

**Liberty Global Europe Limited**  
(Registered number 3422231)

Directors' report and financial statements  
31 December 2011



## Contents

|   |   |
|---|---|
| Directors' report   | 1 |
| Statement of directors' responsibilities in respect of the Directors' Report and the financial statements | 3 |
| Independent auditor's report to the members of Liberty Global Europe Limited                              | 4 |
| Profit and loss account   | 6 |
| Balance sheet   | 7 |
| Notes to the Financial Statements   | 8 |

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

### Principal activities

The principal activity of the company is to provide assistance and services in respect of financial, strategic, organisational, personnel, marketing and administrative matters to UPC Broadband Operations B V , an indirectly wholly owned subsidiary of UPC Holding B V ("UPC") UPC Broadband Operations BV is a wholly owned subsidiary of UPC Broadband Holding BV which is a wholly owned subsidiary of UPC Holding BV

UPC is an indirectly wholly owned subsidiary of Liberty Global Europe Inc ("LGE Inc"), which is a subsidiary of UnitedGlobalCom Inc ("UGC") The ultimate parent company is Liberty Global Inc ("LGI")

The company is an integral part of the LGI group and during the year provided services exclusively to the group The company is currently reliant on its parent company, UPC Broadband Holding BV , for financial support for its working capital and capital expenditure requirements The directors believe that these funds will continue to be available for the foreseeable future and consequently have prepared the financial statements on a going concern basis

### Business review and future developments

As described above, the principal activity of the company is providing corporate services to the UPC Broadband division of LGI, which operates in eleven countries in Europe UPC Broadband provides video, high speed internet access and telephony services and operates cable networks in Western Europe and Central and Eastern Europe

As such, the level of the company's activities is principally driven by the requirements and activities of the UPC Broadband division

Turnover decreased by 2%, decreasing from £22,316,000 in the year ended 31 December 2010 to £21,955,000 in the year ended 31 December 2011

Administrative expenses decreased by 2% from £20,567,000 to £20,234,000

Operating profit fell by 2% from £1,749,000 in 2010 to £1,721,000 in 2011

The directors are satisfied with the performance of the company and the results that have been achieved The future growth of the company is dependent on the requirements of the UPC Broadband division, but the directors anticipate an increase in the company's operations over the next year

### Results and dividends

The results of the company are set out on page 6

The directors do not recommend the payment of a dividend (2010 £nil)

### Directors

The directors who served on the Board during the year and up to the date of this report were as follows

CHR Bracken  
AM Tuijten (Resigned 12/01/12)

## **Directors' report** *(continued)*

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **Employee consultation**

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through regular information bulletins, which seek to achieve a common awareness of the financial and economic factors affecting the performance of the business.

### **Political and charitable contributions**

The company made no political or charitable contributions during the year (2010 £nil).

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

A resolution for the re-appointment as per Companies Act 2006, of KPMG LLP, as auditors of the company, is to be proposed at the forthcoming AGM.

By order of the board



**CHR Bracken**  
*Director*

Michelin House  
81 Fulham Road  
London  
SW3 6RD

27 September 2012

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK general 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 company and of the profit or loss for that period. In preparing those financial statements, the directors are required to

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

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

## **Independent auditor's report to the members of Liberty Global Europe Limited**

We have audited the financial statements of Liberty Global Europe Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation 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 auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 relevant law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of the profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Independent auditor's report** *(continued)*

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

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



**Steve Masters (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit LLP, Statutory Auditor  
Chartered Accountants

28 September 2012

*15 Canada Square  
London  
E14 5GL*

## Profit and loss account

*for the year ended 31 December 2011*

|  | Note | Year ended<br>31 December<br>2011<br>£'000 | Year ended<br>31 December<br>2010<br>£'000 |
|--|------|--|--|
| Turnover   | 1    | 21,955                                     | 22,316                                     |
| Administrative expenses                              |      | (20,234)                                   | (20,567)                                   |
| <b>Operating profit</b>                              |      | <b>1,721</b>                               | <b>1,749</b>                               |
| Interest payable and similar charges                 | 6    | (613)                                      | (31)                                       |
| <b>Profit on ordinary activities before taxation</b> | 3    | <b>1,108</b>                               | <b>1,718</b>                               |
| Tax credit/(charge) on profit on ordinary activities | 7    | 3,298                                      | 542  |
| <b>Profit for the financial year</b>                 |      | <b>4,406</b>                               | <b>2,260</b>                               |

