

Registered number 3707664

**Virgin Mobile Telecoms Limited**  
**Report and Financial Statements**  
**For the year ended 31 December 2012**

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## **Virgin Mobile Telecoms Limited**

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**Directors and Officers**  
**Registered Number**  
**3707664**

**Directors**  
R D Dunn  
R C Gale  
T Mockridge  
C B E Withers

**Company Secretary**  
G E James

**Registered Office**  
Media House  
Bartley Wood Business Park  
Hook  
Hampshire  
RG27 9UP

**Auditors**  
Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**Directors' Report**

The directors present their report and the audited financial statements for the year ended 31 December 2012

**PRINCIPAL ACTIVITIES**

The principal activities of the company during the year were, and will continue to be, the sale of mobile phone handsets (both direct to end customers and to retailers) and the provision of mobile telecommunication and mobile broadband services

At 31 December 2012 the company was a wholly owned subsidiary undertaking of Virgin Media Inc. On 5 February 2013, Liberty Global, Inc. and Virgin Media Inc. entered into a merger agreement ("the Merger Agreement"). Pursuant to the Merger Agreement, Liberty Global, Inc. and Virgin Media Inc. completed a series of mergers on 7 June 2013 that resulted in the surviving corporations in the mergers becoming wholly owned subsidiaries of Liberty Global plc. This is referred to in more detail in the financial statements of Virgin Media Inc. which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

The Virgin Media group ("the group") will continue to operate under the Virgin Media brand in the UK.

The group is a leading entertainment and communications business, being a "quad play" provider of broadband internet, television, mobile telephony and fixed line telephony services.

As of 31 December 2012, the group provided services to approximately 4.9 million residential cable customers on its network. The group is also one of the UK's largest mobile virtual network operators by number of customers, providing mobile telephony service to 1.7 million contract mobile customers and 1.3 million prepay mobile customers over third party networks. As of 31 December 2012, 85% of residential customers on the group's cable network received multiple services from the group, and 65% were "triple play" customers, receiving broadband internet, television and fixed line telephony services from the group.

The group believes that its advanced, deep fibre access network enables it to offer faster and higher quality broadband services than its digital subscriber line, or DSL, competitors. As a result it provides its customers with a leading next generation broadband service and one of the most advanced TV on-demand services available in the UK market.

Through Virgin Media Business, the group provides a complete portfolio of voice, data and internet solutions to businesses, public sector organisations and service providers in the UK.

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

Total customers served by the company are outlined in the table below.

	31 December 2012	31 December 2011	Net movement
Prepay	1,329,000	1,513,000	(184,000)
Contract	1,709,000	1,524,000	185,000
<b>Total Mobile</b>	<b>3,038,000</b>	<b>3,037,000</b>	<b>1,000</b>

Customer information is for active customers only. Prepay customers are defined as active if they have made an outbound call or text in the preceding 30 days. Contract customers are defined as active if they have entered into a contract with the company for a minimum 30 day period and have not been disconnected. Contract mobile customers include customers who have taken either a mobile service or a mobile broadband contract.

The growth in the number of contract customers reflects the group's strategy of using its own sales channels and cross-selling mobile contracts to its cable and non-cable customers. The decline in the number of prepay customers reflects increased competition in the pre-pay market and the Virgin Media group's strategy of migrating prepay customers to contracts due to lower churn, higher average revenue per user and higher overall lifetime value.

Total turnover for the year increased by 0.2% from £555,785,000 to £557,085,000 in 2012. The increase was primarily due to an increase in service revenues, mainly driven by increased contract revenue, partially offset by a decline in prepay customers and changes to mobile termination rates, which reduced inbound revenue.

The Gross Profit margin for the year increased from 31.1% to 34.6% in 2012, primarily due to an increase in contract customers which have a higher margin.

Administrative expenses have decreased by 2.9% primarily due to a decrease in depreciation expense and lower employee and outsourcing costs.

**Directors' Report (continued)**

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

Operating profit has increased from £55,010,000 for the year ended 31 December 2011 to £78,139,000 for the year ended 31 December 2012 as a result of the above factors

The company reported an increase in net assets as at 31 December 2012 as a result of normal operations and the impact of recognising a deferred tax asset in the year. No external finance was arranged or settled and there was no movement in the called up equity share capital of the company during the year ended 31 December 2012. Operations were financed through the company's own working capital and inter-company balances with fellow group undertakings.

**Future Developments**

During the forthcoming year the company will focus on attracting new contract customers primarily through cross-selling to users of the Virgin Media group's cable products.

