm commitments, or as cashflow hedges, when hedging exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Derivatives that are not part of an effective hedging relationship as set out in IAS 39 are classified as held for trading and measured at fair value through profit or loss.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends upon the nature of the hedging relationship and are treated as follows:

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**2 Accounting policies (continued)**

*Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the net unrealised gains and losses reserve, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income and accumulated in equity are reclassified to the Group Income Statement when the hedged transaction is recognised in profit or loss, such as when a forecast sale or purchase occurs, in the same line of the income statement as the recognised hedged item. Where the hedged item is the cost of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred to the initial measurement of the cost of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are reclassified to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs and are reclassified to the Group Income Statement or to the initial carrying amount of the non-financial asset or liability above. If the related transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

*Fair value hedges*

For fair value hedges, the changes in the fair value of the hedging instrument are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, then the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

*Inventories*

Inventory consists of goods for resale which are valued at the lower of cost or net realisable value using the first-in, first-out (FIFO) method. Cost represents the invoiced purchase cost of inventory. Net realisable value is based on judgements, using currently available information about obsolete, slow moving or defective inventory. Based upon these judgements and estimates, which are applied consistently from period to period, an adjustment is made to state the carrying amount of inventory held for resale at the lower of cost and net realisable value.

*Trade and other receivables*

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made where there is objective evidence that the group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

*Cash and cash equivalents*

Cash and short-term deposits in the Group Balance Sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the Group Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

*Tax*

*Current income tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. The directors periodically evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income.

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**2 Accounting policies (continued)**

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

*Pensions*

The group contributes to the Virgin Media sponsored group personal pension plans for eligible employees. Contributions to these schemes are recognised in the Group Income Statement in the period in which they become payable, in accordance with the rules for each of the plans.

The group operates two defined benefit pension plans, both of which require contributions to be made to separately administered funds. Both plans are closed to new entrants

## **2 Accounting policies (continued)**

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 the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested.

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 Group Income Statement 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 Group Income Statement.

Actuarial gains and losses are recognised in full in the Group Statement of Comprehensive Income in the period in which they occur.

The defined benefit pension asset or liability in the Group 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.

### ***Revenue recognition***

Revenue is recognised to the extent that it is realised or realisable and earned. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT. The following criteria must also be met before revenue is recognised:

- persuasive evidence of an arrangement exists between the group and the group's customer;
- delivery has occurred or the services have been rendered,
- the price for the service is fixed or determinable, and
- recoverability is reasonably assured.

### ***Residential***

*Fixed line telephone, mobile telephone, cable television and internet revenues* are recognised as the services are provided to customers. Adjustments are made at the end of each period to defer revenue relating to services billed in advance and to accrue for earned but unbilled services.

*Revenue from prepaid mobile customers* is recorded as deferred revenue prior to commencement of the services and is recognised within revenue as the services are rendered or usage expires.

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

### ***Business***

*Rental revenues* in respect of line rentals and rental of equipment provided to customers are recognised on a straight-line basis over the term of the rental agreement.

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**2 Accounting policies (continued)**

*Installation revenues* are recognised when the contracted service has been delivered, which is generally when the customer has acknowledged acceptance of the equipment to which they retain title. The determination of whether the act of connecting a customer to the group's network is a separable service requires judgement, in particular with regard to whether the installation itself has standalone value. The factors relating to this judgment have been reviewed, with particular focus on contract features and whether or not the group retains title to the underlying assets, and the extent of independent evidence of standalone value for the installation service. Following this review, it was concluded that there is generally no longer sufficient evidence of standalone value. Accordingly, from June 2013 where the judgement is that insufficient evidence exists, any revenues arising thereon have been recognised over the term of the related rental agreement.

***Other income***

*Interest income* is recognised as interest accrues using the effective interest method - that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount.

*Residential Installation revenues* are recognised at the time the installation has been completed to the extent that those fees are less than the direct selling costs, which is generally the case. Installation fees in excess of direct selling costs are deferred and amortised over the expected life of the customer's connection.

*Mobile handset and other equipment revenues* are recognised when the goods have been delivered and title has passed. Equipment revenue is stated net of discounts earned through service usage.

***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 LG/VM Transaction the share based compensation plans were modified to be share based-compensation plans of Liberty Global plc as summarised in note 25 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.

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.



**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**3 Revenue**

Revenue is analysed as follows:

|                                    | 2013<br>£ million | 2012<br>£ million |
|------------------------------------|-------------------|-------------------|
| <i>Sales of goods and services</i> |                   |                   |
| Revenue                            | <u>4,002.8</u>    | <u>3,980.7</u>    |

Revenue, excluding finance income, is derived from goods and services provided through one geographical area, the U K , within which it provides digital cable, broadband internet, fixed-line telephony and mobile services to residential and/or business customers. Substantially all revenue is derived from the provision of services

**4 Segment information**

The principal activity of the company is to facilitate the group's financing structure by implementing the group's capital management policies, making and facilitating external borrowings and holding investments in subsidiary companies. The company's investments include substantially all of the Virgin Media group's trading operating companies.

The group's reporting segments are based on its method of internal reporting and the information used by its chief executive officer, who is the chief operating decision maker, or CODM, to evaluate segment performance and make capital allocation decisions.

Following the LG/VM Transaction it was determined that the group comprises a single operating segment. This change in segment reporting reflects changes in how our new CODM reviews the results of our business based on revenue and operating cash flow measures.

There is no material difference between the revenue presented to the CODM and the revenue of the Virgin Media Finance PLC group. Revenue for the group which operates entirely with the United Kingdom was £4,002.8 million.

**Virgin Media Finance PLC**  
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**for the year ended 31 December 2013**

**5 Group operating profit**

This is stated after charging/(crediting)

|  | 2013<br>£ million | 2012<br>£ million |
|--|-------------------|-------------------|
| Depreciation of property, plant and equipment                                | 884.8             | 855.0             |
| Depreciation of assets held under finance leases and hire purchase contracts | 73.0              | 76.7              |
| hire purchase contracts  |                   |                   |
| Total depreciation and amortisation expense                                  | <u>957.8</u>      | <u>931.7</u>      |
| Operating lease payments - minimum lease payments                            | 15.6              | 23.5              |
| - rent of commercial premises  | 27.5              | 26.2              |
| Total lease payments recognised as an expense                                | <u>43.1</u>       | <u>49.7</u>       |
| Gain on disposal of property, plant and equipment                            | <u>(58.9)</u>     | <u>(11.9)</u>     |
| Cost of inventories recognised within cost of sales                          | 135.4             | 124.6             |
| Write downs of inventories to net realisable value                           | 2.6               | 1.1               |
|  | <u>138.0</u>      | <u>125.7</u>      |
| Impairment of network assets   | <u>9.2</u>        | <u>-</u>          |

**6 Auditor's remuneration**

The group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the group.

|   | 2013<br>£ '000 | 2012<br>£ '000 |
|---|----------------|----------------|
| Audit services  |                |                |
| • Statutory audit services - audit of the parent company and group financial statements | 507            | 507            |
| Fees payable to the company's auditors and their associates for other services          |                |                |
| • Statutory audit services - statutory accounts of the company's subsidiaries           | 173            | 362            |
| • Tax services  | -              | 387            |
| • All other services  | -              | 8              |
| Fees in respect of pension schemes  |                |                |
| • Audit   | 22             | 22             |
|   | <u>702</u>     | <u>1,286</u>   |

Fees paid to the auditor for audit and other services to the company are not disclosed in its individual accounts as the group accounts are required to disclose such fees on a consolidated basis

Fees payable to the company's auditors and their associates for other services represents fees payable for services in relation to other statutory filings or engagements that are required to be carried out by the group's auditors.

Tax services represents fees payable for tax compliance and advisory services

Fees in respect of the pension schemes were payable to the previous auditor

**Virgin Media Finance PLC**  
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**for the year ended 31 December 2013**

**7 Staff costs and directors' emoluments**

**(a) Staff costs**

|                                   | <b>2013</b>                                 | <b>2012</b>      |
|-----------------------------------|---|------------------|
|                                   | <b>£ million</b>                            | <b>£ million</b> |
| Wages and salaries                | 589.0                                       | 516.9            |
| Social security costs             | 73.4  | 62.8             |
| Other pension costs (see note 30) | - defined benefit<br>- defined contribution | 1.6<br>1.8       |
|                                   | 19.1  | 13.7             |
| Total staff costs                 | <u>683.1</u>                                | <u>595.2</u>     |

Included in wages and salaries is a total expense for share-based payments of £80.4 million (2012 - £17.7 million), all of which arises from transactions accounted for as equity-settled share-based payment transactions

**(b) Average staff numbers**

The average monthly number of employees during the year was:

|                     | <b>2013</b>   | <b>2012</b>   |
|---------------------|---------------|---------------|
|                     | <b>No.</b>    | <b>No.</b>    |
| Subscription        | 4,460         | 4,527         |
| Business            | 868           | 807           |
| Access and networks | 6,049         | 5,986         |
| Technology          | 1,459         | 818           |
| Corporate           | 1,238         | 1,214         |
| Total staff numbers | <u>14,074</u> | <u>13,352</u> |

**(b) Directors' emoluments**

|  | <b>2013</b>   | <b>2012</b>   |
|--|---------------|---------------|
|  | <b>£ '000</b> | <b>£ '000</b> |
| Directors' emoluments                                      | <u>1,801</u>  | <u>458</u>    |
| Company contributions paid to money purchase pension plans | <u>113</u>    | <u>41</u>     |
| Highest paid director:                                     |               |               |
| Emoluments   | 643           | 319           |
| Company contributions paid to money purchase pension plans | 38            | 31            |
|  | <u>681</u>    | <u>350</u>    |

|   | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|
|   | <b>No.</b>  | <b>No.</b>  |
| Number of directors accruing benefits under money purchase plans                                  | <u>5</u>    | <u>3</u>    |
| Number of directors who exercised share options under schemes operated by ultimate parent company | <u>3</u>    | <u>1</u>    |
| Number of directors with shares received or receivable under long term incentive plans            | <u>5</u>    | <u>3</u>    |

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

There were no other transactions with directors during the year.

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**8 Finance income**

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| Bank interest receivable                        | 1.0               | 1.3               |
| Interest on amounts due from group undertakings | 124.6             | 56.1              |
| Interest on amounts due from related parties    | 106.8             | -                 |
| Gains on foreign exchange                       | 98.2              | -                 |
| Other finance income                            | -                 | 5.5               |
| <b>Total finance income</b>                     | <b>330.6</b>      | <b>62.9</b>       |

Bank interest receivable and interest on amounts due from group undertakings and related parties are recognised using the effective interest rate method in accordance with IAS 39 'Financial Instruments Recognition and Measurement'.

**9 Finance costs**

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| Interest payable on:                      |                   |                   |
| Senior credit facility and mortgage loans | 71.6              | 23.8              |
| Senior notes                              | 321.0             | 298.5             |
| Loans from parent undertakings            | 12.8              | 15.7              |
| Loss on derivative financial instruments  | 178.6             | 26.1              |
| Loss on debt extinguishment               | 24.3              | 189.8             |
| Interest payable on finance leases        | 12.5              | 16.1              |
| Other interest and fees                   | 2.1               | 1.8               |
| Loss on foreign exchange                  | -                 | 36.7              |
| Unwinding of discounts on provisions      | 2.7               | 2.1               |
| <b>Total finance costs</b>                | <b>625.6</b>      | <b>610.6</b>      |

Interest payable is recognised using the effective interest rate method.

For the year ended 31 December 2013, loss on extinguishment of debt was £24.3 million which related to the redemption premia paid and the write off of deferred financing costs as a result of the redemption of the senior notes, senior secured notes and senior credit facilities during June 2013. The redemption was triggered following the LG/VM Transaction which represented a "Change of Control" event that required the group to offer to repurchase certain existing senior notes and senior secured notes (see note 19).

For the year ended 31 December 2012, loss on extinguishment of debt was £189.8 million which related to the redemption premia paid and the write off of deferred financing costs as a result of the redemption of the senior notes on 28 March 2012 and the redemption of the senior notes over the period 31 October 2012 to 30 November 2012.

**Virgin Media Finance PLC**  
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**10 Taxation**

*(a) Tax expense/(credit) on profit on ordinary activities*

|   | 2013<br>£ million   | 2012<br>£ million       |
|---|---------------------|-------------------------|
| <i>Current income tax:</i>                        |                     |                         |
| Foreign taxes                                     | 0.6                 | 0.7                     |
|   | <u>0.6</u>          | <u>0.7</u>              |
| <i>Deferred income tax</i>                        |                     |                         |
| Reduction in future tax rate                      | 323.7               | -                       |
| Recognition of previously unrecognised tax assets | -                   | (2,537.5)               |
| Origination and reversal of temporary differences | 51.9                |                         |
|   | <u>375.6</u>        | <u>(2,537.5)</u>        |
| <b>Total tax charge</b>                           | <u><b>376.2</b></u> | <u><b>(2,536.8)</b></u> |

*(b) Reconciliation of the total tax (credit)/expense*

The tax expense/(credit) in the Group Income Statement is lower than the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are reconciled below

|   | 2013<br>£ million   | 2012<br>£ million       |
|---|---------------------|-------------------------|
| Accounting profit before income tax   | <u>306.1</u>        | <u>172.1</u>            |
| Accounting profit multiplied by the UK standard rate of corporation tax of 23.25% (2012- 24.5%) | 71.2                | 42.2                    |
| Expenses not deductible for tax purposes  | (13.8)              | 1.9                     |
| Utilisation of tax losses and other deductions  | -                   | (88.6)                  |
| Decelerated capital allowances  | -                   | 44.5                    |
| Foreign taxes   | 0.6                 | 0.7                     |
| Recognition of previously unrecognised tax assets   | -                   | (2,537.5)               |
| Other   | (2.4)               | -                       |
| Movement in deferred tax assets due to change in tax rate                                       | 323.7               | -                       |
| Prior year adjustment to deferred tax balances  | (3.1)               | -                       |
| <b>Total tax expense/(credit) recognised in the group income statement</b>                      | <u><b>376.2</b></u> | <u><b>(2,536.8)</b></u> |

|   | 2013<br>£ million   | 2012<br>£ million       |
|---|---------------------|-------------------------|
| Tax recognised in equity re SBCE                | 10.5                | (15.4)                  |
| Tax recognised in equity re Hedges and pensions | 2.3                 | (26.4)                  |
| Tax recognised in the Group Income Statement    | <u>376.2</u>        | <u>(2,536.8)</u>        |
|   | <u><b>389.0</b></u> | <u><b>(2,578.6)</b></u> |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
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**10 Taxation (continued)**

*(c) Recognised deferred tax*

Recognised deferred tax assets less deferred tax liabilities at 31 December 2013 and 31 December 2012 were as follows:

| <b>31 December 2013</b>                               |                  |                  |                  |
|---|------------------|------------------|------------------|
|   | <b>UK</b>        | <b>Dual</b>      | <b>Total</b>     |
|   | <b>£ million</b> | <b>resident</b>  | <b>£ million</b> |
|   |                  | <b>£ million</b> |                  |
| Deferred tax assets                                   |                  |                  |                  |
| Net operating losses                                  | 264.8            | 171.6            | 436.4            |
| Capital losses  | -                | -                | -                |
| Cross currency swaps                                  | 4.4              | -                | 4.4              |
| Depreciation and amortisation                         | 1,797.9          | -                | 1,797.9          |
| Accrued expenses                                      | 35.1             | -                | 35.1             |
| Other   | 50.7             | 2.6              | 53.3             |
| Pensions  | 5.4              | -                | 5.4              |
| Total deferred tax assets                             | 2,158.3          | 174.2            | 2,332.5          |
| Deferred tax liabilities:                             |                  |                  |                  |
| Depreciation and amortisation                         | -                | (140.7)          | (140.7)          |
| Total deferred tax liabilities                        | -                | (140.7)          | (140.7)          |
| Net deferred tax assets less deferred tax liabilities | 2,158.3          | 33.5             | 2,191.8          |

| <b>31 December 2012</b>                               |                  |                  |                  |
|---|------------------|------------------|------------------|
|   | <b>UK</b>        | <b>Dual</b>      | <b>Total</b>     |
|   | <b>£ million</b> | <b>resident</b>  | <b>£ million</b> |
|   |                  | <b>£ million</b> |                  |
| Deferred tax assets:                                  |                  |                  |                  |
| Net operating losses                                  | 346.7            | 185.9            | 532.6            |
| Derivative instruments                                | 15.8             | -                | 15.8             |
| Depreciation and amortisation                         | 2,056.6          | -                | 2,056.6          |
| Accrued expenses                                      | 47.4             | -                | 47.4             |
| Other   | 61.4             | -                | 61.4             |
| Pensions  | 10.7             | 0.7              | 11.4             |
| Total deferred tax assets                             | 2,538.6          | 186.6            | 2,725.2          |
| Deferred tax liabilities:                             |                  |                  |                  |
| Depreciation and amortisation                         | -                | (145.9)          | (145.9)          |
| Total deferred tax liabilities                        | -                | (145.9)          | (145.9)          |
| Net deferred tax assets less deferred tax liabilities | 2,538.6          | 40.7             | 2,579.3          |

The group has determined it probable that in future it will generate sufficient pre-tax profits to utilise substantially all of its deferred tax assets related to unclaimed capital allowances and net operating losses. An important factor in the group's assessment was that during 2012, the Virgin Media group moved into a three year cumulative pre-tax profit position for the first time and this continues to be the position as at 31 December 2013. Consequently, a non-cash income tax benefit of £2,579.3 million was recognised for the year ended 31 December 2012. The net deferred tax asset reduced in 2013 by £387.5m to £2,191.8m primarily due to the reduction in the UK corporation tax rate during the year and the utilisation of investments costs and operating losses.