The company has no recognised gains or losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

All results of the company have arisen from continuing activities

The historical cost profits in the current and prior year are the same as those stated above

The accompanying notes on pages 8 to 21 are an integral part of these financial statements



## Balance sheet

at 31 December 2011

|   | Note | 31 December<br>2011<br>£'000 | 31 December<br>2010<br>£'000 |
|---|------|------------------------------|------------------------------|
| <b>Fixed assets</b>   |      |                              |                              |
| Tangible assets   | 8    | <u>185</u>                   | <u>18</u>                    |
| <b>Current assets</b>                                       |      |                              |                              |
| Debtors   | 9    | 21,652                       | 13,028                       |
| Cash at bank and in hand                                    |      | 70                           | 145                          |
|   |      | <u>21,722</u>                | <u>13,173</u>                |
| <b>Creditors:</b>   |      |                              |                              |
| Amounts falling due within one year                         | 10   | <u>(28,338)</u>              | <u>(10,129)</u>              |
| <b>Net current assets</b>                                   |      | <u>(6,616)</u>               | <u>3,044</u>                 |
| <b>Total assets less current liabilities and net assets</b> |      | <u>(6,431)</u>               | <u>3,062</u>                 |
| <b>Capital and reserves</b>                                 |      |                              |                              |
| Called up share capital                                     | 12   | -                            | -                            |
| Other reserves  | 13   | (15,279)                     | (1,380)                      |
| Profit and loss account                                     | 14   | <u>8,848</u>                 | <u>4,442</u>                 |
| <b>Equity shareholders' funds</b>                           | 15   | <u>(6,431)</u>               | <u>3,062</u>                 |

These financial statements were approved by the board of directors on 27 September 2012 and were signed on its behalf by



**CHR Bracken**  
Director

The accompanying notes on pages 8 to 21 are an integral part of these financial statements

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items, which are considered material in relation to the financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its intermediate parent undertaking, UPC Holding B V ("UPC"), includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of UPC Broadband Holding B V , the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of UPC Holding B V within which this company is included, can be obtained from the address given in note 18

#### *Going Concern*

The directors consider that the Company has access to sufficient funding to meet its needs for the reasons set out below Accordingly, the directors have prepared the financial statements on a going concern basis The company is expected to continue to generate positive cash flows on its own account for the foreseeable future

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the company's parent UPC Broadband Holding BV to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Liberty Global Europe Holding group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Liberty Global Europe Holding BV, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

#### *Turnover*

Turnover represents the value of services provided to group companies, net of trade discounts, VAT and other sales related taxes

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives at the following annual rates

|   |   |     |
|---|---|-----|
| Computer equipment                      | - | 33% |
| Fixtures, fittings and office equipment | - | 33% |

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The charge for tax is based on the result for the year and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that on the basis of all available evidence, it can be regarded more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date.

#### *Pension costs and other post-retirement benefits*

The company participates in a defined contribution pension scheme structured as a Group Personal Pension operated by a UK insurance company. Pension contributions payable in the year are expensed in the profit and loss account. Any difference between cash paid and amounts charged is either a prepayment or accrual.

#### *Share-based remuneration*

LGI provides share-based remuneration to certain key employees within the LGI group, some of which are employed by the company, including performance plans, stock options, stock appreciation rights ("SARS"), restricted stock and restricted stock units (together "share-based remuneration").

It is currently LGI's intention to equity settle this share-based remuneration, however the value of amounts exercised by employees of the company pertaining to these awards is recharged by the group to the company.

Share-based remuneration for performance plans is accounted for as a liability-based plan given that it is intended that a variable number of shares will be issued to settle the fixed obligation that was determined at the end of the performance period. Share-based remuneration is recognized using the accelerated attribution method based on an assessment of the awards that are probable to be earned and is recorded as share-based remuneration, notwithstanding the fact that LGI could elect at a future date to cash settle all or any portion of vested awards under these plans.