**RESULTS AND DIVIDENDS**

The company made a profit for the year ended 31 December 2012 of £82,171,000 (2011 - £55,659,000). The directors have not recommended an ordinary dividend (31 December 2011 - £nil).

A deferred tax asset of £7,485,000 has been recognised in the year. This is considered in more detail in note 9.

**PRINCIPAL RISK AND UNCERTAINTIES**

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

The key operational risk relating to this company is described below.

**Telecommunications Supply Agreement**

The company's ability to provide services is dependent on maintaining its Telecommunications Supply Agreement (TSA) with its mobile network provider or securing agreement with other operators for network services. The company currently relies solely on its long-term TSA for the voice, non-voice and other telecommunication services it provides to its customers.

**ENVIRONMENTAL POLICIES**

The Virgin Media group has a long-term commitment to growing a responsible and sustainable business. Accountability for delivering the sustainability strategy sits with its Corporate Responsibility, or CR, Committee. Chaired by the Virgin Media group's Chief Executive Officer, it is comprised of members of senior management, who represent its core business functions. Supported by the Virgin Media group's dedicated Sustainability team, the CR Committee meets quarterly to review the Virgin Media group's progress.

Following a formal stakeholder engagement program that included key opinion leaders, staff and customers, in 2012 the Virgin Media group increased its strategic focus on the positive impact of digital technology on everyday life and in communities and society at large. Alongside the Virgin Media group's longstanding program, Virgin Media Pioneers, which uses digital technology to support the next generation of entrepreneurs, the Virgin Media group launched a new program called 'Our digital future'. Taking a broad and open view from a wide spectrum of audiences, 'Our digital future' will help the Virgin Media group understand the wants and concerns of every internet user in the UK and support it in developing the services of the future that ensure everyone benefits from what digital technology has to offer.

In 2012, three areas of focus were prioritised 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>

**CREDITOR PAYMENT POLICY**

The majority of the company's trade payables are settled by Virgin Media Limited (the Virgin Media Group) in accordance with group policy. The Virgin Media group policy concerning the payment of trade creditors is to agree the terms of payment with suppliers when negotiating the terms and conditions of each transaction. Creditors are paid in accordance with the group's contractual and other legal obligations. Virgin Media group trade payables, at the year-end, represented 40 days of purchases.

**Directors' Report (continued)**

**DIRECTORS**

The directors who served during the period, and thereafter, were as follows

R C Gale

J C Tillbrook (resigned 31 December 2012)

C B E Withers (appointed 31 December 2012)

R D Dunn (appointed 7 June 2013)

T Mockridge (appointed 7 June 2013)

Virgin Media Inc has indemnified the directors of the company 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 as at the date of approving the directors' report.

**GOING CONCERN**

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

**DISCLOSURE OF INFORMATION TO THE AUDITOR**

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

Signed on behalf of the directors



C B E Withers  
Director

25 September 2013

**Statement of Directors' Responsibilities in Relation to the Financial Statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and applicable accounting standards, the company has elected to prepare these financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Company law requires the directors to prepare financial statements for each financial year.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to

- Present fairly the financial position, financial performance and cashflows of the company,
- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- make judgements that are reasonable,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- state whether the company has complied with IFRSs, 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 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 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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We have audited the financial statements of Virgin Mobile Telecoms Limited for the year ended 31 December 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements. In addition, we read all financial and non-financial information in the report and the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters 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.

*Ernst & Young LLP*

J I Gordon (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

25 September 2013



**Virgin Mobile Telecoms Limited****Income Statement  
For the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
Revenue		557,085	555,785
Cost of sales		(364,349)	(382,767)
Gross profit		192,736	173,018
Administrative expenses		(114,597)	(118,008)
Operating profit	4	78,139	55,010
Other income	7	-	7,643
Finance costs	8	(3,453)	(6,994)
Profit before taxation		74,686	55,659
Tax credit	9	7,485	-
Profit for the year	19	82,171	55,659

The results are derived from continuing operations and are attributable to the equity shareholder of Virgin Mobile Telecoms Limited

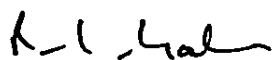
**Statement of Comprehensive Income  
For the year ended 31 December 2012**

There are no other recognised incomes and expenses other than those disclosed in the Income Statement for the years ended 31 December 2012 or 31 December 2011