**Virgin Media Finance PLC**  
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**10 Taxation (continued)**

*(d) Unrecognised deferred tax*

Deferred tax assets in respect of the following amounts have not been recognised as there is currently no persuasive evidence that there will be suitable taxable profits against which these timing differences will reverse

|                          | 2013<br>£ million | 2012<br>£ million |
|--------------------------|-------------------|-------------------|
| Income tax losses        | 29.9              | 38.0              |
| Capital losses           | 2,422.5           | 2,786.0           |
| Other timing differences | 143.2             | -                 |
|                          | <u>2,595.6</u>    | <u>2,824.0</u>    |

During the year the main rate of corporation tax reduced from 24% to 23% with effect from 1 April 2013. A rate reduction to 21% to apply from 1 April 2014 was substantially enacted in the Finance Act 2013, and a further rate reduction was also announced to reduce the rate to 20% from 1 April 2015. These rate changes will affect the amount of future tax payments to be made by the company. The unrecognised deferred tax assets have been calculated using a rate prevailing when the assets reverse.

**11 Intangible assets**

*(a) Summary of intangible assets*

|   | Goodwill<br>£ million |
|---|-----------------------|
| <b>Cost</b>   |                       |
| At 1 January 2012, 31 December 2012, 1 January 2013, 31 December 2013 | <u>2,079.2</u>        |
| <b>Amortisation</b>   |                       |
| At 1 January 2012, 31 December 2012, 1 January 2013, 31 December 2013 | <u>138.0</u>          |
| <b>Net book value</b>   |                       |
| At 1 January 2012, 31 December 2012, 1 January 2013, 31 December 2013 | <u>1,941.2</u>        |

*(b) Impairment of goodwill and intangible assets with indefinite lives*

Goodwill is not amortised, but is tested for impairment annually or more frequently if circumstances indicate a possible impairment exists in accordance with IAS 36 'Impairment of Assets'.

Goodwill is allocated to Cash Generating Units (CGUs), the assets of which are separately operated and monitored, and are judged to independently generate cash inflows. Following the LG/VM transaction the manner in which management monitors operations and makes decisions about continuing or disposing of assets and/or operations has changed, such that there is only one CGU relating to the group's cable network which is the core operating asset used to deliver services. This change in the business operating model has resulted in only one CGU for the group compared to two CGUs in prior periods.

At 1 January and 31 December 2012 and 1 January and 31 December 2013 the carrying amount of goodwill was £1,941.2 million.

The LG/VM Transaction on 7 June 2013 comprised Liberty Global plc ordinary shares and cash which valued the Virgin Media group at \$14.2 billion, or £9.1 billion.

**Virgin Media Finance PLC**  
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**11 Intangible assets (continued)**

The Directors consider this valuation as a reasonable basis for the fair value less costs to sell of the Virgin Media group at 31 December 2013, and was also a relevant valuation of the group given the group comprises substantially all of the trade and assets of the Virgin Media group.

On the basis of the level by which the fair value less costs to sell exceed the carrying value of the unit, indications are that the likelihood of the current recoverable amount determination being less than the current carrying amount of the unit would be remote, given the substantial margin by which the recoverable amount exceeds the carrying value in the 2013 and 2012 valuations.

It was concluded as a result of the above assessment that no impairment to goodwill was required for the years ended 31 December 2013 and 2012.

**12 Property, plant and equipment**

|  | Network<br>£ million | Construction<br>in progress<br>£ million | Other<br>£ million | Total<br>£ million |
|--|----------------------|--|--------------------|--------------------|
| <b>Cost</b>                            |                      |  |                    |                    |
| At 1 January 2012                      | 9,408.8              | 123.2                                    | 1,286.6            | 10,818.6           |
| Additions                              | -                    | 880.5                                    | 11.0               | 891.5              |
| Transfers                              | 777.7                | (913.6)                                  | 135.9              | -                  |
| Disposals                              | (515.8)              | -  | (188.2)            | (704.0)            |
| At 31 December 2012 and 1 January 2013 | 9,670.7              | 90.1                                     | 1,245.3            | 11,006.1           |
| Additions                              | -                    | 860.9                                    | -                  | 860.9              |
| Transfers                              | 680.9                | (798.5)                                  | 117.6              | -                  |
| Disposals                              | (86.1)               | 2.4                                      | (42.9)             | (126.6)            |
| At 31 December 2013                    | 10,265.5             | 154.9                                    | 1,320.0            | 11,740.4           |
| <b>Depreciation</b>                    |                      |  |                    |                    |
| At 1 January 2012                      | 5,237.1              | -  | 979.6              | 6,216.7            |
| Provided during the year               | 792.8                | -  | 138.9              | 931.7              |
| Disposals                              | (499.1)              | -  | (184.8)            | (683.9)            |
| At 31 December 2012 and 1 January 2013 | 5,530.8              | -  | 933.7              | 6,464.5            |
| Provided during the year               | 811.0                | 2.1                                      | 144.7              | 957.8              |
| Disposals                              | (70.3)               | (2.1)                                    | (13.6)             | (86.0)             |
| At 31 December 2013                    | 6,271.5              | -  | 1,064.8            | 7,336.3            |
| <b>Net book value</b>                  |                      |  |                    |                    |
| At 31 December 2013                    | 3,994.0              | 154.9                                    | 255.2              | 4,404.1            |
| At 31 December 2012 and 1 January 2013 | 4,139.9              | 90.1                                     | 311.6              | 4,541.6            |
| At 1 January 2012                      | 4,171.7              | 123.2                                    | 307.0              | 4,601.9            |

*Assets held under finance leases*

Included in the net book value of property, plant and equipment is £255.2 million (2012 - £242.7 million) in respect of assets held under finance leases and similar hire purchase contracts. Accumulated depreciation on these assets is £151.1 million (2012 - £167.1 million) and the charge for the year is £73.0 million (2012 - £76.7 million).

The group did not capitalise any borrowings costs on assets during the year.



**Virgin Media Finance PLC**  
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**12 Property, plant and equipment (continued)**

Included in 'Other' are the following net book values of freehold and leasehold land and buildings

|                        | <b>2013</b>      | <b>2012</b>      |
|------------------------|------------------|------------------|
|                        | <b>£ million</b> | <b>£ million</b> |
| Freehold               | 47.5             | 50.7             |
| Leasehold              | 33.9             | 34.6             |
| Leasehold improvements | 16.3             | 22.2             |
|                        | <u>97.7</u>      | <u>107.5</u>     |

**13 Investments**

*Investments in subsidiaries*

Details of the principal investments in which the group holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are detailed in note 32.

**14 Financial assets**

|                                    | <b>2013</b>      | <b>2012</b>      |
|------------------------------------|------------------|------------------|
|                                    | <b>£ million</b> | <b>£ million</b> |
| <i>Non-current</i>                 |                  |                  |
| Restricted cash                    | 1.6              | 1.9              |
| Cross-currency interest rate swaps | 1.2              | 53.3             |
| Interest rate swaps                | 136.7            | 105.9            |
| Amounts owed by related parties    | <u>2,297.3</u>   | <u>-</u>         |
|                                    | <u>2,436.8</u>   | <u>161.1</u>     |
| <i>Current</i>                     |                  |                  |
| Cross-currency interest rate swaps | 8.0              | 4.7              |
| Interest rate swaps                | <u>19.8</u>      | <u>1.4</u>       |
|                                    | <u>27.8</u>      | <u>6.1</u>       |

Amounts owed by related parties are in respect of loan notes receivable from Lynx Europe 2, which is part of the Liberty group but sits outside the Virgin Media group. The loan notes mature on 15 April 2023, had an aggregate principal balance of £2,297.3 million and bore interest at a rate of 8.5%.

**15 Trade and other receivables**

|                                     | <b>2013</b>      | <b>2012</b>      |
|-------------------------------------|------------------|------------------|
|                                     | <b>£ million</b> | <b>£ million</b> |
| <i>Non-current</i>                  |                  |                  |
| Prepayments and accrued income      | <u>50.4</u>      | <u>51.2</u>      |
|                                     | <u>50.4</u>      | <u>51.2</u>      |
| <i>Current</i>                      |                  |                  |
| Trade receivables                   | 368.2            | 385.5            |
| Amounts owed by parent undertakings | 2,385.2          | 933.9            |
| Amounts owed by related parties     | 88.0             | -                |
| Prepayments and accrued income      | <u>118.1</u>     | <u>143.7</u>     |
|                                     | <u>2,959.5</u>   | <u>1,463.1</u>   |

Prepayments and accrued income classified as non-current include long term telecommunications contracts falling due after more than one year.

**Virgin Media Finance PLC**  
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**15 Trade and other receivables (continued)**

Current amounts owed by parent undertakings and related parties are unsecured and repayable on demand

Trade receivables are non-interest bearing, are generally on 30-90 day terms and are stated net of provision for non-recoverability. The group's trade and other receivables have been reviewed for indicators of impairment and it was concluded that a provision for non-recoverability of £13.1 million (2012 - £9.0 million) was required. The carrying value of trade receivables is considered to be a fair approximation of fair value. Movements in the provision for impairment of receivables were as follows:

|                     | £ million |
|---------------------|-----------|
| At 1 January 2012   | 10.9      |
| Charge for the year | 30.2      |
| Utilised            | (32.1)    |
| At 31 December 2012 | 9.0       |
| Charge for the year | 33.6      |
| Utilised            | (29.5)    |
| At 31 December 2013 | 13.1      |

The ageing analysis of trade receivables is as follows

|                  |                    | Neither<br>past due nor<br>impaired | Balances past due     |                           |                           |                       |
|------------------|--------------------|-------------------------------------|-----------------------|---------------------------|---------------------------|-----------------------|
|                  | Total<br>£ million | £ million                           | <30 days<br>£ million | 30 - 60 days<br>£ million | 60 - 90 days<br>£ million | >90 days<br>£ million |
| 31 December 2013 | 368.2              | 228.2                               | 74.6                  | 27.5                      | 18.1                      | 19.8                  |
| 31 December 2012 | 385.5              | 252.4                               | 64.1                  | 27.4                      | 14.1                      | 27.5                  |

**16 Inventories**

|                  | 2013<br>£ million | 2012<br>£ million |
|------------------|-------------------|-------------------|
| Goods for resale | 16.3              | 17.5              |
|                  | <u>16.3</u>       | <u>17.5</u>       |

**17 Cash and short term deposits**

|                          | 2013<br>£ million | 2012<br>£ million |
|--------------------------|-------------------|-------------------|
| Cash at bank and in hand | 22.1              | 17.0              |
| Short-term deposits      | 7.3               | 178.9             |
|                          | <u>29.4</u>       | <u>195.9</u>      |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents including overdrawn cash book balances at 31 December 2013 was £29.4 million (2012 - £195.9 million).

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
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**18 Trade and other payables**

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| <i>Current</i>                                    |                   |                   |
| Trade payables                                    | 274.5             | 349.3             |
| VAT, payroll taxes and social security costs      | 78.1              | 85.5              |
| Interest payable to parent and group undertakings | 94.7              | 90.9              |
| Interest payable                                  | 92.1              | 62.5              |
| Amounts owed to group undertakings                | 207.6             | 114.9             |
| Amounts owed to related party                     | 8.4               | -                 |
| Accruals and deferred income                      | 704.1             | 630.4             |
|   | <u>1,459.5</u>    | <u>1,333.5</u>    |

Trade payables are non-interest bearing and normally repayable on terms of up to 120 days. Trade payables, interest payable and amounts owed to group undertakings are financial liabilities which are excluded from note 20

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

|                           | 2013<br>£ million | 2012<br>£ million |
|---------------------------|-------------------|-------------------|
| <i>Non-current</i>        |                   |                   |
| Other long term creditors | 65.2              | 64.1              |
|                           | <u>65.2</u>       | <u>64.1</u>       |

**19 Financial liabilities**

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| <i>Current</i>  |                   |                   |
| Current obligations under finance lease and hire purchase contracts (see note 20)     | 86.9              | 77.1              |
| Loan notes due to parent undertakings   | -                 | 262.0             |
| Loan notes due to group undertakings  | 434.9             | 170.8             |
| Interest rate swaps   | 43.6              | 2.1               |
| Cross-currency interest rate swaps  | 25.5              | 6.0               |
| Vendor financing  | 37.8              | -                 |
|   | <u>628.7</u>      | <u>518.0</u>      |
| <i>Non-current</i>  |                   |                   |
| Non-current obligations under finance lease and hire purchase contracts (see note 20) | 138.5             | 151.9             |
| Non-current instalments due on senior credit facility                                 | 2,627.5           | 738.7             |
| Senior notes  | 1,276.1           | 1,803.6           |
| Senior secured notes  | 4,095.2           | 2,555.2           |
| Cross-currency interest rate swaps  | 239.3             | 62.3              |
| Interest rate swaps   | 14.4              | 39.6              |
|   | <u>8,391.0</u>    | <u>5,351.3</u>    |
| <i>Total financial liabilities</i>  | <u>9,019.7</u>    | <u>5,869.3</u>    |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
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**19 Financial liabilities (continued)**

Borrowings at 31 December were repayable as follows

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| Amounts falling due.                                    |                   |                   |
| Within one year   | 472.7             | 432.8             |
| In more than one year but not more than two years       | -                 | -                 |
| In more than two years but not more than five years     | 1,465.8           | 750.0             |
| In more than five years                                 | 6,607.0           | 4,406.1           |
|   | 8,545.5           | 5,588.9           |
| Less: issue costs                                       | (74.0)            | (58.6)            |
| Borrowings amounts falling due after more than one year | 8,471.5           | 5,530.3           |
| Financial liabilities not classed as borrowings         | 548.2             | 339.0             |
| Total financial liabilities (above)                     | 9,019.7           | 5,869.3           |

Financial liabilities not classed as borrowings include obligations under finance leases and hire purchase contracts, interest rate swaps and cross-currency interest rate swaps.

Loans not wholly repayable within five years are as follows

|                          | 2013<br>£ million | 2012<br>£ million |
|--------------------------|-------------------|-------------------|
| Senior notes             | 1,296.3           | 1,824.4           |
| Senior secured notes     | 2,683.2           | 2,581.7           |
| Senior credit facilities | 2,627.5           | -                 |
|                          | 6,607.0           | 4,406.1           |

***Amounts due to parent and fellow group undertakings***

Loan notes due to parent and group undertakings are technically payable on demand as they do not include an unconditional right to defer payment and hence have been classified as current in accordance with IAS 1 'Presentation of Financial Statements'. However, the Directors are of the opinion that, in the ordinary course of business, repayment within such a time scale is unlikely to be required.

***Vendor Financing***

From 2013, the group has entered into vendor financing arrangements to manage its working capital requirements. The amounts owed pursuant to these arrangements are interest bearing, payable within one year, and include VAT which was paid on the group's behalf by the vendor. Repayments of vendor financing obligations are included in the repayment of borrowings in the group cash flow statement.

**Virgin Media Finance PLC**  
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**19 Financial liabilities (continued)**

*Senior notes*

|  | 2013<br>£ million | 2012<br>£ million |
|--|-------------------|-------------------|
| <i>Senior notes consist of</i>                                       |                   |                   |
| <i>U.S. Dollar</i>   |                   |                   |
| 8.375% senior notes due 2019 (principal at maturity \$507.1 million) | 302.7             | 309.3             |
| 5.25% senior notes due 2022 (principal at maturity \$95.0 million)   | 57.3              | 308.9             |
| 4.875% senior notes due 2022 (principal at maturity \$118.7 million) | 71.6              | 555.9             |
| 6.375% senior notes due 2023 (principal at maturity \$530 million)   | 319.9             | -                 |
|  | <u>751.5</u>      | <u>1,174.1</u>    |
| <i>Sterling</i>  |                   |                   |
| 8.875% senior notes due 2019 (principal at maturity £253.5 million)  | 250.7             | 250.3             |
| 5.125% senior notes due 2022 (principal at maturity £44.1 million)   | 44.1              | 400.0             |
| 7.00% senior notes due 2023 (principal at maturity £250 million)     | 250.0             | -                 |
|  | <u>544.8</u>      | <u>650.3</u>      |
| Less: issue costs  | <u>(20.2)</u>     | <u>(20.8)</u>     |
| Total senior notes   | <u>1,276.1</u>    | <u>1,803.6</u>    |

On 3 June 2009 Virgin Media Finance PLC issued dollar denominated 9.50% senior notes due 2016 with a principal amount outstanding of \$750 million and euro denominated 9.50% senior notes due 2016 with a principal amount outstanding of €180 million. These notes were unsecured senior obligations of the company. Interest was payable semi-annually on 15 February and 15 August each year. On 21 July 2009 Virgin Media Finance PLC issued an additional \$600 million aggregate principal amount of 9.50% senior notes due 2016 under the same terms as the notes issued on 3 June 2009. On 28 March 2012, \$500 million of the principal amount outstanding of the \$1,350 million 9.50% senior notes due 2016 were redeemed by paying £361.2 million, using the net proceeds from the issue of the 5.25% \$500 million senior notes due 2022, and cash on the group's balance sheet. Over the period 31 October 2012 to 30 November 2012 the remaining \$850 million principal amount outstanding of the \$1,350 million 9.50% senior notes due 2016 and the €180 million 9.50% senior notes due 2016 were redeemed by paying £751.6 million, using the net proceeds from the issue of the 4.875% \$900 million and 5.125% £400 million senior notes due 2022, and cash on the group's balance sheet.

During November 2009 Virgin Media Finance PLC issued \$600 million aggregate principal amount of 8.375% senior notes due 2019 and £350 million aggregate principal amount of 8.875% senior notes due 2019. The senior notes due 2019 are unsecured senior obligations and rank pari passu with Virgin Media Finance PLC's outstanding senior notes due 2022. Interest is payable on 15 April and 15 October each year. On 9 November 2012, \$92.9 million of the principal amount of the \$600 million 8.375% senior notes due 2019 and £96.5 million of the principal amount of the £350 million 8.875% senior notes due 2019 were redeemed by paying £179.4 million, using the net proceeds from the issue of the \$900 million and £400 million senior notes due 2022, and cash on the group's balance sheet.

On 13 March 2012 Virgin Media Finance PLC issued dollar denominated 5.25% senior notes due 2022 with a principal amount outstanding of \$500 million. The 5.25% senior notes are unsecured senior obligations of the company and rank pari passu with Virgin Media Finance PLC's outstanding senior notes due 2019 and 2022. Interest is payable semi-annually on 15 February and 15 August each year. On 11 June 2013, under the "Change of Control" event as described below, \$405 million of the principal amount of these senior notes was redeemed.