Other share-based remuneration is measured at fair value and recognised as an expense in the profit and loss account. The excess of the charge to the profit and loss account for all share-based remuneration over amounts recharged by the group in respect of exercises is recorded in accruals and deferred income.

The fair value is measured at the date of grant using option-pricing models, taking into account the terms and conditions upon which awards are granted.

The fair value is recognised over the period in which employees become unconditionally entitled to the awards, subject to LGI's estimate of the number of awards which will lapse, either due to employees leaving the group prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the amount reflects the probability of achieving these via the option pricing model. The total amount recognised in the profit and loss account as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Share-based remuneration (continued)*

Share-based remuneration charges are recharged with other administrative expenses to UPC Broadband Operations B V under a Service Agreement

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if appropriate, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at the date or, if appropriate, at the forward contract rate. All exchange rate differences are included in the profit and loss account.

#### *Operating leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

### 2 Segmental information

The company has a single class of business, which is providing services to UPC Broadband Operations B V under a Service Agreement. UPC Broadband Operations B V in turn provides services to LGI group companies. Turnover is generated in the United Kingdom (2010: United Kingdom).

### 3 Profit on ordinary activities before taxation

|  | Year ended<br>31 December<br>2011<br>£'000 | Year ended<br>31 December<br>2010<br>£'000 |
|--|--|--|
| <i>Profit on ordinary activities before taxation is stated after charging.</i> |  |  |
| Auditor's remuneration – audit of these financial statements                   | 14   | 14   |
| Other Services   | 1  | 1  |
| Depreciation<br>- owned assets   | 14   | 21   |

## Notes (continued)

### 4 Remuneration of directors

The remuneration of directors was as follows

|  | Year ended<br>31 December<br>2011<br>£'000 | Year ended<br>31 December<br>2010<br>£'000 |
|--|--|--|
| Directors' emoluments                  | 1,295                                      | 1,192                                      |
| Share-based remuneration (see note 17) | 11,054                                     | 2,980                                      |
| Pensions                               | 44   | 43   |
|  | <u>12,393</u>                              | <u>4,215</u>                               |

The cost of emoluments is borne in part by Chellomedia Services Limited

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows

|  | Year ended<br>31 December<br>2011<br>Number of<br>employees | Year ended<br>31 December<br>2010<br>Number of<br>employees |
|--|---|---|
| Administration   | <u>44</u>   | <u>41</u>   |
| The aggregate payroll costs of these persons were as follows | £'000   | £'000   |
| Wages and salaries   | 6,962   | 6,914   |
| Share-based remuneration                                     | 9,746   | 10,404  |
| Social security costs  | 645   | 598   |
| Other pension costs (see note 16)                            | 318   | 297   |
|  | <u>17,671</u>   | <u>18,213</u>   |

The cost of share based remuneration of £9,746,000 disclosed above includes employers national insurance of £2,634,000

**Notes (continued)**

**6 Interest payable and similar charges**

|  | Year ended<br>31 December<br>2011<br>£'000 | Year ended<br>31 December<br>2010<br>£'000 |
|--|--|--|
| Interest payable - other               | 2  | -  |
| Interest payable to group undertakings | 609  | 31   |
| Exchange loss                          | 2  | -  |
|  | <u>613</u>                                 | <u>31</u>                                  |

**7 Taxation**

*Analysis of tax (credit) / charge for the year*

|   | Year ended<br>31 December<br>2011<br>£'000 | Year ended<br>31 December<br>2010<br>£'000 |
|---|--|--|
| <b>UK corporation tax charge*</b>                             |  |  |
| Current tax for the year – group relief payable/(receivable)  | (1,358)                                    | (630)                                      |
| Adjustment in respect of prior years                          | 630  | (78)                                       |
|   | <u>(728)</u>                               | <u>(708)</u>                               |
| <b>Total current tax credit</b>                               | <u>(728)</u>                               | <u>(708)</u>                               |
| <b>Deferred tax</b>   |  |  |
| Current year  | (3,175)                                    | (379)                                      |
| Adjustment in respect of prior years                          | 605  | 545  |
|   | <u>(2,570)</u>                             | <u>166</u>                                 |
| <b>Total deferred tax</b>                                     | <u>(2,570)</u>                             | <u>166</u>                                 |
| <b>Tax (credit) / charge on profit on ordinary activities</b> | <u><u>(3,298)</u></u>                      | <u><u>(542)</u></u>                        |

The current tax credit for the year is higher (2010 lower) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below.

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 and a further reduction to 25 per cent with effect from 1 April 2012. These changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively.

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012 and a further reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012.

**Notes (continued)**

**7 Taxation (continued)**

|  | Year ended<br>31 December<br>2011<br>£'000 | Year ended<br>31 December<br>2010<br>£'000 |
|--|--|--|
| Profit on ordinary activities before tax | 1,108                                      | 1,718                                      |
| Current tax at 26.5% (2010 28%)          | 294  | 481  |
| Effects of                               |  |  |
| Fixed asset timing differences           | 4  | 6  |
| Other short term timing differences      | (1,669)                                    | (1,127)                                    |
| Expenses not deductible for tax          | 13   | 10   |
| Adjustment in respect of prior years     | 630  | (78)                                       |
| Total current tax credit                 | (728)                                      | (708)                                      |

**8 Tangible fixed assets**

|                                  | Computer<br>Equipment<br>£'000 | Fixtures and<br>Fittings<br>£'000 | Total<br>£'000 |
|----------------------------------|--------------------------------|-----------------------------------|----------------|
| <i>Cost</i>                      |                                |                                   |                |
| At 1 January 2011                | 390                            | 12                                | 402            |
| Additions                        | 180                            | -                                 | 180            |
| Disposals                        | -                              | -                                 | -              |
| At 31 December 2011              | 570                            | 12                                | 582            |
| <i>Depreciation</i>              |                                |                                   |                |
| At 1 January 2011                | 374                            | 10                                | 384            |
| Depreciation charge for the year | 12                             | 1                                 | 13             |
| Disposals                        | -                              | -                                 | -              |
| At 31 December 2011              | 386                            | 11                                | 397            |
| <i>Net Book Value</i>            |                                |                                   |                |
| At 31 December 2011              | 184                            | 1                                 | 185            |
| At 1 January 2011                | 16                             | 2                                 | 18             |

**Notes (continued)**

**9 Debtors**

|                                    | <b>31 December<br/>2011<br/>£'000</b> | <b>31 December<br/>2010<br/>£'000</b> |
|------------------------------------|---------------------------------------|---------------------------------------|
| Prepayments and accrued income     | 118                                   | 70                                    |
| Amounts owed by group undertakings | 11,804                                | 5,801                                 |
| Other debtors                      | 5                                     | 7                                     |
| VAT repayment                      | 16                                    | 11                                    |
| Deferred tax asset (see note 11)   | 9,709                                 | 7,139                                 |
|                                    | <u>21,652</u>                         | <u>13,028</u>                         |

**10 Creditors amounts falling due within one year**

|                                    | <b>31 December<br/>2011<br/>£'000</b> | <b>31 December<br/>2010<br/>£'000</b> |
|------------------------------------|---------------------------------------|---------------------------------------|
| Trade creditors                    | 102                                   | 13                                    |
| Amounts due to group undertakings  | 27,617                                | 7,758                                 |
| Other taxation and social security | 279                                   | 2,061                                 |
| Other accruals and deferred income | 340                                   | 297                                   |
|                                    | <u>28,338</u>                         | <u>10,129</u>                         |

**11 Deferred taxation**

|   | <b>31 December<br/>2011<br/>£'000</b> | <b>31 December<br/>2010<br/>£'000</b> |
|---|---------------------------------------|---------------------------------------|
| The amounts recognised for deferred taxation are comprised of |                                       |                                       |
| Fixed asset timing differences                                | 346                                   | 361                                   |
| Other timing differences                                      | 4,474                                 | 2,177                                 |
| Share-based remuneration timing differences                   | 4,889                                 | 4,601                                 |
|   | <u>9,709</u>                          | <u>7,139</u>                          |