On 30 October 2012 Virgin Media Finance PLC issued dollar denominated 4.875% senior notes due 2022 with a principal amount outstanding of \$900 million, and sterling 5.125% senior notes due 2022 with a principal amount outstanding of £400 million. The 4.875% and 5.125% senior notes due 2022 are unsecured senior obligations of the company and rank pari passu with Virgin Media Finance PLC's outstanding senior notes due 2019 and 2022. Interest is payable semi-annually on 15 February and 15 August each year. On 11 June 2013, under the "Change of Control" as described below, \$781.3 million of the principal amount of the 4.875% \$900 million senior notes due 2022, and £355.9 million of the 5.125% £400 million senior notes due 2022 was redeemed.

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**19 Financial liabilities (continued)**

In February 2013, subsidiaries of Liberty Global issued \$530 million 6.375% and £250 million 7% senior notes due 2023, together with the \$1,000 million 5.375% and £1,100 million 6% senior secured notes due 2021 in connection with the execution of the LG/VM Transaction Agreement. The net proceeds (after deducting certain transaction expenses) from these notes of £2,198.3 million were placed into segregated escrow accounts with a trustee. Such net proceeds were released in connection with the closing of the LG/VM Transaction. On completion of the LG/VM Transaction, these notes were assumed by the group.

Under the terms of the applicable indentures, the completion of the LG/VM Transaction represented a "Change of Control" event that required the company and Virgin Media Secured Finance PLC, as applicable, to offer to repurchase the existing senior notes and senior secured notes due 2021 and 2022, respectively, at a repurchase price of 101% of par. On 11 June 2013, the company and Virgin Media Secured Finance PLC, as applicable, redeemed the following senior notes and senior secured notes:

- (i) Senior notes issued by the company:
- \$405 million (244.5 million) of the 5.25% senior notes due 2022,
  - \$781.3 million (£471.6 million) of the 4.875% senior notes due 2022
  - £355.9 million of the 5.125% senior notes due 2022
- (ii) Senior secured notes issued by Virgin Media Secured Finance PLC
- \$52.1 million (£31.4 million) of the 5.25% senior secured notes due January 2021
  - £21.6 million of the 5.50% senior secured notes due January 2021

**Senior secured notes**

|  | 2013<br>£ million | 2012<br>£ million |
|--|-------------------|-------------------|
| <i>Senior secured notes consist of</i>                                       |                   |                   |
| <i>U.S. Dollar</i>   |                   |                   |
| 6.50% senior secured notes due 2018 (principal at maturity \$1,000 million)  | 598.4             | 611.2             |
| 5.25% senior secured notes due 2021 (principal at maturity \$447.9 million)  | 293.1             | 350.5             |
| 5.375% senior secured notes due 2021 (principal at maturity \$1,000 million) | 603.6             | -                 |
|  | <u>1,495.1</u>    | <u>961.7</u>      |
| <i>Sterling</i>  |                   |                   |
| 7.00% senior secured notes due 2018 (principal at maturity £875 million)     | 867.4             | 865.9             |
| 5.50% senior secured notes due 2021 (principal at maturity £628.4 million)   | 686.5             | 754.1             |
| 6.00% senior secured notes due 2021 (principal at maturity £1,100 million)   | 1,100.0           | -                 |
|  | <u>2,653.9</u>    | <u>1,620.0</u>    |
| Less: issue costs  | (53.8)            | (26.5)            |
| Total senior secured notes   | <u>4,095.2</u>    | <u>2,555.2</u>    |

On 19 January 2010, a wholly owned subsidiary, Virgin Media Secured Finance PLC, issued dollar denominated 6.50% senior secured notes due 2018 with a principal amount outstanding of \$1,000 million and sterling denominated 7% senior secured notes due 2018 with a principal amount outstanding of £875 million. Interest is payable semi-annually on 15 June and 15 December each year, beginning 15 June 2010. The senior secured notes due 2018 rank pari passu with the senior credit facility and, subject to certain exemptions, share in the same guarantees and security which has been granted in favour of the senior credit facility.

On 3 March 2011, Virgin Media Secured Finance PLC, issued dollar denominated 5.25% senior secured notes due 2021 with a principal amount outstanding of \$500 million and sterling denominated 5.5% senior secured notes due 2021 with a principal amount outstanding of £650 million. Interest is payable semi-annually on 15 June and 15 December each year, beginning 15 June 2010. The senior secured notes due 2021 rank pari passu with and, subject to certain exceptions, share in the same guarantees and security which have been granted in favour of the senior credit facility and senior secured notes due 2018. On 11 June 2013, under the "Change of Control" as described above, \$52.1 million of the principal amount of the 5.25% \$500 million senior notes due 2021, and £21.6 million of the 5.5% £650 million senior notes due 2021 was redeemed.

**Virgin Media Finance PLC**  
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**19 Financial liabilities (continued)**

On 14 March 2014, Virgin Media Secured Finance PLC, a wholly-owned subsidiary of the company, issued \$425.0 million 5.5% senior secured notes due 2025, £430.0 million 5.5% senior secured notes due 2025 and £225.0 million 6.25% senior secured notes due 2029. The net proceeds were used to redeem all of the £875.0 7.0% senior secured notes due 2018, including the related redemption premium, in April 2014.

On 1 April 2014, Virgin Media Secured Finance issued £175.0 million principal amount of 6.25% senior secured notes due 28 March 2029 at an issue price of 101.75% of face value. In May 2014, the group issued term loan Facility D (£100.0 million) and Facility E (£849.4 million) and drew £100.0m under the VM revolving credit facility. The proceeds received from the term loan Facilities D and E, the VM revolving credit facility and the additional £175.0 million 2029 VM Senior Secured Notes, were used to fully redeem the \$1.0 billion (£599.5 million) principal amount of 6.5% senior secured notes due 2018 (the 2018 VM Dollar Senior Secured Notes), including the related redemption premium, and the term loan Facility C with a principal amount of £600.0 million.

**Senior credit facility**

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| <i>The senior credit facility consists of</i>   |                   |                   |
| <i>U.S. Dollar</i>  |                   |                   |
| LIBOR + 2.75% senior credit facility due 2020 (principal at maturity \$2,755 million) | 1,655.3           | -                 |
| <i>Sterling</i>   |                   |                   |
| LIBOR based senior credit facility due 2015 (principal at maturity £750 million)      | -                 | 750.0             |
| LIBOR + 3.25% senior credit facility due 2020 (principal at maturity £375 million)    | 375.0             | -                 |
| LIBOR + 3.75% senior credit facility due 2020 (principal at maturity £600 million)    | 597.2             | -                 |
|   | <u>2,627.5</u>    | <u>-</u>          |
| Less current portion  | -                 | -                 |
|   | <u>2,627.5</u>    | <u>750.0</u>      |
| Less: issue costs   | -                 | (11.3)            |
| Senior credit facility due after more than one year                                   | <u>2,627.5</u>    | <u>738.7</u>      |

The principal amount outstanding under the senior credit facility at 31 December 2012 was £750.0 million. The senior credit facility at 31 December 2012 comprised of a term facility denominated in pounds sterling of £750.0 million and a revolving facility of £450.0 million. At 31 December 2012, £750.0 million of the term facility had been drawn and £6.4 million of the revolving credit facility had been utilised for bank guarantees and standby letters of credit. The term credit facility borne interest at LIBOR, plus a margin ranging from 1.625% to 2.125% based on leverage ratios. The margins on the revolving credit facility ranged from 1.325% to 2.125% based on leverage ratios. Interest was payable at least semi-annually. The term credit facility and the revolving credit facility were repayable in full on their maturity date of 30 June 2015. The effective interest rate on the senior credit facility was 2.4% at 31 December 2012.

On 7 June 2013, Virgin Media Investment Holdings Limited, a wholly owned subsidiary, together with certain other subsidiaries of Virgin Media as borrowers and guarantors (the Virgin Media Borrowing Group) entered into a new senior secured credit facility agreement, as amended and restated on 14 June 2013 (the VM Credit Facility), pursuant to which the lenders thereunder agreed to provide the borrowers with (i) a £375.0 million LIBOR + 3.25% term loan, (ii) a \$2,755.0 million (£1,662.9 million) LIBOR + 2.75% term loan, (iii) a £600.0 million LIBOR + 3.75% term loan, and (iv) a £660.0 million LIBOR + 3.25% revolving credit facility. With the exception of the revolving facility, all available amounts were borrowed under the VM Credit Facility in June 2013. In connection with the LG/VM Transaction, the previous £750.0 million senior secured credit facility outstanding at December 2012 was repaid using the proceeds of the new senior secured credit facilities.

**Virgin Media Finance PLC**  
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**19 Financial liabilities (continued)**

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

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

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

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

The VM Credit Facility requires the borrowers to observe certain affirmative undertakings or covenants, which covenants are subject to materiality and other customary and agreed exceptions. In addition, the VM Credit Facility also requires compliance with various financial covenants such as Senior Net Debt to Annualised EBITDA and Total Net Debt to Annualised EBITDA, each capitalised term as defined in the VM Credit Facility.

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

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

***Restrictions***

The agreements governing the senior notes and the senior credit facility significantly, and, in some cases, absolutely restrict the group's ability and the ability of most of its subsidiaries to:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions, or redeem or repurchase equity interests or subordinated obligations,
- make investments;
- sell assets, including shares in subsidiaries,
- create liens,
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- merge or consolidate or transfer substantially all of the group's assets, and
- enter into transactions with affiliates.



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**20 Leases and hire purchase contracts**

***Obligations under finance leases and hire purchase contracts***

The group uses finance leases and hire purchase contracts to acquire plant and equipment. These leases have terms of renewal but no material purchase options or escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases and hire purchases contracts are as follows:

|  | <b>2013</b>      | <b>2012</b>      |
|--|------------------|------------------|
|  | <b>£ million</b> | <b>£ million</b> |
| <i>Future minimum payments due</i>               |                  |                  |
| Not later than one year                          | 96.7             | 87.6             |
| After one year but not more than five years      | 119.4            | 132.0            |
| After five years                                 | 145.4            | 152.5            |
|  | <u>361.5</u>     | <u>372.1</u>     |
| Less finance charges allocated to future periods | (136.1)          | (143.1)          |
| Present value of minimum lease payments          | <u>225.4</u>     | <u>229.0</u>     |

The present value of minimum lease payments is analysed as follows:

|   | <b>2013</b>      | <b>2012</b>      |
|---|------------------|------------------|
|   | <b>£ million</b> | <b>£ million</b> |
| <i>Amounts falling due</i>                  |                  |                  |
| Not later than one year                     | 86.9             | 77.1             |
| After one year but not more than five years | 103.9            | 113.8            |
| After five years                            | 34.6             | 38.1             |
|   | <u>225.4</u>     | <u>229.0</u>     |

***Operating lease agreements where the group is lessee***

Future minimum rentals payable under non-cancellable operating leases are as follows:

|   | <b>Land &amp; buildings</b> |                  | <b>Other</b>     |                  |
|---|-----------------------------|------------------|------------------|------------------|
|   | <b>2013</b>                 | <b>2012</b>      | <b>2013</b>      | <b>2012</b>      |
|   | <b>£ million</b>            | <b>£ million</b> | <b>£ million</b> | <b>£ million</b> |
| Not later than one year                     | 23.6                        | 27.2             | 14.1             | 13.1             |
| After one year but not more than five years | 60.5                        | 62.8             | 29.1             | 29.4             |
| After five years                            | 38.6                        | 40.2             | 13.1             | 19.6             |
|   | <u>122.7</u>                | <u>130.2</u>     | <u>56.3</u>      | <u>62.1</u>      |

The group has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have varied durations as some can be exited with as little as two months notice whilst the terms of some run indefinitely until notice is served. In respect of property leases the Landlord & Tenants Acts provides, under most normal circumstances, automatic rights for the tenant to renew their lease at expiry at the current market rent.

**Virgin Media Finance PLC**  
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**21 Provisions**

|                                      | Redundancy costs<br>£ million | Property & contract exit costs<br>£ million | Waste Electrical and Electronic Equipment<br>£ million | National Insurance<br>£ million | Total<br>£ million |
|--------------------------------------|-------------------------------|---|--|---------------------------------|--------------------|
| At 31 December 2012 & 1 January 2013 |                               |   |  |                                 |                    |
| Current                              | 0.1                           | 0.1   | 3.3  | 13.4                            | 16.9               |
| Non-current                          | -                             | 71.7  | 45.7   | 4.0                             | 121.4              |
|                                      | 0.1                           | 71.8  | 49.0   | 17.4                            | 138.3              |
| Established during the year          | 29.1                          | 6.4   | 6.5  | 21.2                            | 63.2               |
| Used during the year                 | (23.8)                        | -   | -  | (26.0)                          | (49.8)             |
| Revisions in cashflow estimates      | -                             | 0.4   | (39.9)   | -                               | (39.5)             |
| Movement in discount rate            | -                             | (23.4)                                      | (10.1)   | -                               | (33.5)             |
| At 31 December 2013                  | 5.4                           | 55.2  | 5.5  | 12.6                            | 78.7               |
| Analysed as:                         |                               |   |  |                                 |                    |
| Current                              | 5.4                           | 5.0   | 0.4  | 7.8                             | 18.6               |
| Non-current                          | -                             | 50.2  | 5.1  | 4.8                             | 60.1               |
|                                      | 5.4                           | 55.2  | 5.5  | 12.6                            | 78.7               |

*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 £15.2 million and is shown as part of the gain on disposal of fixed assets, see note 5

*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 5

*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 employees will become unconditionally entitled to the options, which is expected to be within the next 5 years.

**22 Financial Risk Management Objectives and Policies**

The group's principal financial liabilities, other than derivatives, comprise bank loans (senior credit facility), senior notes, senior secured notes, finance leases, vendor financing, trade payables, hire purchase contracts and loans made to parent and fellow group undertakings. With the exception of trade payables the main purpose of the financial liabilities is to raise finance for the Virgin Media group's operations. The group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The group is exposed to various market risks, including credit risk, foreign exchange rate risk, liquidity risk and interest rate risk. Market risk is the potential loss arising from adverse changes in market rates and prices. As some of the group's indebtedness accrues interest at variable rates there is exposure to volatility in future cash flows and earnings associated with variable interest payments.

## **22 Financial Risk Management Objectives and Policies (continued)**

Also, substantially all of the group revenues and costs (excluding interest) are earned and paid in pounds sterling, but interest and principal obligations on some indebtedness are in U S dollars. As a result the group has exposure to volatility in future cash flows and earnings associated with changes in foreign exchange rates on payments of interest and principal amounts on a portion of its indebtedness.

The group has entered into various derivative instruments to manage interest rate risk, and foreign exchange risk with respect to the U S dollar, comprising of interest rate swaps, cross-currency interest rate swaps and foreign currency forward contracts. The objective is to reduce the volatility of the group's cash flows and earnings caused by changes in underlying rates. Prior to the LG/VM Transaction, the group implemented a cash flow hedging programme to mitigate the risk from these exposures. Since the LG/VM Transaction, the group has elected not to apply hedge accounting to derivative instruments.

The main risks arising from the group's financial liabilities are described below.

### *Interest rate risk*

The group is subject to interest rate risk because it has substantial indebtedness at variable rates of interest. At 31 December 2013, before taking into account hedging instruments, interest is determined on a variable basis on £2,627.5 million (2012 - £750 million) or 31% (2012 - 14%) of indebtedness, relating solely to amounts drawn down on the senior credit facility. The group aims to reduce the volatility of its cash flows and earnings as a result of fluctuations in interest rates through the use of derivative financial instruments.

### *Interest rate risk profile of financial assets*

The group's financial assets include cash on money market deposit at call, seven day and monthly rates, and amounts owed by parent undertakings and related parties charged at variable interest rates.

### *Sensitivity analysis of changes in interest rates*

Interest rate risks are presented by way of a sensitivity analysis in accordance with IFRS 7 'Financial Instruments Disclosures'. These show the effects of changes in market interest rates on interest payments, interest income and expense, other components and, as appropriate, equity. The interest rate sensitivity analyses are based on the following assumptions.

Changes in market interest rates of non-derivative financial instruments with fixed interest rates only affect income if measured at fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined by IFRS 7.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of interest rate sensitivities.

Changes in the market interest rate of interest rate derivatives (interest rate swaps and cross-currency interest rate swaps) that are not part of a hedging relationship as set out in IAS 39 'Financial Instruments Recognition and Measurement' affect gains or losses on derivatives and are therefore taken into consideration in the calculation of interest rate sensitivities.

Foreign currency forward rate contracts are not subject to interest rate risks and therefore do not affect interest rate sensitivities.

Based on debt at 31 December 2013, including amounts owed to and due from parent and group undertakings, and taking into consideration hedging instruments, a 0.25% movement in market interest rates would result in an annual increase or decrease in the gross interest expense of £13.9 million (2012 - a 0.25% movement in market interest rates would result in an annual increase or decrease in the gross interest expense of £3.1 million). Movements in gross interest expense would be recognised in finance income and finance costs in the Group Income Statement.

## **22 Financial Risk Management Objectives and Policies (continued)**

### *Foreign currency exchange rate risk*

The group is also subject to foreign currency exchange risks, because substantially all of its revenues and operating expenses are denominated in pounds sterling, but interest and principal obligations with respect to a portion of its indebtedness is denominated in U.S. dollars. To the extent that the pound declines in value against the U.S. dollar, the effective cost of servicing U.S. dollar denominated debt will be higher. Changes in the exchange rate result in foreign currency gains or losses.

As of 31 December 2013 the group had £3,901.9 million (2012 - £2,135.8 million), or 46% (2012 - 41%) of external indebtedness, denominated in U.S. dollars (see note 20). The group has a programme in place to mitigate the risk of losses arising from adverse changes in foreign currency exchange rates which uses a number of derivative financial instruments. When taking into consideration cross currency interest rate swaps and foreign currency forward rate contracts, the majority of external debt is hedged against foreign currency exchange rate risk.