There are no unrecognised deferred tax assets



**Notes (continued)**

**12 Called up share capital**

|   | 31 December<br>2011<br>£ | 31 December<br>2010<br>£ |
|---|--------------------------|--------------------------|
| <i>Allotted, called up and fully paid</i> |                          |                          |
| 2 (2010 2) ordinary shares of £1 each     | <u>2</u>                 | <u>2</u>                 |

**13 Other reserves**

|                               | 31 December<br>2011<br>£'000 | 31 December<br>2010<br>£'000 |
|-------------------------------|------------------------------|------------------------------|
| At start of year              | (1,380)                      | -                            |
| LGI Stock issued in the year  | 7,112                        | 7,895                        |
| LGI Stock charges in the year | (21,011)                     | (9,275)                      |
| <b>At end of year</b>         | <u>(15,279)</u>              | <u>(1,380)</u>               |

**14 Profit and loss account**

|                               | 31 December<br>2011<br>£'000 | 31 December<br>2010<br>£'000 |
|-------------------------------|------------------------------|------------------------------|
| At start of year              | 4,442                        | 2,182                        |
| Profit for the financial year | 4,406                        | 2,260                        |
| <b>At end of year</b>         | <u>8,848</u>                 | <u>4,442</u>                 |

**15 Reconciliation of movements in equity shareholders' funds/(deficit)**

|  | 31 December<br>2011<br>£'000 | 31 December<br>2010<br>£'000 |
|--|------------------------------|------------------------------|
| Opening equity shareholders' funds / (deficit) | 3,062                        | 2,182                        |
| Movements in other reserves                    | (13,899)                     | (1,380)                      |
| Profit for the financial year                  | 4,406                        | 2,260                        |
| <b>Closing equity shareholders' funds</b>      | <u>(6,431)</u>               | <u>3,062</u>                 |

**Notes (continued)**

**16 Pension scheme**

The company participates in a defined contribution pension scheme structured as a Group Pension Plan, operated by a UK insurance company. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £318,189 (2010 £297,117)

**17 Share-based remuneration**

LGI provides share-based remuneration to certain key employees within the LGI group, some of which are employed by the company, including performance plans, stock options, stock appreciation rights ("SARS"), restricted stock and restricted stock units (together "share-based remuneration"). Information with respect to these share-based remuneration awards is provided below

|  | 31 December<br>2011<br>£'000 | 31 December<br>2010<br>£'000 |
|--|------------------------------|------------------------------|
| <i>Share-based remuneration comprises:</i>   |                              |                              |
| LGI Series A and Series C common stock   |                              |                              |
| LGI Performance Plans  | 1,016                        | 3,583                        |
| Stock options, SARS, restricted stock and<br>restricted stock units (see LGI Incentive Plan below) | 6,096                        | 4,311                        |
|  | <u>7,112</u>                 | <u>7,894</u>                 |

Full details of the schemes and how they operate are set out in the LGI consolidated financial statements which are included in the 10-K, filed with the SEC on 22<sup>nd</sup> February 2012, are set out below

## Notes (continued)

### 17 Share-based remuneration (continued)

The following table summarises certain information related to the incentive awards granted and exercised with respect to LGI common stock

|   | Year ended<br>31 December<br>2011 | Year ended<br>31 December<br>2010 |
|---|-----------------------------------|-----------------------------------|
| <b>LGI Series A, (Series B) and Series C common stock:</b>                |                                   |                                   |
| <i>Assumptions used to estimate fair value of awards granted</i>          |                                   |                                   |
| Risk-free interest rate   | 0.82 – 3.31%                      | 1.26 – 3.47%                      |
| Expected life   | 3.4 – 8.7 years                   | 3.2 – 9.0 years                   |
| Expected volatility   | 35.5 – 45.6%                      | 37.1% – 56.8%                     |
| Expected dividend yield   | None                              | None                              |
| <i>Weighted average grant-date fair value per share of awards granted</i> |                                   |                                   |
| Options   | \$21.41                           | \$16.50                           |
| SARS  | \$15.02                           | \$9.70                            |
| Restricted stock  | \$44.79                           | \$24.68                           |
| Performance Stock Units   | \$39.98                           | \$27.95                           |
| <i>Total intrinsic value of awards exercised (in millions)</i>            |                                   |                                   |
| Options   | \$93.80                           | \$74.70                           |
| SARS  | \$39.20                           | \$51.80                           |