For the year ended 31 December 2013 the group had foreign currency gains of £98.2 million (2012 - losses of £36.7 million). The gains for the year ended 31 December 2013 were primarily due to the weakening of the U.S. dollar relative to the pound sterling in respect of the U.S. dollar denominated debt issued by the group to which hedge accounting is not applied. The losses for the year 31 December 2012 were primarily due to foreign exchange movements between the issuance of the \$500m U.S. dollar denominated senior notes due 2022 on 13 March 2012, and the redemption of \$500m of the U.S. dollar denominated senior notes due 2016 on 28 March 2012.

At 31 December 2013 the group had nil of euro denominated inter-company liabilities (2012 - £94.2 million). The group had £4,634.8 million of U.S. dollar denominated inter-company receivables (2012 - £908.3 million).

### *Sensitivity analysis of changes in foreign currency exchange rates*

For the presentation of market risks, IFRS 7, 'Financial Instruments: Disclosures' requires sensitivity analysis that shows the effects of hypothetical changes of foreign currency exchange rates of relevant risk variables on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative of the year as a whole.

Currency risks are defined by IFRS 7 as arising on account of financial instruments being denominated in a currency other than the functional currency and being of a monetary nature. Relevant risk variables are generally all non-functional currencies in which the group has financial liabilities, excluding amounts due to parent undertakings.

The currency sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial instruments (liquid assets, receivables and finance lease liabilities) are directly denominated in the functional currency. There are therefore no foreign exchange fluctuations in respect of these instruments which have an effect on profit or loss or shareholders' equity. Interest income and expense from financial instruments are also either recorded in the functional currency or transferred to the functional currency using derivatives.

The group has a number of derivative instruments with various counterparties to manage its exposure to changes in foreign currency exchange rates. Prior to the LG/VM Transaction, some of these currency derivatives were part of an effective cash flow hedge for hedging payment fluctuations resulting from exchange rate movements in accordance with IAS 39. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in equity and the fair value of these hedging transactions.

Exchange rate fluctuations, on which the financial instruments are based, affect gains or losses on derivatives in the finance income or finance costs lines, respectively, of the Group Income Statement. Since the LG/VM Transaction, the group has not designated derivative instruments as accounting hedges.

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**22 Financial Risk Management Objectives and Policies (continued)**

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling against U.S. dollar exchange rates with all other variables remaining constant, of the group's profit before tax (due to foreign exchange translation of monetary assets and liabilities):

|                      | Increase/<br>decrease in<br>Sterling US<br>dollar rate | Effect on<br>profit/(loss)<br>before tax<br>£ million |
|----------------------|--|---|
| <b>2013</b>          |  |   |
| Sterling/U.S. dollar | +20%   | 374.4   |
| Sterling/U.S. dollar | -20%   | (561.7)   |
| <b>2012</b>          |  |   |
| Sterling/U.S. dollar | +20%   | 356.0   |
| Sterling/U.S. dollar | -20%   | (533.9)   |

*Liquidity risk and capital management*

The company is a wholly owned subsidiary and its ultimate parent company is Liberty Global plc. Capital management policies are operated at a Virgin Media group level by the management of Liberty Global plc. The agreements that govern the Virgin Media group's indebtedness set out financial maintenance tests and restrictive covenants, and it is the policy of the Virgin Media group to maintain adequate headroom against these tests and covenants.

The Virgin Media group's business is capital intensive and the Virgin Media group is highly leveraged. The Virgin Media group has significant cash requirements for operating costs, capital expenditure and interest expense. The level of the Virgin Media group's capital and operating expenditures are affected by significant amounts of capital required to connect customers to the network, expand and upgrade the network and offer new services. Cash on hand, together with cash from operations and an undrawn credit facility, are expected to be sufficient for the Virgin Media group's cash requirements through to 30 June 2015. The Virgin Media group has significant scheduled repayments that may need to be financed through means other than reliance on cash flow from operations, such as raising additional debt or equity, refinancing the existing facility, possible loans from parent undertakings or related parties, sale of assets or other means. It may not be possible to obtain adequate financing, or sell assets at all, or on favourable terms, or the terms of the senior credit facility or senior notes may prevent the Virgin Media group from incurring additional indebtedness or selling assets. However, significant steps have been taken to defer repayments or make additional prepayments as described below.

As of 31 December 2013 the group had £8,262.0 million of external debt (including finance leases, vendor financing and net of deferred finance costs) outstanding, compared to £5,326.5 million as of 31 December 2012 and cash and cash equivalents of £29.4 million compared to £195.9 million at 31 December 2012.

The principal amount outstanding under the senior credit facility at 31 December 2013 was £2,627.5 (2012 - £750.0 million). The senior credit facility comprises three term facility denominated in pounds sterling of £2,627.5 million (2012 - £750.0 million) and a revolving facility of £660.0 million (2012 - £450.0 million). At 31 December 2013, £2,627.5.0 million (2012 - £750.0 million) of the term facility had been drawn and £nil million (2012 - £6.4 million) of the revolving credit facility had been utilised for bank guarantees and standby letters of credit.

The April 2021 Senior Secured Notes and the 2023 Senior Notes were originally issued by subsidiaries of Liberty Global in February 2013 in connection with the execution of the LG/VM Transaction Agreement. The net proceeds (after deducting certain transaction expenses) from the April 2021 Senior Secured Notes and the 2023 Senior Notes of £2,198.3 million (equivalent at the transaction date) were placed into segregated escrow accounts with a trustee. Such net proceeds were released in connection with the closing of the LG/VM Transaction. In addition, upon completion of the LG/VM Transaction, the April 2021 Senior Secured Notes and the 2023 Senior Notes were pushed down to Virgin Media Secured Finance and Virgin Media Finance, respectively.

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**22 Financial Risk Management Objectives and Policies (continued)**

The 2018 Senior Secured Notes, the January 2021 Senior Secured Notes and the April 2021 Senior Secured Notes are collectively referred to as the "VM Senior Secured Notes." The 2019 Senior Notes, the 2022 Senior Notes and the 2023 Senior Notes are collectively referred to as the "VM Senior Notes" (and together with the VM Senior Secured Notes, the VM Notes).

Under the terms of the applicable indentures, the completion of the LG/VM Transaction represented a "Change of Control" event that required Virgin Media Secured Finance and Virgin Media Finance, as applicable, to offer to repurchase the January 2021 Senior Secured Notes and the 2022 Senior Notes at a repurchase price of 101% of par. In this regard, on June 11, 2013, Virgin Media Secured Finance and Virgin Media Finance, as applicable, redeemed (i) \$52.1 million (£31.4 million) of the January 2021 Dollar Senior Secured Notes, (ii) £21.6 million of the January 2021 Sterling Senior Secured Notes, (iii) \$405.0 million (£244.5 million) of the 2022 5.25% Dollar Senior Notes, (iv) \$781.3 million (£471.6 million) of the 2022 4.875% Dollar Senior Notes and (v) £355.9 million of the 2022 Sterling Senior Notes. With respect to the 2019 Senior Notes and the 2018 Senior Secured Notes, Virgin Media previously had obtained consent from holders of such notes to waive its repurchase obligations under the respective indentures related to the "Change of Control" provisions. The LG/VM Transaction did not constitute a "Change of Control" event under the indentures governing the April 2021 Senior Secured Notes and the 2023 Senior Notes.

As a result of the refinancing steps described above, and in the prior year, the group no longer has any scheduled principal payments on its senior notes and senior credit facility until 2018. However, if the group was unable to meet the prepayment condition or service these obligations through cash flows from operations, then it would need to secure additional funding such as raising additional debt or equity, refinancing the existing facility, selling assets or using other means. It may not be possible to obtain financing or sell assets, at all or on favourable terms, or the group may be contractually prevented by the terms of its senior notes or senior credit facility from incurring additional indebtedness or selling assets.

A maturity analysis of financial liabilities, outstanding at 31 December 2013, showing the remaining contractual undiscounted amounts payable, including interest commitments, is shown below:

|   | Less<br>than 1 year<br>£ million | 1 to 5 years<br>£ million | Greater than<br>5 years<br>£ million | Total<br>£ million |
|---|----------------------------------|---------------------------|--------------------------------------|--------------------|
| <b>2013</b>   |                                  |                           |                                      |                    |
| Senior credit facility, senior notes and senior secured notes                 | 441.9                            | 4,466.8                   | 6,039.5                              | 10,948.2           |
| Vendor financing  | 37.8                             | -                         | -                                    | 37.8               |
| Finance lease and hire purchase contracts                                     | 96.7                             | 119.4                     | 145.4                                | 361.5              |
| Derivative contracts  | -                                | 66.2                      | 256.6                                | 322.8              |
| <b>2012</b>   |                                  |                           |                                      |                    |
| Senior credit facility, senior notes, senior secured notes and mortgage loans | 279.7                            | 1,798.6                   | 4,746.1                              | 6,824.4            |
| Finance lease and hire purchase contracts                                     | 87.6                             | 132.0                     | 152.5                                | 372.1              |
| Derivative contracts  | 8.1                              | 39.9                      | 62.0                                 | 110.0              |

The above amounts exclude other financial liabilities, such as trade payables, which are all repayable in less than one year. Amounts owed to parent and group undertakings have also been excluded as they are repayable on demand.

## **22 Financial Risk Management Objectives and Policies (continued)**

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, trade receivables and derivative contracts.

At 31 December 2013, the group had £29.4 million (2012 - £195.9 million) in cash and cash equivalents. These cash and cash equivalents are on deposit with a number of major financial institutions and, as part of the Virgin Media group's cash management process, regular evaluations of the credit standing of these institutions are performed using a range of metrics. The group has not experienced any losses in cash balances and management do not believe it is exposed to any significant credit risk on its cash balances.

Concentrations of credit risk with respect to trade receivables are limited because of the large number of customers and their distribution across a wide geographic area. The Virgin Media group performs periodic credit evaluations of its business customers' financial condition and generally does not require collateral. No single group or customer represents greater than 10% of total accounts receivable.

Concentrations of credit risk with respect to derivative contracts are focused within a limited number of international financial institutions with which the Virgin Media group transacts and relate only to derivatives with recorded asset balances. The Virgin Media group performs regular reviews of the financial institutions with which it transacts as to their credit worthiness and financial condition. The group includes a credit risk adjustment based upon the credit default swap spread in the valuation of derivative instruments, however, the group does not expect there to be any significant non-performance risks associated with its counterparties.

## **23 Financial Instruments**

### **Derivative Instruments and Hedging Activities - financial risk management**

The company and group have obligations in a combination of US dollars and sterling at fixed and variable interest rates. As a result the group is exposed to variability in its cash flows and earnings resulting from changes in foreign currency exchange rates and interest rates.

The group's objective in managing its exposure to interest rates and foreign currency exchange rates is to decrease the volatility of its earnings and cash flows caused by changes in the underlying rates. The group has established policies and procedures to govern these exposures and has entered into derivative financial instruments including interest rate swaps, cross-currency interest rate swaps and foreign currency forward rate contracts. Subsidiaries of Virgin Media Finance PLC hold financial instruments which hedge the foreign currency risk of debt issued by its ultimate parent company Virgin Media Inc. It is the group's policy not to enter into derivative financial instruments for speculative trading purposes, nor to enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed. The amounts below include amounts relating to short term as well as long term creditors.

The group applied hedge accounting to certain of its derivative instruments prior to the LG/VM Transaction, and subsequent to the LG/VM Transaction has elected not to designate derivative instruments as accounting hedges, although these remain economic hedges.

The fair values of derivative financial instruments recorded in the Group Balance Sheet are shown in notes 14 (Financial assets) and 19 (Financial liabilities).

The fair values of derivative financial instruments recognised in the Group Balance Sheet are as follows

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**23 Financial Instruments (continued)**

|  | 2013<br>£ million | 2012<br>£ million |
|--|-------------------|-------------------|
| <i>Included within current assets</i>          |                   |                   |
| <i>Fair value hedges</i>                       |                   |                   |
| Interest rate swaps                            | 19.8              | -                 |
| Cross-currency interest rate swaps             | 7.8               | -                 |
| <i>Derivatives not designated as hedges</i>    |                   |                   |
| Interest rate swaps                            | -                 | 1.4               |
| Cross-currency interest rate swaps             | 0.2               | 4.7               |
|  | <u>27.8</u>       | <u>6.1</u>        |
| <i>Included within non-current assets</i>      |                   |                   |
| <i>Fair value hedges</i>                       |                   |                   |
| Interest rate swaps                            | 34.8              | 102.6             |
| Cross-currency interest rate swaps             | 0.8               | 36.3              |
| <i>Cash flow hedges</i>                        |                   |                   |
| Interest rate swaps                            | -                 | 3.3               |
| <i>Derivatives not designated as hedges</i>    |                   |                   |
| Interest rate swaps                            | 101.9             | -                 |
| Cross-currency interest rate swaps             | 0.4               | 17.0              |
|  | <u>137.9</u>      | <u>159.2</u>      |
| <i>Included within current liabilities</i>     |                   |                   |
| <i>Derivatives not designated as hedges</i>    |                   |                   |
| Interest rate swaps                            | 43.6              | 2.1               |
| Cross-currency interest rate swaps             | 25.5              | 6.0               |
|  | <u>69.1</u>       | <u>8.1</u>        |
| <i>Included within non-current liabilities</i> |                   |                   |
| <i>Fair value hedges</i>                       |                   |                   |
| Interest rate swaps                            | 0.9               | -                 |
| <i>Cash flow hedges</i>                        |                   |                   |
| Cross-currency interest rate swaps             | -                 | 62.0              |
| <i>Derivatives not designated as hedges</i>    |                   |                   |
| Interest rate swaps                            | 13.5              | 39.6              |
| Cross-currency interest rate swaps             | 239.3             | 0.3               |
|  | <u>253.7</u>      | <u>101.9</u>      |



**Virgin Media Finance PLC**  
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**23 Financial Instruments (continued)**

**Cross-currency interest rate swaps - hedging the principal and interest payments of Senior Notes and senior credit facility**

The terms of the group's outstanding cross-currency interest rate swaps, used to mitigate the interest and foreign exchange rate risks relating to the pound sterling value of principal and interest payments on U.S. dollar denominated senior notes and senior secured notes at 31 December 2013, were as follows

| Final maturity date of hedges | Hedge type     | Notional amount due from counterparty<br>\$ million | Notional amount due to counterparty<br>£ million | Weighted average interest rate due from counterparty | Weighted average interest rate due to counterparty |
|-------------------------------|----------------|---|--|--|--|
| November 2016                 | Not designated | 55.0  | 27.7   | 6.50%  | 7.03%  |
| January 2018                  | Not designated | 1,000.0   | 615.7  | 6.50%  | 7.05%  |
| April 2019                    | Not designated | 291.5   | 186.2  | 5.38%  | 5.49%  |
| October 2019                  | Not designated | 500.0   | 302.3  | 8.38%  | 9.07%  |
| June 2020                     | Not designated | 1,384.6   | 901.4  | 6 month<br>US LIBOR +2.75%                           | 6 month<br>LIBOR +3.18%                            |
| October 2020                  | Not designated | 1,370.4   | 881.6  | 6 month<br>US LIBOR +2.75%                           | 6 month<br>LIBOR +3.10%                            |
| January 2021                  | Fair Value     | 500.0   | 308.9  | 5.25%  | 6 month<br>LIBOR +1.94%                            |
| February 2022                 | Not designated | 1,400.0   | 873.6  | 5.01%  | 5.35%  |
|                               |                | <u>6,501.5</u>                                      | <u>4,097.4</u>                                   |  |  |

The notional amounts of multiple derivative instruments that mature within the same calendar month are shown in aggregate. All of the cross-currency interest rate swaps include exchanges of the notional amount at the start and end of the contract except for the contracts maturing in November 2016 for which the only cash flows are interest payments and receipts.

During June 2013, the group entered into new cross-currency interest rate swaps to mitigate the foreign exchange rate risk associated with the \$2,755 US LIBOR + 2.75% term loan of the VM Credit Facility. On 15 August 2013, the cross-currency interest rate swaps maturing November 2016 were partially settled, and the group received net cash of £22.1 million.

**Interest rate swaps - hedging of interest rate sensitive obligations**

As of 31 December 2013, the group had outstanding interest rate swap agreements to manage the exposure to variability in future cash flows on the interest payments associated with its senior credit facility which accrues at variable rates based on LIBOR. The group has also entered into interest rate swap agreements to manage its exposure to changes in the fair value of certain debt obligations due to interest rate fluctuations. The interest rate swaps allow the group to receive or pay interest based on six month LIBOR or fixed rates in exchange for payments or receipts of interest at six month LIBOR or fixed rates.