#### The LGI Incentive Plan

*General* The LGI Incentive Plan is administered by the compensation committee of our board of directors. The compensation committee has full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The incentive plan is designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in our company. The compensation committee may grant non-qualified stock options, SARs, restricted shares, restricted share units, cash awards, performance awards or any combination of the foregoing under this incentive plan (collectively, awards).

The maximum number of shares of LGI common stock with respect to which awards may be issued under the incentive plan is 50 million, subject to anti-dilution and other adjustment provisions of the LGI Incentive Plan, of which no more than 25 million shares may consist of LGI Series B common stock. With limited exceptions, no person may be granted in any calendar year awards covering more than four million shares of our common stock, of which no more than two million shares may consist of LGI Series B common stock. In addition, no person may receive payment for cash awards during any calendar year in excess of \$10 million. Shares of our common stock issuable pursuant to awards made under the incentive plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by our company. Awards under the LGI Incentive Plan issued prior to June 2005 are fully vested and expire 10 years after the grant date. Awards (other than performance-based awards) under the

## Notes (continued)

### 17 Share-based remuneration (continued)

LGI Incentive Plan issued after June 2005 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. The LGI Incentive Plan had 11,639,553 shares available for grant as of December 31, 2011.

**LGI Performance Plans** The LGI Senior Executive Performance Plan and the LGI Management Performance Plan (collectively the LGI Performance Plans) were five-year performance-based incentive plans for our senior executives and certain key employees, respectively. The LGI Performance Plans had a two-year performance period, which began January 1, 2007, and a three-year service period, which began January 1, 2009. At the end of the two-year performance period, each participant became eligible to receive varying percentages of the maximum achievable award specified for such participant based on our achievement of a specified compound annual growth rate (CAGR) in consolidated operating cash flow (see note 17), 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 performance period. With the exception of an initial equity incentive award granted to a new hire in 2007, participants in the LGI Senior Executive Performance Plan were not eligible to receive and were not granted any equity incentive awards during the two-year performance period.

Following completion of the performance period, on February 18, 2009, the compensation committee determined that an OCF CAGR of approximately 15.5% had been achieved during the performance period. Based on this determination and after deducting forfeited awards, participants in the LGI Performance Plans that met minimum annual performance rating levels earned \$316.5 million or 87.4% of their aggregate maximum achievable awards. Earned awards were to be paid in six equal semi-annual installments on each March 31 and September 30 commencing on March 31, 2009, subject to forfeiture upon certain events of termination of employment or acceleration in certain circumstances.

On February 18, 2009, the compensation committee determined the method of payment for the March 31, 2009 and September 30, 2009 installments of the earned awards. In accordance with the compensation committee's determination, we (i) paid cash aggregating \$56.2 million and on February 18, 2009 granted 9,464 restricted share units with respect to LGI Series A common stock and 9,094 restricted share units with respect to LGI Series C common stock to settle the first installment of the awards earned under the LGI Performance Plans and (ii) granted restricted share units on February 18, 2009 with respect to 2,002,597 shares of LGI Series A common stock and 1,924,050 shares of LGI Series C common stock to settle the second installment of the awards earned under the LGI Performance Plans. The restricted share units granted in partial satisfaction of the first installment of the awards vested on March 31, 2009, and the restricted share units granted in satisfaction of the second installment of the awards vested on September 30, 2009. For purposes of determining the number of restricted share units to be granted, the compensation committee assigned a value of \$13.50 to each restricted share unit, which represented a premium of approximately 13.5% to the closing price of LGI Series A common stock on February 18, 2009. As required by the terms of the LGI Performance Plans, the restricted share units were allocated between LGI Series A and Series C common stock in the same relative proportions as the then outstanding LGI Series A and Series C common stock (51%/49%). The decision by the compensation committee to settle the second installment of each earned award with restricted share units represented a modification that resulted in the reclassification of this portion of the earned awards from a liability to equity. The \$5.1 million difference between the February 18, 2009 grant date market value of the restricted share units issued and the value assigned to the restricted share units by the compensation committee is reflected as a reduction of our stock-based compensation expense for the year ended December 31, 2009. Our stock-based compensation expense for the year ended December 31, 2009 also includes a reduction of \$10.7 million related to the first quarter 2009 forfeiture of certain awards under the LGI Performance Plans.

## Notes (continued)

### 17 Share-based remuneration (continued)

On February 16, 2010, the compensation committee determined the method of payment for the four remaining instalments of the awards that had been earned. In accordance with the compensation committee's determination, we (i) paid cash aggregating \$50.9 million, together with 32,802 restricted plan shares (as defined in the LGI Performance Plans) of LGI Series A common stock and 31,708 restricted plan shares of LGI Series C common stock to settle the March 31, 2010 instalment, and (ii) granted an aggregate of 3,248,061 restricted plan shares of LGI Series A common stock and 3,139,707 restricted plan shares of LGI Series C common stock to settle the remaining balance of each participant's earned award, which shares vest in three equal instalments. In accordance with the LGI Performance Plans, restricted plan shares may be restricted shares or restricted share units. The restricted plan shares issued in relation to the March 31, 2010 and September 30, 2010 instalments vested in full on those dates and the remaining restricted plan shares vested in equal instalments on March 31, 2011 and September 30, 2011. For purposes of determining the number of restricted plan shares to be granted, the compensation committee valued the restricted plan shares at the respective closing market prices for LGI Series A and Series C common stock on February 16, 2010. The decision by the compensation committee to settle the final three instalments of each earned award with restricted plan shares represented a modification that resulted in the reclassification of this portion of the earned awards from a liability to equity during the first quarter of 2010.

Compensation expense under the LGI Performance Plans was (i) recognized using the accelerated attribution method based on our assessment of the awards that were probable to be earned and (ii) reported as stock-based compensation in our consolidated statement of operations, notwithstanding the fact that the compensation committee elected to cash settle a portion of the vested awards under the LGI Performance Plans.

**LGI PSUs** In March 2010, the compensation committee determined to modify the equity incentive award component of our 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 share of Series A common stock or Series C common stock, as applicable, subject to performance and vesting. Each PSU represents the right to receive one share of Series A common stock or Series C common stock, as applicable, subject to performance and vesting.

In March and April 2010, the compensation committee approved the grant to our executive officers and certain key employees of a total of 692,678 LGI Series A PSUs and 692,678 LGI Series C PSUs pursuant to the LGI Incentive Plan. The performance period for these PSUs (the 2010 PSUs) was January 1, 2010 to December 31, 2011. The performance target selected by the committee was the achievement of a Target OCF CAGR (as defined in the grant agreement) of approximately 7% for the two-year performance period, determined by comparing 2011 Adjusted OCF to 2009 Adjusted OCF (each as defined in the grant agreement), and subject to upward or downward adjustment for certain events in accordance with the terms of the grant agreement. A performance range of 75% to 125% of the Target OCF CAGR would generally result in award recipients earning 50% to 150% of their 2010 PSUs, subject to reduction or forfeiture based on individual performance. One-half of the earned 2010 PSUs will vest on March 31, 2012 and the balance on September 30, 2012. The compensation committee also established a base performance objective of a 5.0% OCF CAGR (as defined in the grant agreement), which must be satisfied in order for award recipients to be eligible to earn any of their 2010 PSUs and is not subject to adjustment. As of February 22, 2012, the compensation committee had not yet made its final determination with respect to the OCF CAGR that was achieved with respect to the 2010 PSUs.