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**23 Financial Instruments (continued)**

The terms of the group's outstanding interest rate swap contracts at 31 December 2013 were as follows.

| Final maturity date of hedge | Hedge type     | Notional amount<br>£ million | Weighted average interest rate due from counterparty | Weighted average interest rate due to counterparty |
|------------------------------|----------------|------------------------------|--|--|
| December 2015                | Not designated | 600.0                        | 6 month LIBOR  | 2.86%  |
| October 2018                 | Not designated | 2,155.0                      | 6 month LIBOR  | 1.52%  |
| January 2021                 | Fair value     | 650.0                        | 5.50%  | 6 month LIBOR +1.84%                               |
| January 2021                 | Not designated | 650.0                        | 6 month LIBOR +1.84%                                 | 3.87%  |
| April 2018                   | Not designated | 300.0                        | 6 month LIBOR  | 1.37%  |

The notional amounts of multiple derivative instruments that mature within the same calendar month are shown in aggregate

**Cash flow hedges**

The group applied hedge accounting to certain of its derivative instruments prior to the LG/VM Transaction, but subsequently has elected not to designate derivative instruments as accounting hedges, although these remain economic hedges

Prior to the LG/VM Transaction, Derivative instruments that were designated and qualify as cash flow hedges, the effective portion of the gain or loss on derivatives is reported as unrealised gains and losses in the Group Statement of Comprehensive Income and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings

Prior to the LG/VM Transaction, gains or losses representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognised as gains or losses on derivative instruments in the Group Income Statement in the period in which they occur

Since the LG/VM Transaction, changes in the fair values of derivative instruments are recorded as gains or losses on derivative instruments in the Group Income Statement in the period in which they occur. The following table presents the effective amount of gain or loss recognised in other comprehensive income and amounts reclassified to earnings during the year ended 31 December 2013 are shown below

Included within amounts reclassified to earnings is £8.0 million of net losses that have been recycled through the income statement in respect of swaps for which either designation was revoked, or the hedged instrument was settled as part of refinancing activities

|   | Total<br>£ million | Interest rate<br>swaps<br>£ million | Cross<br>currency<br>interest rate<br>swaps<br>£ million | Tax effect<br>£ million |
|---|--------------------|-------------------------------------|--|-------------------------|
| Balance at 31 December 2012                             | (64.4)             | 3.3                                 | (72.8)   | 5.1                     |
| Amounts recognised in Statement of Comprehensive Income | 63.6               | -                                   | 63.6   | -                       |
| Amounts reclassified to earnings impacting:             |                    |                                     |  |                         |
| Foreign exchange gains                                  | (66.1)             | -                                   | (66.1)   | -                       |
| Interest expense  | (0.2)              | (0.7)                               | 0.5  | -                       |
| Operating costs   | (2.7)              | (0.7)                               | (2.0)  | -                       |
| Tax effect recognised                                   | 2.8                | -                                   | -  | 2.8                     |
| Balance at 31 December 2013                             | (64.3)             | 2.6                                 | (74.8)   | 7.9                     |

**Virgin Media Finance PLC**  
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**23 Financial Instruments (continued)**

**Fair value hedges**

For derivative instruments that are designated and qualify as fair value accounting hedges, the gain or loss on derivatives is recognised in profit or loss in the period in which they occur, together with any changes in the fair value of the hedged debt obligations due to changes in the hedged risks

Gains or losses representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognised as gains or losses on derivative instruments in the Group Income Statement in the period in which they occur. During the year ended 31 December 2013 the Group recognised an ineffectiveness loss of £8.5 million, which consists of a £13.5 million loss in respect of the derivative instruments offset by a £5.0 million gain in respect of the underlying bonds, compared to £4.2 million in the year ended 31 December 2012

**Fair values of financial assets and liabilities**

Set out below is a comparison by category of carrying values and fair values of the group's financial assets and financial liabilities, where different, as at 31 December

|  | 2013<br>Carrying value<br>£ million | 2013<br>Fair value<br>£ million | 2012<br>Carrying value<br>£ million | 2012<br>Fair value<br>£ million |
|--|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Senior credit facility                             | (2,627.5)                           | (2,649.3)                       | (750.0)                             | (750.0)                         |
| 8.375% U.S. dollar senior notes due 2019           | (302.7)                             | (334.4)                         | (309.3)                             | (357.6)                         |
| 8.875% pound sterling senior notes due 2019        | (250.7)                             | (276.9)                         | (250.3)                             | (287.7)                         |
| 5.25% U.S. dollar senior notes due 2022            | (57.3)                              | (51.1)                          | (308.9)                             | (321.9)                         |
| 4.875% U.S. dollar senior notes due 2022           | (71.6)                              | (62.8)                          | (555.9)                             | (571.5)                         |
| 5.125% pound sterling senior notes due 2022        | (44.1)                              | (40.9)                          | (400.0)                             | (409.0)                         |
| 7.0% pound sterling senior notes due 2023          | (250.0)                             | (261.1)                         | -                                   | -                               |
| 6.375% U.S. dollar senior notes due 2023           | (319.9)                             | (327.7)                         | -                                   | -                               |
| 6.50% U.S. dollar senior secured notes due 2018    | (598.4)                             | (626.6)                         | (611.2)                             | (681.6)                         |
| 7.00% pound sterling senior secured notes due 2018 | (867.4)                             | (910.0)                         | (865.9)                             | (945.8)                         |
| 6.0% pound sterling senior secured notes due 2021  | (1,100.0)                           | (1,135.1)                       | -                                   | -                               |
| 5.50% pound sterling senior secured notes due 2021 | (686.5)                             | (634.3)                         | (754.1)                             | (724.9)                         |
| 5.375% U.S. dollar senior secured notes due 2021   | (603.6)                             | (608.9)                         | -                                   | -                               |
| 5.25% U.S. dollar senior secured notes due 2021    | (293.1)                             | (276.8)                         | (350.5)                             | (360.5)                         |

The carrying values of amounts not listed above approximate their fair values

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or  
Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or  
Inputs other than quoted prices that are observable for the asset or liability
- Level 3 Unobservable inputs for the asset or liability

The group endeavours to utilise the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The group has determined that all of its financial assets and liabilities that are stated at fair value fall in levels 1 and 2 in the fair value hierarchy described above

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**23 Financial Instruments (continued)**

As at 31 December 2013, the fair value of the financial instruments held by the group is as follows:

|   | Level 1<br>£ million | Level 2<br>£ million | Level 3<br>£ million | Total<br>£ million |
|---|----------------------|----------------------|----------------------|--------------------|
| <i>Financial assets at fair value</i>         |                      |                      |                      |                    |
| Cash, short term deposits and restricted cash | 31.0                 | -                    | -                    | 31.0               |
| Cross-currency interest rate swaps            | -                    | 9.0                  | -                    | 9.0                |
| Interest rate swaps                           | -                    | 121.7                | -                    | 121.7              |
|   | <u>31.0</u>          | <u>130.7</u>         | <u>-</u>             | <u>161.7</u>       |
| <i>Financial liabilities at fair value</i>    |                      |                      |                      |                    |
| Senior Credit facility                        | 2,649.3              | -                    | -                    | 2,649.3            |
| Senior Notes                                  | 1,354.9              | -                    | -                    | 1,354.9            |
| Senior Secured Notes                          | 4,191.7              | -                    | -                    | 4,191.7            |
| Cross-currency interest rate swaps            | -                    | 264.8                | -                    | 264.8              |
| Interest rate swaps                           | -                    | 57.1                 | -                    | 57.1               |
|   | <u>8,195.9</u>       | <u>321.9</u>         | <u>-</u>             | <u>8,517.8</u>     |

In estimating the fair value of other financial instruments, the group used the following methods and assumptions:

*Cash and short term deposits, and restricted cash.* The carrying amounts reported in the Group Balance Sheet approximate fair value due to the short maturity and nature of these financial instruments

*Derivative financial instruments* As a result of the group's financing activities, it is exposed to market risks from changes in interest and foreign currency exchange rates, which may adversely affect its operating results and financial position. When deemed appropriate, the group minimises risks from interest and foreign currency exchange rate fluctuations through the use of derivative financial instruments. The foreign currency forward rate contracts, interest rate swaps and cross-currency interest rate swaps are valued using broker quotations, or market transactions in either the listed or over-the counter markets, adjusted for non-performance risk. As such, these derivative instruments are classified within level 2 of the fair value hierarchy. The carrying amounts of the group's derivative financial instruments are disclosed above.

*Senior Notes and Senior Secured Notes.* The fair values of the senior credit facility, senior notes and senior secured notes in the above table are based on the quoted market prices in active markets for the underlying third party debt and incorporates non-performance risk. Accordingly, the inputs used to value the senior notes and senior secured notes are classified within level 1 of the fair value hierarchy.

During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of the level 3 fair value measurements.

**24 Authorised and issued share capital**

|   | 2013<br>£ '000 | 2012<br>£ '000 |
|---|----------------|----------------|
| <i>Allotted, called up and fully paid</i> |                |                |
| 92,456 ordinary shares of £1 each         | <u>92</u>      | <u>92</u>      |

**25 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.

## **25 Share-based payments (continued)**

### **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.

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.

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**25 Share-based payments (continued)**

*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 group'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 group's executive officers.

**Virgin Media Stock Incentive Plans**

Equity awards were granted to certain of the group's 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.

**Virgin Media Finance PLC**  
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**for the year ended 31 December 2013**

**25 Share-based payments (continued)**

**Stock Options**

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

| <b>Virgin Media Awards</b>        | <b>Options</b>   | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(years)</b> |
|-----------------------------------|------------------|--|--|
| 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>   |

| <b>Liberty Global Class A Ordinary Shares</b>                 | <b>Options</b>   | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(years)</b> |
|---|------------------|--|--|
| Issued in exchange for Virgin Media Options<br>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>   |

| <b>Liberty Global Class C Ordinary Shares</b>                 | <b>Options</b>   | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(years)</b> |
|---|------------------|--|--|
| Issued in exchange for Virgin Media Options<br>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.

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**25 Share-based payments (continued)**

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<br/>Average<br/>Exercise Price</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(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).

The fair values 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:

|   | <b>Virgin Media<br/>Replacement Awards</b>        | <b>Virgin Media Awards</b>                          |  |
|---|---|---|--|
|   | <b>Period from 7 June to<br/>31 December 2013</b> | <b>Period from 1<br/>January to 7<br/>June 2013</b> | <b>Year ended 31<br/>December 2012</b> |
| Risk-free Interest Rate   | 1.00%   | 0.40% - 1.42%                                       | 0.31% - 1.27%                          |
| Expected Dividend Yield   | none  | 0.41% - 0.50%                                       | 0.65% - 0.69%                          |
| 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<br>of Awards Granted in the Period | \$45.64   | \$29.13   | \$9.71                                 |

The ranges shown for expected lives and expected volatility of the Virgin Media Replacement Awards 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.



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**25 Share-based payments (continued)**

**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

| <b>Virgin Media Awards</b>        | <b>RSUs</b>    | <b>Weighted<br/>Average Grant<br/>Date Fair Value</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(years)</b> |
|-----------------------------------|----------------|---|--|
| 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>   |

| <b>Liberty Global Class A Ordinary Shares</b>                       | <b>RSUs</b>    | <b>Weighted<br/>Average Grant<br/>Date Fair Value</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(years)</b> |
|---|----------------|---|--|
| Issued in exchange for Virgin Media PSUs and RSUs<br>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<br/>Average Grant<br/>Date Fair Value</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(years)</b> |
|---|----------------|---|--|
| Issued in exchange for Virgin Media PSUs and RSUs<br>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

**Virgin Media Finance PLC**  
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**25 Share-based payments (continued)**

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<br/>Average Grant<br/>Date Fair Value</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(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>   |

**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<br/>Average Grant<br/>Date Fair Value</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(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<br/>Average Grant<br/>Date Fair Value</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(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<br/>Average Grant<br/>Date Fair Value</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(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 Finance PLC**  
**Notes to the Group Financial Statements**  
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**25 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<br/>Average Grant<br/>Date Fair Value</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(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<br/>Average<br/>Base Price</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(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<br/>Average<br/>Base Price</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(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 Finance PLC**  
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**25 Share-based payments (continued)**

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

| <b><u>Liberty Global Awards</u></b>                                       | <b>Period from 7 June<br/>to 31 December<br/>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<br>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

| <b>Liberty Global Class A Ordinary Shares</b> | <b>PSARs</b>   | <b>Weighted<br/>Average<br/>Base Price</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(years)</b> |
|---|----------------|--|--|
| 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>   |

| <b>Liberty Global Class C Ordinary Shares</b> | <b>PSARs</b>   | <b>Weighted<br/>Average<br/>Base Price</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Term<br/>(years)</b> |
|---|----------------|--|--|
| 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>   |

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

| <b><u>Liberty Global Awards</u></b>                                       | <b>Period from 7 June<br/>to 31 December<br/>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<br>of Awards Granted in the Period | \$16.67   |

**Virgin Media Finance PLC**  
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**25 Share-based payments (continued)**

**Total Expense**

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

**26 Reserves**

*Equity share capital*

The balance classified as share capital represents the nominal value on issue of the company's equity share capital, comprising £1 ordinary shares

*Share premium*

Share premium represents the amount of consideration received for the company's equity share capital in excess of the nominal value of shares issued.

*Other capital reserves comprising merger reserve and capital contributions*

The results of subsidiary undertakings acquired through group reorganisations have given rise to the requirement to make adjustments on consolidation in the merger reserve. The movement in this reserve in 2012 arose on the deferred consideration of the group's acquisition of the non-controlling interest in a subsidiary undertaking

*Unrealised gains and losses*

This reserve records the portion of gain or loss on hedging instruments that are determined to be effective hedges, and the exchange differences on retranslation of foreign operations

*Foreign currency*

This reserve records the gain or loss on the retranslation of subsidiary undertakings with functional currencies other than Sterling

**27 Post balance sheet events**

On 14 March 2014, Virgin Media Secured Finance PLC, a wholly-owned subsidiary of the company, issued \$425.0 million 5.5% senior secured notes due 2025, £430.0 million 5.5% senior secured notes due 2025 and £225.0 million 6.25% senior secured notes due 2029. The net proceeds were used to redeem all of the £875.0 7.0% senior secured notes due 2018, including the related redemption premium, in April 2014.

On 1 April 2014, Virgin Media Secured Finance issued £175.0 million principal amount of 6.25% senior secured notes due 28 March 2029 at an issue price of 101.75% of face value. In May 2014, the group issued term loan Facility D (£100.0 million) and Facility E (£849.4 million) and drew £100.0 million under the VM revolving credit facility. The proceeds received from the term loan Facilities D and E, the VM revolving credit facility and the additional £175.0 million 2029 VM Senior Secured Notes, were used to fully redeem the \$1.0 billion (£599.5 million) principal amount of 6.5% senior secured notes due 2018 (the 2018 VM Dollar Senior Secured Notes), including the related redemption premium, and the term loan Facility C with a principal amount of £600.0 million

On 19 March 2014, the government announced a change in legislation with respect to the charging of VAT in connection with prompt payment discounts such as those that we offer to our fixed-line telephony customers. The change took effect on 1 May 2014 and will have an effect on us and some of our competitors. We currently believe that this legislative change will result in a reduction in revenue and operating profit of approximately £28 million to £30 million from the effective date of 1 May 2014 through the end of 2014.

**28 Capital commitments**

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| Amounts contracted for but not provided in the accounts | 119.3             | 148.5             |

**Virgin Media Finance PLC**  
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**29 Contingent liabilities**

The group's revenue generating activities are subject to Value Added Tax (VAT). The group's VAT treatment of certain other revenue generating activities remains subject to challenge by the UK tax authorities. As a result, the group has estimated a contingent liability totalling £37.2 million as of 31 December 2013 (2012- £31.9 million) that are not accrued for, as the group does not deem it probable that a liability will arise. The next hearing is expected to take place in September 2014.

**30 Pension and other post-retirement benefits**

The group operates two defined benefit schemes in the UK, the NTL Pension Plan and the ntl 1999 Pension Scheme, which provide both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service.

The group has chosen to adopt the amendments to IAS19 published in June 2011. The disclosures shown below adopt this standard for the current period. The prior period has not been restated because the impact would be immaterial.

***Defined contribution plans***

The group contributes to the Virgin Media sponsored group personal pension plans of eligible employees. Contributions are charged to the Group Income Statement as they become payable, in accordance with the rules of the plans.

Contributions to the defined contribution plans during the period were £19.1 million (2012 - £13.7 million). The amount of outstanding contributions at 31 December 2013 included within creditors' amounts falling due within one year was £3.3 million (2012 - £2.3 million).

***Defined benefit plans***

The group recognises any actuarial gains and losses in each period in the Group Statement of Comprehensive Income.

**• ntl 1999 Pension Plan**

A subsidiary, Virgin Media Limited, 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.

**30 Pension and other post-retirement benefits (continued)**

**• ntl Pension Plan**

A subsidiary, Virgin Media Limited, 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 Plan was closed to future accrual on 31 January 2014. 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 Finance PLC**  
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**30 Pension and other post-retirement benefits (continued)**

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

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| Defined benefit obligation at start of year | 431.1             | 424.6             |
| Current service cost                        | 1.6               | 1.8               |
| Interest cost                               | 18.6              | 20.1              |
| Experience gains                            | (8.8)             | (24.8)            |
| Impact of changes in financial assumptions  | 18.6              | 24.2              |
| Employee contributions                      | 0.3               | 0.2               |
| Benefits paid                               | (14.4)            | (15.0)            |
| Defined benefit obligation at end of year   | 447.0             | 431.1             |

Movements in net defined benefit liability can be shown as follows:

|   | Defined benefit obligation |                   | Fair value of plan assets |                   | Net defined benefit liability/(asset) |                   |
|---|----------------------------|-------------------|---------------------------|-------------------|---------------------------------------|-------------------|
|   | 2013<br>£ million          | 2012<br>£ million | 2013<br>£ million         | 2012<br>£ million | 2013<br>£ million                     | 2012<br>£ million |
| Balance at 1 January                            | 431.0                      | 424.6             | (384.6)                   | (381.0)           | 46.4                                  | 43.6              |
| Included in income statement                    |                            |                   |                           |                   |                                       |                   |
| Current service cost                            | 1.6                        | 1.8               | -                         | -                 | 1.6                                   | 1.8               |
| Past service cost                               | -                          | -                 | -                         | -                 | -                                     | -                 |
| Interest cost/(income)                          | 18.6                       | 20.1              | (17.5)                    | (18.4)            | 1.1                                   | 1.7               |
| Included in OCI                                 |                            |                   |                           |                   |                                       |                   |
| Actuarial loss/(gain) arising from              |                            |                   |                           |                   |                                       |                   |
| Changes in demographic assumptions              | -                          | -                 | -                         | -                 | -                                     | -                 |
| Changes in financial assumptions                | 18.6                       | 24.2              | -                         | -                 | 18.6                                  | 24.2              |
| Experience adjustment                           | (8.7)                      | (24.8)            | -                         | -                 | (8.7)                                 | (24.8)            |
| Return on plan assets excluding interest income | -                          | -                 | (10.8)                    | 17.7              | (10.8)                                | 17.7              |
| Other   |                            |                   |                           |                   |                                       |                   |
| Contributions paid by the employer              | -                          | -                 | (22.6)                    | (17.7)            | (22.6)                                | (17.7)            |
| Contributions paid by the employee              | 0.3                        | 0.3               | (0.3)                     | (0.3)             | -                                     | -                 |
| Benefits paid                                   | (14.4)                     | (15.1)            | 14.4                      | 15.1              | -                                     | -                 |
| Balance at 31 December                          | 447.0                      | 431.1             | (421.4)                   | (384.6)           | 25.6                                  | 46.5              |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**30 Pension and other post-retirement benefits (continued)**

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

|  | 2013<br>£ million | 2012<br>£ million |
|--|-------------------|-------------------|
| Fair value of the plan assets at start of year | 384.6             | 381.0             |
| Expected return on assets                      | 17.5              | 18.8              |
| Actual less expected return on assets          | 10.8              | (18.1)            |
| Employer contributions                         | 22.6              | 17.7              |
| Employee contributions                         | 0.3               | 0.3               |
| Benefits paid                                  | (14.4)            | (15.1)            |
| Fair value of plan assets at end of year       | <u>421.4</u>      | <u>384.6</u>      |

The amounts recognised in the Group Balance Sheet, for the current and previous four periods are as follows.

|   | 2013<br>£ million | 2012<br>£ million | 2011<br>£ million | 2010<br>£ million | 2009<br>£ million |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Present value of funded defined benefit obligations | (447.0)           | (431.1)           | (424.6)           | (390.1)           | (377.7)           |
| Fair value of plan assets                           | <u>421.4</u>      | <u>384.6</u>      | <u>381.0</u>      | <u>351.1</u>      | <u>306.2</u>      |
| Deficit in plans                                    | <u>(25.6)</u>     | <u>(46.5)</u>     | <u>(43.6)</u>     | <u>(39.0)</u>     | <u>(71.5)</u>     |
| Experience gains/(losses) on plan liabilities       | 8.8               | 24.8              | (4.1)             | 5.8               | (5.7)             |
| Experience gains/(losses) on plan assets            | 10.8              | (18.1)            | 3.2               | 21.4              | 18.2              |

The amounts recognised in the Group Income Statement for the year are as follows:

|  | 2013<br>£ million | 2012<br>£ million |
|--|-------------------|-------------------|
| <i>Charged to operating profit</i>   |                   |                   |
| Current service cost   | <u>1.6</u>        | <u>1.8</u>        |
| Total recognised in arriving at operating profit (note 5)                          | <u>1.6</u>        | <u>1.8</u>        |
| <i>Charged/(credited) to net finance expense</i>                                   |                   |                   |
| Expected return on pension plan assets   | (17.5)            | (18.8)            |
| Interest on pension plan liabilities   | <u>18.6</u>       | <u>20.0</u>       |
| Total net finance cost   | <u>1.1</u>        | <u>1.2</u>        |
| <b>Taken to the Group Statement of Comprehensive Income:</b>                       |                   |                   |
| Experience (gains)/losses on plan assets   | (10.8)            | 18.1              |
| Experience gains on plan liabilities   | (8.8)             | (24.8)            |
| Changes in assumptions underlying the present value of the plan liabilities        | <u>18.6</u>       | <u>24.2</u>       |
| Actuarial (gains)/losses recognised in the Group Statement of Comprehensive Income | <u>(1.0)</u>      | <u>17.5</u>       |

The group expects to contribute approximately £21 million to the Pension Plans in 2014.

The cumulative amount of actuarial losses, net of tax, recognised since 1 January 2004 in the Group Statement of Comprehensive Income is £104.4 million (2012 - £105.3 million). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £76.4 million in the group is attributable to actuarial gains and losses since inception of those pension schemes. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group Statement of Comprehensive Income before 1 January 2004.



**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
for the year ended 31 December 2013

**30 Pension and other post-retirement benefits (continued)**

Principal actuarial assumptions are as follows

|  | 2013 | 2012 |
|--|------|------|
| Discount rate  | 4.5% | 4.4% |
| Annualised expected return on plan assets for the year | 6.1% | 5.5% |
| Rate of salary increases                               | 3.9% | 3.3% |
| Rate of pension increases                              | 3.7% | 3.4% |
| Rate of inflation                                      | 2.4% | 1.8% |
| 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 |

**Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of an increase in the respective assumptions by 0.25 percent. Assumed life expectancy has been assumed to increase by 1 year

|                                   | £ million | £ million |
|-----------------------------------|-----------|-----------|
| Discount rate                     | (13.2)    | (12.9)    |
| Rate of inflation (RPI)           | 4.5       | 4.4       |
| Rate of inflation (CPI)           | 1.8       | 1.8       |
| Assumed life expectancy at age 65 | 10.7      | 10.4      |

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 1 January 2012 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Where investments are held in bonds and cash, the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension plans.

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**30 Pension and other post-retirement benefits (continued)**

Our pension plan weighted-average asset allocations by asset category and by fair value hierarchy level at 31 December 2013 and 2012 were as follows

| 2013                              | Long term<br>rate of<br>return | Level 1   | Level 2   | Level 3   | Total         |
|-----------------------------------|--------------------------------|-----------|-----------|-----------|---------------|
|                                   |                                | £ million | £ million | £ million | £ million     |
| Equities                          | 7.80%                          | 138.9     | -         | -         | 138.9         |
| Property                          | 7.30%                          | -         | -         | 4.7       | 4.7           |
| Corporate bonds                   | 4.45%                          | 102.8     | -         | -         | 102.8         |
| Hedge funds                       | 7.30%                          | 71.1      | 9.2       | -         | 80.3          |
| Insurance policy (buy-in)         | 4.45%                          | -         | -         | 92.6      | 92.6          |
| Cash and other                    | 3.80%                          | 2.1       | -         | -         | 2.1           |
| Total market value of assets      |                                | 314.9     | 9.2       | 97.3      | 421.4         |
| Present value of plan liabilities |                                |           |           |           | (447.0)       |
| Net pension liability             |                                |           |           |           | <u>(25.6)</u> |
|                                   |                                |           |           |           |               |
| 2012                              | Long term<br>rate of<br>return | Level 1   | Level 2   | Level 3   | Total         |
|                                   |                                | £ million | £ million | £ million | £ million     |
| Equities                          | 6.90%                          | 168.4     | -         | -         | 168.4         |
| Property                          | 6.40%                          | 2.6       | -         | 2.6       | 5.2           |
| Government bonds                  | 2.90%                          | 19.5      | -         | -         | 19.5          |
| Corporate bonds                   | 4.40%                          | 81.2      | -         | -         | 81.2          |
| Hedge funds                       | 6.40%                          | -         | 9.1       | -         | 9.1           |
| Insurance policy (buy-in)         | 4.40%                          | -         | -         | 90.6      | 90.6          |
| Cash and other                    | 2.90%                          | 10.6      | -         | -         | 10.6          |
| Total market value of assets      |                                | 282.3     | 9.1       | 93.2      | 384.6         |
| Present value of plan liabilities |                                |           |           |           | (431.1)       |
| Net pension liability             |                                |           |           |           | <u>(46.5)</u> |

During the fourth quarter of 2012, the trustees of one of the group's defined benefit plans purchased an insurance contract that will pay an income stream to the plan which is expected to match all future cash outflows in respect of certain liabilities. The fair value of this insurance contract is presented as an asset of the plan and is measured based on the future cash flows to be received under the contract discounted using the same discount rate used to measure the associated liabilities.

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**30 Pension and other post-retirement benefits (continued)**

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

|   | £ million   |
|---|-------------|
| Balance at 1 January 2013                       | 95.8        |
| Gains relating to assets still held at year-end | 0.4         |
| Purchases of investments                        | 1.1         |
| Balance at 31 December 2013                     | <u>97.3</u> |

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 the benefit obligation at 31 December 2013 and include estimated future employee services.

|                 | £ million |
|-----------------|-----------|
| 2014            | 14.9      |
| 2015            | 14.6      |
| 2016            | 15.6      |
| 2017            | 17.0      |
| 2018            | 18.1      |
| Years 2019-2023 | 105.1     |

Weighted average duration of the defined benefit obligation 17.9 years

**31 Related party transactions**

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into during the year, and trading balances outstanding at 31 December with other related parties, are as follows:

|  | Services rendered to related party<br>£ million | Services rendered by related party<br>£ million | Interest charged to related party<br>£ million | Interest charged by related party<br>£ million | Amounts owed by related party<br>£ million | Amounts owed to related party<br>£ million |
|--|---|---|--|--|--|--|
| <i>Related party</i>                                     |   |   |  |  |  |  |
| Parent undertakings                                      |   |   | 106.8  |  |  |  |
| 2013   | 5.6   | -   | 123.1  | -  | 2,335.7                                    | -  |
| 2012   | 5.6   | -   | 54.7   | -  | 884.0                                      | -  |
| Other entities with significant influence over the group |   |   |  |  |  |  |
| 2013   | -   | -   | 0.7  | (3.1)  | 49.4                                       | (94.7)                                     |
| 2012   | -   | -   | 0.7  | (4.8)  | 49.9                                       | (353.0)                                    |
| Fellow subsidiary undertakings                           |   |   |  |  |  |  |
| 2013   | 52.3  | -   | 0.8  | (9.7)  | -  | (642.0)                                    |
| 2012   | 52.3  | -   | 0.7  | (10.9)   | -  | (285.2)                                    |
| Liberty Global group undertakings                        |   |   |  |  |  |  |
| 2013   | -   | -   | 106.8  | -  | 88.0                                       | (8.4)                                      |
| 2012   | -   | -   | -  | -  | -  | -  |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**31 Related party transactions (continued)**

*Parent undertakings*

The group is headed by Virgin Media Inc and has been indebted to the group, which receives interest income according to the terms of each loan agreement. The group recharges the ultimate parent company for certain costs directly attributed to the operations of that company including allocable payroll and related expenses.

*Entities with significant influence over the group*

Virgin Media Holdings Inc., a company with significant influence over the group has been indebted to the group and receives interest income according to the terms of each loan agreement. The group has been indebted to VM Sundial Limited, an entity with significant influence over the group, incurring interest charges according to the terms of each loan arrangement.

*Fellow subsidiary undertakings*

The net recovery of debts by Virgin Media Limited relating to the customers of fellow subsidiary undertakings, namely ntl Kirklees and ntl Glasgow, through centralised debt collection and treasury operations, generates trading balances which are offset by operating expenses and capital purchases that are also recharged by Virgin Media Limited. Virgin Media Limited is an indirect subsidiary of the company whilst ntl Kirklees and ntl Glasgow are both outside the group headed by the company.

*Liberty Group undertakings*

The company's ultimate parent is Liberty Global plc which also controls the group and the Virgin Media group. The LG/VM Transaction was funded in part by new debt raised by the group which was passed up to Liberty Global entities that sit outside the Virgin Media group. The debt attracts interest which Liberty Global entities pay to the group according to the terms of each loan arrangement.

*Pension schemes*

The assets of all the Virgin Media sponsored pension schemes are held separately from those of the group. For details see note 31. The group pays the actuarial and audit fees on behalf of each of the defined benefit schemes.

*Terms and conditions of transactions with related parties*

The terms of the loans payable to parent undertakings are as outlined in note 19. Certain expenses are specifically attributable to each company in the group. Where costs are incurred by Virgin Media Limited on behalf of other group companies, expenses are allocated to the other group companies on a basis that, in the opinion of the directors, is reasonable.

**Compensation of key management personnel (including directors)**

|                              | <b>2013</b>      | <b>2012</b>      |
|------------------------------|------------------|------------------|
|                              | <b>£ million</b> | <b>£ million</b> |
| Short-term employee benefits | 4.8              | 4.5              |
| Post-employment benefits     | 0.4              | 0.6              |
| Termination benefits         | 3.1              | -                |
| Non-equity incentive plan    | 1.0              | 2.9              |
| Share based payments         | 45.8             | 5.6              |
|                              | <u>55.1</u>      | <u>13.6</u>      |

The increase in share-based payments was as a result of modification of awards on consummation of the LG/VM Transaction as detailed in note 25.

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**32 Principal subsidiary undertakings**

Details of the principal investments in which the group holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows. All are registered in England and Wales unless otherwise noted

| <i>Subsidiary</i>                        | <i>Holding</i>  | <i>Proportion of<br/>voting rights and<br/>shares held</i> | <i>Principal<br/>activities</i> |
|--|-----------------|--|---------------------------------|
| Virgin Media Investment Holdings Limited | Ordinary shares | 100%   | Holding                         |
| Lynx I Corp.                             | Common stock    | 100% (u)   | Finance                         |
| Virgin Media Investments Limited         | Ordinary shares | 100% #   | Holding                         |
| Virgin Media Secured Finance PLC         | Ordinary shares | 100% #   | Finance                         |
| Virgin Media SFA Finance Limited         | Ordinary shares | 100% #   | Finance                         |
| Lynx II Corp                             | Common stock    | 100% # (ii)  | Finance                         |
| Virgin Media Bristol LLC                 | Common stock    | 100% # (ii)  | Finance                         |
| VMIH Sub Limited                         | Ordinary shares | 100% #   | Holding                         |
| Virgin Media Limited                     | Ordinary shares | 100% #   | Telecoms                        |
| Virgin Media Payments Limited            | Ordinary shares | 100% #   | Collections                     |
| BCMV Limited                             | Ordinary shares | 100% #   | Telecoms                        |
| ntl Business (Ireland) Limited           | Ordinary shares | 100% #   | Telecoms                        |
| Diamond Cable Communications Limited     | Ordinary shares | 100% #   | Holding                         |
| ntl Midlands Limited                     | Ordinary shares | 100% #   | Telecoms                        |
| ntl Funding Limited                      | Ordinary shares | 100% #   | Telecoms                        |
| NTL (Triangle) LLC                       | Common stock    | 100% # (ii)  | Holding                         |
| ntl Cambridge Limited                    | Ordinary shares | 100% #   | Telecoms                        |
| ntl Irish Holdings Limited               | Ordinary shares | 100% #   | Telecoms                        |
| DTELS Limited                            | Ordinary shares | 100% #   | Telecoms                        |
| ntl Rectangle Limited                    | Ordinary shares | 100% #   | Holding                         |
| X-Tant Limited                           | Ordinary shares | 100% #   | Telecoms                        |
| ntl (South Hertfordshire) Limited        | Ordinary shares | 100% #   | Telecoms                        |
| (acquired remianing 66 7% on 9 May 2011) |                 |  |                                 |
| ntl CableComms Limited                   | Ordinary shares | 100% #   | Telecoms                        |
| ntl CableComms Bolton                    | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Bromley                   | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Bury and Rochdale         | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Cheshire                  | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Derby                     | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Greater Manchester        | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Macclesfield              | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Oldham and Tameside       | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Solent                    | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Staffordshire             | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Stockport                 | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Surrey                    | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Sussex                    | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Wessex                    | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl CableComms Wirral                    | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl Wural Telephone and Cable TV Company | Ordinary shares | 100% # (i)   | Telecoms                        |
| ntl Communications Services Limited      | Ordinary shares | 100% #   | Telecoms                        |
| ntl (CWC) Limited                        | Ordinary shares | 100% #   | Telecoms                        |
| ntl Business Limited                     | Ordinary shares | 100% #   | Telecoms                        |
| Virgin Net Limited                       | Ordinary shares | 100% #   | Telecoms                        |
| Telewest UK Limited                      | Ordinary shares | 100% #   | Telecoms                        |
| Blueyonder Workwise Limited              | Ordinary shares | 100% #   | Telecoms                        |

# held by subsidiary undertaking

(iii) Registered in Luxembourg

(i) Unlimited company

(iv) registered in Scotland

(ii) Registered in USA

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**32 Principal subsidiary undertakings (continued)**

| <i>Subsidiary</i>                                       | <i>Holding</i>  | <i>Proportion of<br/>voting rights and<br/>shares held</i> | <i>Principal<br/>activities</i> |
|---|-----------------|--|---------------------------------|
| Virgin Media Business Limited                           | Ordinary shares | 100% #   | Telecoms                        |
| Telewest Communications (South West) Limited            | Ordinary shares | 100% #   | Telecoms                        |
| Telewest Communications (Cotswolds) Limited             | Ordinary shares | 100% #   | Telecoms                        |
| Cable London Limited                                    | Ordinary shares | 100% #   | Telecoms                        |
| Cable Camden Limited                                    | Ordinary shares | 100% #   | Telecoms                        |
| Cable Enfield Limited                                   | Ordinary shares | 100% #   | Telecoms                        |
| Cable Hackney & Islington Limited                       | Ordinary shares | 100% #   | Telecoms                        |
| Cable Haringey Limited                                  | Ordinary shares | 100% #   | Telecoms                        |
| Birmingham Cable Limited                                | Ordinary shares | 100% #   | Telecoms                        |
| Birmingham Cable Finance Limited                        | Ordinary shares | 100% #   | Telecoms                        |
| Eurobell (Holdings) Limited                             | Ordinary shares | 100% #   | Telecoms                        |
| Eurobell (Sussex) Limited                               | Ordinary shares | 100% #   | Telecoms                        |
| Eurobell (South West) Limited                           | Ordinary shares | 100% #   | Telecoms                        |
| Eurobell (West Kent) Limited                            | Ordinary shares | 100% #   | Telecoms                        |
| Eurobell Internet Services Limited                      | Ordinary shares | 100% #   | Telecoms                        |
| Telewest Communications Networks Limited                | Ordinary shares | 100% #   | Holding                         |
| Telewest Communications (London South) Limited          | Ordinary shares | 100% #   | Telecoms                        |
| Telewest Communications (South East) Limited            | Ordinary shares | 100% #   | Telecoms                        |
| Telewest Communications (South Thames Estuary) Limited  | Ordinary shares | 100% #   | Holding                         |
| Telewest Communications (Midlands & North West) Limited | Ordinary shares | 100% #   | Telecoms                        |
| M&NW Network Limited                                    | Ordinary shares | 100% #   | Telecoms                        |
| M&NW Network II Limited                                 | Ordinary shares | 100% #   | Telecoms                        |
| Telewest Communications (Cumbernauld) Limited           | Ordinary shares | 100% # (iv)  | Telecoms                        |
| Telewest Communications (Dumbarton) Limited             | Ordinary shares | 100% # (iv)  | Telecoms                        |
| Telewest Communications (Dundee & Perth) Limited        | Ordinary shares | 100% # (iv)  | Telecoms                        |
| Telewest Communications (Falkirk) Limited               | Ordinary shares | 100% # (iv)  | Telecoms                        |
| Telewest Communications (Glenrothes) Limited            | Ordinary shares | 100% # (iv)  | Telecoms                        |
| Telewest Communications (Motherwell) Limited            | Ordinary shares | 100% # (iv)  | Telecoms                        |
| Telewest Communications (Scotland) Limited              | Ordinary shares | 100% # (iv)  | Telecoms                        |
| Telewest Communications (North East) Limited            | Ordinary shares | 100% #   | Telecoms                        |
| Yorkshire Cable Communications Limited                  | Ordinary shares | 100% #   | Telecoms                        |
| Barnsley Cable Communications Limited                   | Ordinary shares | 100% #   | Telecoms                        |
| Doncaster Cable Communications Limited                  | Ordinary shares | 100% #   | Telecoms                        |
| Halifax Cable Communications Limited                    | Ordinary shares | 100% #   | Telecoms                        |
| Sheffield Cable Communications Limited                  | Ordinary shares | 100% #   | Telecoms                        |
| Wakefield Cable Communications Limited                  | Ordinary shares | 100% #   | Telecoms                        |
| Middlesex Cable Limited                                 | Ordinary shares | 100% #   | Telecoms                        |
| Windsor Television Limited                              | Ordinary shares | 100% #   | Telecoms                        |
| Virgin Media Wholesale Limited                          | Ordinary shares | 100% #   | Telecoms                        |
| VMWH Limited  | Ordinary shares | 100% #   | Holding                         |
| Bluebottle Call Limited                                 | Ordinary shares | 100% #   | Telecoms                        |
| Virgin Mobile Group (UK) Limited                        | Ordinary shares | 100% #   | Telecoms                        |
| Virgin Mobile Telecoms Limited                          | Ordinary shares | 100% #   | Telecoms                        |
| Future Entertainment Sàrl                               | Ordinary shares | 100% # (iii)   | Television                      |
| Interactive Digital Sales Limited                       | Ordinary shares | 100% #   | Content                         |
| Flextech B Limited                                      | Ordinary shares | 100% #   | Content                         |
| Flextech L Limited                                      | Ordinary shares | 100% #   | Content                         |
| Flextech C  | Ordinary shares | 100% #   | Content                         |
| Flextech Broadband Limited                              | Ordinary shares | 100% #   | Content                         |

# held by subsidiary undertaking

(iii) Registered in Luxembourg

(i) Unlimited company

(iv) registered in Scotland

(ii) Registered in USA

**Virgin Media Finance PLC**  
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**32 Principal subsidiary undertakings (continued)**

The company has taken advantage of Section 409 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.