## Notes (continued)

### 17 Share-based remuneration (continued)

In March 2011, the compensation committee approved the grant to our executive officers and certain key employees of a total of 513,268 LGI Series A PSUs and 513,268 LGI Series C PSUs pursuant to the LGI Incentive Plan. The performance period for these PSUs (the 2011 PSUs) is January 1, 2011 to December 31, 2012. The performance target selected by the committee is the achievement of a Target OCF CAGR (as defined in the grant agreement) of approximately 4.5% for the two-year performance period determined by comparing 2012 Adjusted OCF to 2010 Adjusted OCF (each as defined in the grant agreement), and subject to upward or downward adjustment for certain events in accordance with the terms of the grant agreement. A performance range of 75% to 125% of the Target OCF CAGR would generally result in award recipients earning 50% to 150% of their 2011 PSUs, subject to reduction or forfeiture based on individual performance. One-half of the earned 2011 PSUs will vest on March 31, 2013 and the balance will vest on September 30, 2013. The compensation committee also established a base performance objective of 50% of the Target OCF CAGR, subject to certain limited adjustments, which must be satisfied in order for our named executive officers to be eligible to earn any of their 2011 PSUs.

The following tables summarize the stock award activity during the year ended December 31, 2011 with respect to LGI common stock.

|  | Number of<br>Shares | Weighted<br>average<br>exercise<br>price | Weighted<br>average<br>remaining<br>contractual<br>term in years |
|--|---------------------|--|--|
| <b>Options – LGI Series A and C common stock</b>                                     |                     |  |  |
| Outstanding at 1 January 2011  | 7,188,839           | \$19.57                                  |  |
| Granted  | 63,623              | \$44.15                                  |  |
| Exercised  | (4,090,690)         | \$17.50                                  |  |
| Cancelled or forfeited   | (43,646)            | \$38.03                                  |  |
| Outstanding at 31 December 2011  | <u>3,118,126</u>    | <u>\$22.52</u>                           | <u>2.6</u>   |
| Exercisable at 31 December 2011  | <u>2,951,268</u>    |  |  |
| <b>SARS – LGI Series A and C common stock</b>  |                     |  |  |
| Outstanding at 1 January 2011  | 7,300,183           | \$20.83                                  |  |
| Granted  | 2,317,984           | \$45.41                                  |  |
| Exercised  | (1,963,294)         | \$19.57                                  |  |
| Cancelled or forfeited   | (288,694)           | \$21.50                                  |  |
| Outstanding at 31 December 2011  | <u>7,366,179</u>    | <u>\$28.87</u>                           | <u>5.0</u>   |
| Exercisable at 31 December 2011  | <u>2,457,230</u>    |  |  |
| <b>Restricted stock and restricted stock units – LGI Series A and C common stock</b> |                     |  |  |
| Outstanding at 1 January 2011  | 5,312,038           | \$24.44                                  |  |
| Granted  | 315,144             | \$44.79                                  |  |
| Released from restrictions   | (4,717,579)         | \$24.85                                  |  |
| Cancelled or forfeited   | (82,452)            | \$24.21                                  |  |
| Outstanding at 31 December 2011  | <u>827,151</u>      | <u>\$29.85</u>                           | <u>2.1</u>   |
| <b>Performance stock awards – LGI Series A and C Common Stock</b>                    |                     |  |  |
| Outstanding at 1 January 2011  | 1,268,988           | \$27.93                                  |  |
| Granted  | 1,026,536           | \$39.98                                  |  |
| Released from restrictions   | (113,312)           | \$34.18                                  |  |
| Cancelled or forfeited   | (82,626)            | \$27.74                                  |  |
| Outstanding at 31 December 2011  | <u>2,099,586</u>    | <u>\$33.49</u>                           | <u>1.0</u>   |

**Notes** *(continued)*

**18 Parent undertaking and controlling party**

The results of the company are consolidated by UPC Holding B V , its intermediate parent company, incorporated in The Netherlands, whose principal business is at Boeing Avenue 53, 1119 PE Schiphol Rijk, Amsterdam, The Netherlands. Consolidated financial statements of UPC are available to the public on the LGI website, at [www.lgi.com](http://www.lgi.com)

The immediate parent company is UPC Broadband Holding BV. The ultimate parent company is LGI , whose headquarters are in the USA and whose consolidated financial statements are publicly available through the company's filings with the US Securities and Exchange Commission and on the LGI's website at [www.lgi.com](http://www.lgi.com)