The company will issue a guarantee under Section 479(C) of the Companies Act 2006 for the year ended 31 December 2013 in respect of the subsidiaries listed below. The company guarantees all outstanding liabilities to which the subsidiary company is subject to at 31 December 2013, until they are satisfied in full and the guarantee is enforceable against the company by any person to whom the subsidiary company is liable in respect of those liabilities. These active subsidiaries have taken advantage of the exemption from audit of individual accounts for the year ended 31 December 2013 by virtue of Section 479(A) of the Companies Act 2006.

The guarantee under Section 479(C) of the Companies Act 2006 is in respect of the following subsidiaries, all of which are 100% owned, either directly or indirectly:

| <i>Active Subsidiaries</i>             | <i>Company number</i> |
|--|-----------------------|
| Barnsley Cable Communications Limited  | 2466594               |
| BCMV Leasing Limited                   | 7980898               |
| BCMV Limited                           | 3074517               |
| Blue Yonder Workwise Limited           | 4055742               |
| Bradford Cable Communications Limited  | 2664803               |
| Cable Camden Limited                   | 1795642               |
| Cable Enfield Limited                  | 2466511               |
| Cable Hackney & Islington Limited      | 1795641               |
| Cable Haringey Limited                 | 1808589               |
| Cambridge Holding Company Limited      | 2670603               |
| Continental Shelf 16 Limited           | 3005499               |
| Diamond Cable Communications Limited   | 2965241               |
| Doncaster Cable Communications Limited | 2407940               |
| Eurobell (Holdings) Limited            | 2904215               |
| Eurobell (South West) Limited          | 1796131               |
| Eurobell (Sussex ) Limited             | 2272340               |
| Eurobell (West Kent) Limited           | 2886001               |
| Eurobell Internet Services Limited     | 3172207               |
| Flextech (1992) Limited                | 1190025               |
| Flextech Broadcasting Limited          | 4125325               |
| Flextech C                             | 2721189               |
| Flextech Communications Limited        | 2588902               |
| Flextech Family Channel Limited        | 2856303               |
| Flextech IVS Limited                   | 2678882               |
| Flextech L Limited                     | 2802598               |
| Flextech Limited                       | 2688411               |
| Flextech T Limited                     | 1733724               |
| General Cable Group Limited            | 2872852               |
| General Cable Holdings Limited         | 2798236               |
| General Cable Limited                  | 2369824               |
| Halifax Cable Communications Limited   | 2459173               |
| M&NW Network II Limited                | 6765761               |
| M&NW Network Limited                   | 6763496               |
| Middlesex Cable Limited                | 2460325               |
| ntl (B) Limited                        | 2735732               |
| ntl (South Hertfordshire) Limited      | 2401044               |
| ntl Bolton Cablevision Holding Company | 2422198               |
| ntl Business (Ireland) Limited         | 3284482               |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**32 Principal subsidiary undertakings (continued)**

| <i>Active Subsidiaries</i>  | <i>Company number</i> |
|---|-----------------------|
| ntl CableComms Bolton   | 1883383               |
| ntl CableComms Bolton Leasing Limited                             | 7981350               |
| ntl CableComms Bromley  | 2422195               |
| ntl CableComms Bromley Leasing Limited                            | 7981358               |
| ntl CableComms Bury and Rochdale                                  | 2446183               |
| ntl CableComms Cheshire   | 2379804               |
| ntl CableComms Derby  | 2387713               |
| ntl CableComms Derby Leasing Limited                              | 7981361               |
| ntl CableComms East Lancashire                                    | 2114543               |
| ntl CableComms Greater Manchester                                 | 2407924               |
| ntl CableComms Greater Manchester Leasing Limited                 | 7981364               |
| ntl CableComms Holdings No 1 Limited                              | 3709869               |
| ntl CableComms Holdings No 2 Limited                              | 3709840               |
| ntl CableComms Limited  | 2664006               |
| ntl CableComms Macclesfield                                       | 2459067               |
| ntl CableComms Staffordshire                                      | 2379800               |
| ntl CableComms Surrey   | 2531586               |
| ntl CableComms Surrey Leasing Limited                             | 7981376               |
| ntl CableComms Sussex Leasing Limited                             | 7981341               |
| ntl CableComms Wessex   | 2410378               |
| ntl CableComms Wessex Leasing Limited                             | 7981349               |
| ntl CableComms Wirral Leasing Limited                             | 7981333               |
| ntl Derby Cablevision Holding Company                             | 2422310               |
| ntl Funding Limited   | 5333722               |
| ntl Holdings (Broadland) Limited                                  | 2427172               |
| ntl Holdings (Fenland) Limited                                    | 2427199               |
| ntl Holdings (Leeds) Limited                                      | 2766909               |
| ntl Holdings (Norwich) Limited                                    | 2412962               |
| ntl Irish Holdings Limited  | 5313953               |
| ntl Manchester Cablevision Holding Company                        | 2455631               |
| ntl Midlands Leasing Limited                                      | 7981328               |
| ntl Rectangle Limited   | 4329656               |
| ntl Streetusual Services Limited                                  | 2851019               |
| ntl UK Telephone and Cable TV Holding Company Limited             | 2511877               |
| ntl Wirral Telephone and Cable TV Company                         | 2511873               |
| ntl Wirral Telephone and Cable TV Company Leasing Limited         | 7982011               |
| Southwestern Bell International Holdings Limited                  | 2378768               |
| Telewest Communications (Central Lancashire) Limited              | 1737862               |
| Telewest Communications (Cotswolds) Limited                       | 1743081               |
| Telewest Communications (Cumbernauld) Limited                     | SC121614              |
| Telewest Communications (Dumbarton) Limited                       | SC121700              |
| Telewest Communications (Dundee & Perth) Limited                  | SC96816               |
| Telewest Communications (Falkirk) Limited                         | SC122481              |
| Telewest Communications (Fylde & Wyre) Limited                    | 2935056               |
| Telewest Communications (Glenrothes) Limited                      | SC119523              |
| Telewest Communications (London South) Limited                    | 1697437               |
| Telewest Communications (Midlands and North West) Leasing Limited | 7982014               |
| Telewest Communications (Midlands) Limited                        | 1882074               |
| Telewest Communications (Motherwell) Limited                      | SC121617              |
| Telewest Communications (North West) Limited                      | 2321124               |
| Telewest Communications (Scotland) Limited                        | SC80891               |
| Telewest Communications (Scotland Holdings) Limited               | SC150058              |



**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**32 Principal subsidiary undertakings (continued)**

| <i>Active Subsidiaries</i>                                | <i>Company number</i> |
|---|-----------------------|
| Telewest Communications (South East) Limited              | 2270764               |
| Telewest Communications (South Thames Estuary) Limited    | 2270763               |
| Telewest Communications (Southport) Limited               | 3085912               |
| Telewest Communications (St Helens & Knowsley) Limited    | 2466599               |
| Telewest Communications (Telford) Limited                 | 2389377               |
| Telewest Communications (Wigan) Limited                   | 2451112               |
| Telewest Communications Cable Limited                     | 2883742               |
| Telewest Communications Holdco Limited                    | 3761983               |
| Telewest Communications Holdings Limited                  | 2982404               |
| Telewest Limited  | 3291383               |
| Telewest Workwise Limited                                 | 4055744               |
| The Cable Corporation Limited                             | 2075227               |
| The Yorkshire Cable Group Limited                         | 2782818               |
| Theseus No.1 Limited                                      | 2994027               |
| Theseus No.2 Limited                                      | 2994061               |
| United Artists Investments Limited                        | 2761569               |
| Virgin Media Finco Limited                                | 8045612               |
| Virgin Media Secretaries Limited                          | 2857052               |
| Virgin Media Secured Finance PLC                          | 7108352               |
| Virgin Media SFA Finance Limited                          | 7176280               |
| VMIH Sub Limited  | 5316140               |
| W Television Leasing Limited                              | 7984439               |
| Wakefield Cable Communications Limited                    | 2400909               |
| X-TANT Limited  | 3580901               |
| Yorkshire Cable Communications Limited                    | 2490136               |
| Yorkshire Cable Finance Limited                           | 2993376               |
| Birmingham Cable Limited                                  | 2244565               |
| Bluebottle Call Limited                                   | 3790187               |
| Cable London Limited                                      | 1794264               |
| Flextech Broadband Limited                                | 4125315               |
| ntl (CWC) Limited   | 3288998               |
| ntl CableComms Oldham and Tameside                        | 2446185               |
| ntl CableComms Solent                                     | 2422654               |
| ntl CableComms Stockport                                  | 2443484               |
| ntl CableComms Sussex                                     | 2266092               |
| ntl CableComms Wirral                                     | 2531604               |
| ntl Cambridge Limited                                     | 2154841               |
| ntl Communications Services Limited                       | 3403985               |
| ntl Midlands Limited                                      | 2357645               |
| ntl National Networks Limited                             | 5174655               |
| ntl Victoria Limited                                      | 5685196               |
| Sheffield Cable Communications Limited                    | 2465953               |
| Telewest Communications (Liverpool) Limited               | 1615567               |
| Telewest Communications (Midlands and North West) Limited | 2795350               |
| Telewest Communications (North East) Limited              | 2378214               |
| Telewest Communications (South West) Limited              | 2271287               |
| Telewest Communications (Tyneside) Limited                | 2407676               |
| Telewest Communications Networks Limited                  | 3071086               |
| Windsor Television Limited                                | 1745542               |
| Telewest UK Limited                                       | 4925679               |
| TVS Television Limited                                    | 591652                |
| ntl Teesside Limited                                      | 2532188               |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**32 Principal subsidiary undertakings (continued)**

The company will issue a guarantee under Section 394(C) of the Companies Act 2006 for the year ended 31 December 2013 in respect of the wholly owned dormant subsidiaries listed below. The company guarantees all outstanding liabilities to which the subsidiary company is subject to at 31 December 2013, until they are satisfied in full and the guarantee is enforceable against the company by any person to whom the subsidiary company is liable in respect of those liabilities. These dormant subsidiaries have taken advantage of the exemption from preparing individual accounts for the year ended 31 December 2013 by virtue of Section 394(A) of the Companies Act 2006

The guarantee under Section 394(C) of the Companies Act 2006 is in respect of the following dormant subsidiaries, all of which are 100% owned, either directly or indirectly

| <i>Dormant Subsidiaries</i>                  | <i>Company number</i> |
|--|-----------------------|
| Anglia Cable Communications Limited          | 2433857               |
| Avon Cable Investments Limited               | 2487110               |
| Birmingham Cable Corporation Limited         | 2170379               |
| Cable Adnet Limited                          | 3283202               |
| Cable Communications Limited                 | 1860121               |
| Cable Internet Limited                       | 3085918               |
| Cable on Demand Limited                      | 3039816               |
| Cambridge Cable Services Limited             | 3262220               |
| Capital City Cablevision Limited             | SC80665               |
| CCL Corporate Communication Services Limited | 2955679               |
| Central Cable Sales Limited                  | 2985669               |
| Credit-Track Debt Recovery Limited           | 2425789               |
| Crystal Palace Radio Limited                 | 1459745               |
| Dundee Cable and Satellite Limited           | SC093114              |
| East Coast Cable Limited                     | 2352468               |
| Ed Stone Limited                             | 4170969               |
| EMS Investments Limited                      | 3373057               |
| Eurobell (IDA) Limited                       | 3373001               |
| Eurobell (No 2) Limited                      | 3405634               |
| Eurobell (No 3) Limited                      | 3006948               |
| Eurobell Limited                             | 2983427               |
| Filegale Limited                             | 2804553               |
| Fleximedia Limited                           | 2654520               |
| Flextech (Kindernet Investment) Limited      | 1260228               |
| Flextech (Travel Channel) Limited            | 3427763               |
| Flextech B Limited                           | 2342064               |
| Flextech Broadband Holdings Limited          | 4197227               |
| Flextech Childrens Channel Limited           | 2678881               |
| Flextech Digital Broadcasting Limited        | 3298737               |
| Flextech Distribution Limited                | 2678883               |
| Flextech Interactive Limited                 | 3184754               |
| Flextech Media Holdings Limited              | 2678886               |
| Flextech Video Games Limited                 | 2670821               |
| General Cable Investments Limited            | 2885920               |
| General Cable Programming Limited            | 2906200               |
| Hieronymous Limited                          | SC80135               |
| Jewel Holdings                               | 3085518               |
| Network Gaming Consulting Limited            | 4095823               |
| ntl (Broadland) Limited                      | 2443741               |
| ntl (County Durham) Limited                  | 3128449               |
| ntl (CRUK)                                   | 2329254               |
| ntl (CWC Holdings)                           | 3922682               |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**32 Principal subsidiary undertakings (continued)**

| <i>Dormant Subsidiaries</i>                       | <i>Company number</i> |
|---|-----------------------|
| ntl (CWC) Corporation Limited                     | 2719477               |
| ntl (CWC) UK                                      | 2463427               |
| ntl (Ealing) Limited                              | 1721894               |
| ntl (Hampshire) Limited                           | 2351070               |
| ntl (Harrogate) Limited                           | 2404019               |
| ntl (Kent) Limited                                | 2456153               |
| ntl (Leeds) Limited                               | 2400103               |
| ntl (Peterborough) Limited                        | 2332232               |
| ntl (South London) Limited                        | 657093                |
| ntl (Wearside) Limited                            | 2475099               |
| ntl (West London) Limited                         | 1735664               |
| ntl (YorCan) Limited                              | 2371785               |
| ntl (York) Limited                                | 2406267               |
| ntl Acquisition Company Limited                   | 2270117               |
| ntl CableComms Manchester Limited                 | 2511868               |
| ntl Chartwell Holdings Limited                    | 3290823               |
| ntl Darlington Limited                            | 2533674               |
| ntl Holdings (East London) Limited                | 2032186               |
| ntl Holdings (Peterborough) Limited               | 2888397               |
| ntl Internet Services Limited                     | 4038930               |
| ntl Microclock Services Limited                   | 2861856               |
| ntl Partcheer Company Limited                     | 2861817               |
| ntl Sideoffer Limited                             | 2927099               |
| ntl Solent Telephone and Cable TV Company Limited | 2511653               |
| ntl South Central Limited                         | 2387692               |
| ntl Streetunique Projects Limited                 | 2851203               |
| ntl Streetunit Projects Limited                   | 2851201               |
| ntl Streetvision Services Limited                 | 2851020               |
| ntl Streetvital Services Limited                  | 2851021               |
| ntl Streetwarm Services Limited                   | 2851011               |
| ntl Streetwide Services Limited                   | 2851013               |
| ntl Strikeagent Trading Limited                   | 2851014               |
| ntl Strikeamount Trading Limited                  | 2851015               |
| ntl Strikeapart Trading Limited                   | 2851018               |
| ntl Victoria II Limited                           | 5685189               |
| ntl Winston Holdings Limited                      | 3290821               |
| Perth Cable Television Limited                    | SC032627              |
| Pinnacle Debt Recovery Limited                    | 2989858               |
| Rapid Business Solutions Limited                  | 2998088               |
| SANE Network Limited                              | SC352011              |
| Telewest Communications (Internet) Limited        | 3141035               |
| Telewest Communications (Publications) Limited    | 3860829               |
| Telewest Health Trustees Limited                  | 3936764               |
| Telewest Parliamentary Holdings Limited           | 2514316               |
| Virgin Media Communications Networks Limited      | 5993970               |
| Virgin Media Directors Limited                    | 2499321               |
| Virgin Media Sales Limited                        | 6047212               |
| Virgin Mobile Group (UK) Limited                  | 5050748               |
| VMWH Limited                                      | 7531816               |
| Yorkshire Cable Limited                           | 2792601               |

**Virgin Media Finance PLC**  
**Notes to the Group Financial Statements**  
**for the year ended 31 December 2013**

**32 Principal subsidiary undertakings (continued)**

| <i>Dormant Subsidiaries</i>                     | <i>Company number</i> |
|---|-----------------------|
| Yorkshire Cable Properties Limited              | 2951884               |
| Yorkshire Cable Telecom Limited                 | 2743897               |
| CableTel (UK) Limited                           | 2835551               |
| CableTel Herts and Beds Limited                 | 1785533               |
| CableTel Northern Ireland Limited               | NI 29131              |
| CableTel Surrey and Hampshire Limited           | 2740651               |
| Interactive Digital Sales Limited               | 4257717               |
| Lanbase European Holdings Limited               | 2529290               |
| Lanbase Limited                                 | 2617729               |
| ntl (Aylesbury and Chiltern) Limited            | 2416084               |
| ntl (Norwich) Limited                           | 2332233               |
| ntl (South East) Limited                        | 1870928               |
| ntl (Southampton and Eastleigh) Limited         | 1866504               |
| ntl (V)   | 2719474               |
| ntl Fawnspring Limited                          | 2924187               |
| ntl South Wales Limited                         | 2857050               |
| ntl Telecom Services Limited                    | 2937788               |
| ntl Trustees Limited                            | 2702219               |
| Rapid Travel Solutions Limited                  | 3131546               |
| Telewest Trustees Limited                       | 3071066               |
| Virgin Mobile Holdings (UK) Limited             | 3741555               |
| VM Real Estate Limited                          | 5993967               |
| Workplace Technologies Trustees Company Limited | 3231420               |

**33 Parent undertaking and controlling party**

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

The smallest and largest group of which the company is a member and in to which the company's accounts were consolidated at 31 December 2013 are Virgin Media Inc and Liberty Global plc, respectively

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

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.

Copies of the Virgin Media 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)

**Virgin Media Finance PLC**  
**Company Balance Sheet**  
as at 31 December 2013

|   | Notes | 2013<br>£ million | 2012<br>£ million |
|---|-------|-------------------|-------------------|
| <b>Fixed assets</b>                                     |       |                   |                   |
| Investments   | 3     | 3,913.1           | 2,169.1           |
| <b>Current assets</b>                                   |       |                   |                   |
| Debtors (due in more than one year)                     | 4     | 780.3             | 1,866.4           |
| Debtors (due in less than one year)                     | 4     | 25.9              | 25.0              |
| Cash at bank and in hand                                |       | 0.1               | 1.0               |
|   |       | <u>806.3</u>      | <u>1,892.4</u>    |
| Creditors amounts falling due within one year           | 5     | (322.6)           | (286.6)           |
| <b>Net current assets</b>                               |       | <u>483.7</u>      | <u>1,605.8</u>    |
| <b>Total assets less current liabilities</b>            |       | <u>4,396.8</u>    | <u>3,774.9</u>    |
| Creditors, amounts falling due after more than one year | 6     | (1,292.9)         | (1,804.6)         |
| <b>Net assets</b>                                       |       | <u>3,103.9</u>    | <u>1,970.3</u>    |
| <b>Capital and reserves</b>                             |       |                   |                   |
| Called up share capital                                 | 7     | 0.1               | 0.1               |
| Share premium account                                   | 8     | 3,323.2           | 3,323.2           |
| Capital contribution                                    | 8     | 5.0               | 5.0               |
| Profit and loss account                                 | 8     | (224.4)           | (1,358.0)         |
| <b>Equity shareholders' funds</b>                       | 8     | <u>3,103.9</u>    | <u>1,970.3</u>    |



R D Dunn  
Director  
23 June 2014

Company Registration Number. 05061787

**Virgin Media Finance PLC**  
**Notes to the Company Financial Statements**  
**for the year ended 31 December 2013**

**1 Accounting policies**

The principal accounting policies are summarised below and have all been applied consistently throughout the current year and the preceding year.

***Basis of preparation***

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006.

The financial statements are prepared using the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

No profit and loss account is presented by the company as permitted by Section 408 of the Companies Act 2006. The company has taken advantage of the exemption in paragraph 2D of FRS 29 '*Financial Instruments Disclosures*' and has not disclosed information required by that standard, as the group's consolidated financial statements, in which the company is included, provide equivalent disclosures for the group under IFRS 7 '*Financial Instruments Disclosures*'.

***The company's investments in subsidiaries***

The company recognises its investments in subsidiaries at cost, less any provision for impairment. In a group reconstruction where Section 611 of the Companies Act 2006 applies, the cost of investment of the transferor is adopted by the company. Income is recognised from these investments in relation to distributions from profits subject to the impairment of investments.

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.

***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

(a) 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 probable that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold, and

(b) 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 Finance PLC**  
**Notes to the Company Financial Statements**  
**for the year ended 31 December 2013**

**1 Accounting policies (continued)**

***Foreign currency translation***

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except where hedge-accounting is applied. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

***Employee benefits including long term incentives and share-based payments***

The company is an indirect, wholly-owned subsidiary of Virgin Media Inc. and Liberty Global plc. Accordingly, the company has no share-based compensation plans. The company has no employees. A wholly-owned indirect subsidiary, Virgin Media Limited, is the principal employer of the group's employees. Details of employee costs including long term incentives and share based payments are disclosed in the consolidated financial statements herewith.

***Cash flow statement***

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

***Interest bearing loans and borrowings***

All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

**2 Profit attributable to members of the parent company**

The profit dealt with in the accounts of the parent company was £1,133.6 million (2012 - loss of £183.5 million).

**3 Investments**

***Investments in subsidiary undertakings***

|                                  | <b>£ million</b> |
|----------------------------------|------------------|
| <b>Cost and net book value:</b>  |                  |
| At 1 January 2013                | 3,323.2          |
| Additions                        | 589.9            |
| At 31 December 2013              | <u>3,913.1</u>   |
| <b>Provision for impairment:</b> |                  |
| At 1 January 2013                | 1,154.1          |
| Release of investment impairment | <u>(1,154.1)</u> |
| At 31 December 2013              | <u>-</u>         |
| <b>Net book value:</b>           |                  |
| At 31 December 2013              | <u>3,913.1</u>   |
| At 31 December 2012              | <u>2,169.1</u>   |

Details of the principal investments in which the group or the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, can be seen in note 32 to the group financial statements.

The addition in the year represents a capital contribution of £589.9m to Virgin Media Investments Holdings Limited on 10 June 2013 and the acquisition of 100% of the share capital of the newly incorporated company Lynx II Corp as a result of the LG/VM Transaction for consideration of £1.

**Virgin Media Finance PLC**  
**Notes to the Company Financial Statements**  
**for the year ended 31 December 2013**

**3 Investments (continued)**

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 following LG/VM Transaction concluded that a release of investment against investments held of £1,154.1 million (2012 – nil) should be recognised.

**4 Debtors**

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| Loan notes due from group undertakings                        | 780.3             | 1,866.4           |
| Amounts due from group undertakings                           | 11.6              | -                 |
| Interest receivable on loan notes due from group undertakings | 14.3              | 25.0              |
|   | <u>806.2</u>      | <u>1,891.4</u>    |

Loans advanced to group undertakings are repayable on demand but are not expected to be recovered in full within one year. The loans advanced to group undertakings include U.S. dollar denominated loans of \$827.0 million (2012 - \$2,011.7 million) which had a carrying value of £499.2 million (2012 - £1,235.8 million) at the balance sheet date.

Other amounts owed by group undertakings are interest free and are repayable on demand.

**5 Creditors: amounts falling due within one year**

|  | 2013<br>£ million | 2012<br>£ million |
|--|-------------------|-------------------|
| Interest on loan notes due to group undertakings | 2.2               | 2.2               |
| Interest payable on Senior Notes                 | 21.4              | 24.8              |
| Amounts owed to group undertakings               | 240.1             | 200.7             |
| Loan notes due to group undertakings             | 58.9              | 58.9              |
|  | <u>322.6</u>      | <u>286.6</u>      |

Amounts owed to and loan notes due to group companies are technically payable on demand as they do not include an unconditional right to defer payment and hence are included in creditors falling due within one year. However, the directors are of the opinion that, in the ordinary course of business, repayment within such a time scale is unlikely to be required.

All other amounts above are unsecured and due within one year.

**6 Creditors: amounts falling due after more than one year**

|                                   | 2013<br>£ million | 2012<br>£ million |
|-----------------------------------|-------------------|-------------------|
| Senior Notes                      | 1,277.2           | 1,804.6           |
| Long term derivatives liabilities | 15.7              | -                 |
|                                   | <u>1,292.9</u>    | <u>1,804.6</u>    |



**Virgin Media Finance PLC**  
**Notes to the Company Financial Statements**  
**for the year ended 31 December 2013**

**6 Creditors: amounts falling due after more than one year (continued)**

Borrowings are repayable as follows:

|  | 2013<br>£ million | 2012<br>£ million |
|--|-------------------|-------------------|
| Amounts falling due  |                   |                   |
| In more than one year but not more than two years              | -                 | -                 |
| In more than two years but not more than five years            | -                 | -                 |
| In more than five years  | 1,292.9           | 1,804.6           |
| <b>Borrowings amounts falling due after more than one year</b> | <b>1,292.9</b>    | <b>1,804.6</b>    |

Loans not wholly repayable within five years are as follows:

|                                   | 2013<br>£ million | 2012<br>£ million |
|-----------------------------------|-------------------|-------------------|
| Senior Notes                      | 1,277.2           | 1,804.6           |
| Long term derivatives liabilities | 15.7              | -                 |
|                                   | <b>1,292.9</b>    | <b>1,804.6</b>    |

*Total borrowings comprise*

|   | 2013<br>£ million | 2012<br>£ million |
|---|-------------------|-------------------|
| 8.375% U.S. dollar senior notes due 2019                        | 302.7             | 309.3             |
| 8.875% sterling senior notes due 2019                           | 250.7             | 250.3             |
| 5.25% U.S. dollar senior notes due 2022                         | 57.3              | 308.9             |
| 4.875% U.S. dollar senior notes due 2022                        | 71.6              | 555.9             |
| 5.125% sterling senior notes due 2022                           | 44.1              | 400.0             |
| 7.00% sterling senior notes due 2023                            | 250.0             | -                 |
| 6.375% U.S. dollar senior notes due 2023                        | 319.9             | -                 |
|   | <b>1,296.3</b>    | <b>1,824.4</b>    |
| Less issue costs  | (19.1)            | (19.8)            |
| <b>Total senior notes</b>                                       | <b>1,277.2</b>    | <b>1,804.6</b>    |
| <b>Borrowings: amounts falling due after more than one year</b> | <b>1,277.2</b>    | <b>1,804.6</b>    |

The company has the following Senior Notes in issue as at 31 December 2013:

- 1) 8.375% Senior Notes due 15 October 2019 - the principal amount at maturity is \$507.1 million. Interest is payable semi-annually on 15 April and 15 October commencing 15 April 2010
- 2) 8.875% Senior Notes due 15 October 2019 - the principal amount at maturity is £253.5 million. Interest is payable semi-annually on 15 April and 15 October commencing 15 April 2010
- 3) 5.25% Senior Notes due 15 February 2022 - the principal amount at maturity is \$95 million. Interest is payable semi-annually on 15 February and 15 August commencing 15 August 2012. This senior note has been repurchased at price of 101% of par as a result of LG/VM Transaction, see below for further details
- 4) 4.875% Senior Notes due 15 February 2022 - the principal amount at maturity is \$118.7 million. Interest is payable semi-annually on 15 February and 15 August commencing 15 February 2013. This senior note has been repurchased at price of 101% of par as a result of LG/VM Transaction, see below for further details

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**6 Creditors: amounts falling due after more than one year (continued)**

5) 5.125% Senior Notes due 15 February 2022 – the principal amount at maturity is £44.1 million. Interest is payable semi-annually on 15 February and 15 August commencing 15 February 2013. This senior note has been repurchased at price of 101% of par as a result of LG/VM Transaction, see below for further details.

6) 7% Senior Notes due 15 April 2023 - the principal amount at maturity is £250 million. Interest is payable semi-annually on 15 April and 15 October commencing 15 October 2013. This senior note was originally issued by subsidiaries of Liberty Global, which was then pushed down to the company upon completion of the LG/VM Transaction, see below for further details

7) 6.375% Senior Notes due 15 April 2023 – the principal amount at maturity is \$530 million Interest is payable semi-annually on 15 April and 15 October commencing 15 October 2013. This senior note was originally issued by subsidiaries of Liberty Global, which was then pushed down to Virgin Media Finance PLC upon completion of the LG/VM Transaction, see below for further details

On 13 March 2012 the company issued dollar denominated 5.25% senior notes due 2022 with a principal amount outstanding of \$500 million. The 5.25% senior notes are unsecured senior obligations of the company and rank pari passu with the company's outstanding senior notes due 2019, 2022 and 2023. Interest is payable semi-annually on 15 February and 15 August each year.

On 30 October 2012 the company issued dollar denominated 4.875% senior notes due 2022 with a principal amount outstanding of \$900 million, and sterling 5.125% senior notes due 2022 with a principal amount outstanding of £400 million. The 4.875% and 5.125% senior notes due 2022 are unsecured senior obligations of the company and rank pari passu with the company's outstanding senior notes due 2019, 2022 and 2023. Interest is payable semi-annually on 15 February and 15 August each year.

On 30 October 2012 the company issued \$900 million 4.875% and £400 million 5.125% senior notes due 2022 at par, and the company received proceeds of £953.1 million, net of fees of £7.4 million. The net proceeds, and cash on the company's balance sheet, were used to redeem the remaining \$850 million of the \$1,350 million 9.50% senior notes due 2016, the full outstanding balance of the €180 million 9.50% senior notes due 2016, \$92.9m of the \$600 million 8.375% senior notes due 2019 and £96.5 million of the £350 million 8.875% senior notes due 2019. The company repaid these notes over the period 31 October 2012 to 30 November 2012 with cash of £930.9 million, inclusive of a redemption premium of £103.3 million.

In February 2013, subsidiaries of Liberty Global issued \$530 million 6.375% and £250 million 7% senior notes due 2023, together with the \$1,000 million 5.375% and £1,100 million 6% senior secured notes due 2021 in connection with the execution of the LG/VM Transaction Agreement. The net proceeds (after deducting certain transaction expenses) from these notes of £2,198.3 million were placed into segregated escrow accounts with a trustee. Such net proceeds were released in connection with the closing of the LG/VM Transaction. On completion of the LG/VM Transaction, these notes were assumed by the company.

Under the terms of the applicable indentures, the completion of the LG/VM Transaction represented a "Change of Control" event that required Virgin Media Secured Finance and the company, as applicable, to offer to repurchase senior notes due 2022 at a repurchase price of 101% of par. In this regard, on 11 June 2013, the company redeemed the following senior notes:

- \$405 million (£244.5 million) of the 5.25% senior notes due 2022,
- \$781.3 million (£471.6 million) of the 4.875% senior notes due 2022
- £355.9 million of the 5.125% senior notes due 2022

With respect to the 8.375% \$507.1 million and 8.875% £253.5 million senior notes due 2019, Virgin Media Inc. previously had obtained consent from holders of such notes to waive its repurchase obligations under the respective indentures related to the "Change of Control" provisions. The LG/VM Transaction did not constitute a "Change of Control" event under the indentures governing the 2023 Senior Notes.

Virgin Media Inc., a parent company of the company, and all the intermediate holding companies, guarantee the Senior Notes on a senior basis. Virgin Media Investment Holdings Limited, a direct wholly-owned subsidiary of the company, guarantees the Senior Notes on a senior subordinated basis and has no significant assets of its own other than its investments in its subsidiaries. The company has given a full and unconditional guarantee of all amounts payable under the terms of the Virgin Media group's senior secured credit facility and Senior Secured Notes due 2018 and 2021.

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**7 Authorised and issued share capital**

|   | 2013<br>£ '000 | 2012<br>£ '000 |
|---|----------------|----------------|
| <i>Allotted, called up and fully paid</i> |                |                |
| 92,456 ordinary shares of £1 each         | <u>92.5</u>    | <u>92.5</u>    |

**8 Reconciliation of movements in equity shareholders' funds**

|                     | Called-up<br>equity share<br>capital<br>£ million | Share<br>premium<br>account<br>£ million | Capital<br>contribution<br>£ million | Profit<br>and loss<br>account<br>£ million | Total<br>£ million |
|---------------------|---|--|--------------------------------------|--|--------------------|
| At 1 January 2012   | 0.1   | 3,323.2                                  | 5.0                                  | (1,174.5)                                  | 2,153.8            |
| Loss for the year   | -   | -  | -                                    | (183.5)                                    | (183.5)            |
| At 1 January 2013   | 0.1   | 3,323.2                                  | 5.0                                  | (1,358.0)                                  | 1,970.3            |
| Gain for the year   | -   | -  | -                                    | 1,133.6                                    | 1,133.6            |
| At 31 December 2013 | <u>0.1</u>  | <u>3,323.2</u>                           | <u>5.0</u>                           | <u>(224.4)</u>                             | <u>3,103.9</u>     |

*Share capital*

The balance classified as share capital represents the nominal value on issue of the company's equity share capital, comprising £1 ordinary shares

*Capital contribution*

The £5 million capital contribution was received from Virgin Media Communications Limited as part of a comprehensive group restructuring in 2006

**9 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.

**10 Auditor's and director's remuneration**

Auditor's remuneration of £1,000 (2012 - £1,000) represents costs attributed to the company by the fellow group undertakings that pay all auditor's remuneration on behalf of the Virgin Media group.

Fees paid to KPMG LLP and its associates for non-audit services to the parent company itself are not disclosed in the individual accounts of Virgin Media Finance PLC because group financial statements are prepared which are required to disclose such fees on a consolidated basis.

The directors received remuneration for the year of £3,500 (2012 - £3,500) in relation to qualifying services as directors of this company, all of which was paid by Virgin Media Limited

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**11 Contingent liabilities**

The company along with fellow group undertakings is party to a senior secured credit facility with a syndicate of banks. As at 31 December 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.

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.

**12 Parent undertaking and controlling party**

The company's immediate parent undertaking is Virgin Media Communications 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 2013 are Virgin Media Finance PLC and Liberty Global plc, respectively.

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

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.

Copies of Virgin Media 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).