**Statement of Financial Position  
As at 31 December 2012**

	Notes	2012 £'000	2011 £'000
<b>Non-current assets</b>			
Investments	10	-	-
Property, plant and equipment	11	7,259	8,758
Deferred tax assets	9	7,485	-
		<b>14,744</b>	<b>8,758</b>
<b>Current assets</b>			
Inventories	12	11,241	7,960
Trade and other receivables	13	349,154	280,704
Cash and short-term deposits	14	1,971	3,620
		<b>362,366</b>	<b>292,284</b>
<b>Total assets</b>		<b>377,110</b>	<b>301,042</b>
<b>Current liabilities</b>			
Trade and other payables	16	(70,355)	(73,916)
		<b>(70,355)</b>	<b>(73,916)</b>
<b>Non-current liabilities</b>			
Provisions	17	-	(2,542)
		-	<b>(2,542)</b>
<b>Total liabilities</b>		<b>(70,355)</b>	<b>(76,458)</b>
<b>Net assets</b>		<b>306,755</b>	<b>224,584</b>
<b>Capital and reserves</b>			
Equity share capital	18	19	19
Share premium account	19	34,700	34,700
Retained earnings	19	272,036	189,865
<b>Total equity</b>	19	<b>306,755</b>	<b>224,584</b>

The financial statements were approved by the directors on 25th September 2013 and signed on their behalf by



R C Gale  
Director

**Virgin Mobile Telecoms Limited****Statement of Changes in Equity  
For the year ended 31 December 2012**

	<b>Equity Share capital £'000</b>	<b>Share premium £'000</b>	<b>Retained earnings £'000</b>	<b>Total Equity £'000</b>
At 1 January 2011	19	34,700	134,206	168,925
Total comprehensive income	-	-	55,659	55,659
At 31 December 2011	19	34,700	189,865	224,584
Total comprehensive income	-	-	82,171	82,171
<b>At 31 December 2012</b>	<b>19</b>	<b>34,700</b>	<b>272,036</b>	<b>306,755</b>

**Virgin Mobile Telecoms Limited****Statement of Cashflows**  
**For the year ended 31 December 2012**

	2012 £'000	2011 £'000
<b>Operating activities</b>		
Profit for the year	82,171	55,659
Adjustments to reconcile profit to net cash flow from operating activities		
Tax	(7,485)	-
Depreciation of plant, property and equipment	4,283	4,815
Loss on disposal of plant, property and equipment	9	-
(Increase)/decrease in inventories	(3,281)	14,360
Increase in receivables	(68,450)	(67,775)
Decrease in payables	(3,561)	(7,233)
(Decrease)/Increase in provisions	(2,542)	629
<b>Net cash inflow from operating activities</b>	<b>1,144</b>	<b>455</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,793)	(3,795)
<b>Net cash used in investing activities</b>	<b>(2,793)</b>	<b>(3,795)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,649)</b>	<b>(3,340)</b>
Cash and cash equivalents at 1 January	3,620	6,960
<b>Cash and cash equivalents at 31 December</b>	<b>1,971</b>	<b>3,620</b>

**Notes to Financial Statements**  
**For the year ended 31 December 2012**

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

The financial statements of Virgin Mobile Telecoms Limited (the 'company') for the year ended 31 December 2012 were authorised for issue by the board of directors on 25 September 2013 and the Balance Sheet was signed on the board's behalf by R C Gale. Virgin Mobile Telecoms Limited is a limited company incorporated and domiciled in England & Wales. The company's shares are not publicly traded.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the company are set out below in note 2.

**2 Accounting Policies**

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

**Basis of preparation**

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

The financial statements are prepared on the going concern basis because, after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Directors' Report on page 2.

**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.

<i>International Accounting Standards (IAS/IFRSs/IFRICs)</i>		<i>Effective date</i>
IFRS 7	Amendment to IFRS 7 Financial Instruments Disclosures - Offsetting Financial Assets and Financial liabilities	1 January 2013
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 19	Revision to IAS 19 Employee Benefits	1 January 2013
IAS 27	Revision to IAS 27 Separate Financial Statements	1 January 2013
IAS 28	Revision to IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Amendment to IAS 32 Financial Instruments Presentation - Offsetting of Financial Assets and Financial liabilities	1 January 2014
	Improvements to IFRSs 2009-2011	1 January 2013
	IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendment)	1 January 2014

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 company 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 their 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 company'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 company's financial statements in the period of initial application.

**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 revenue and expenses during the period. The nature of estimation means that actual outcomes could differ from these estimates.

**Notes to Financial Statements  
For the year ended 31 December 2012**

**2 Accounting Policies (continued)**

The key assumptions concerning the future and key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

*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 are provided in note 9

*Provision for doubtful debts*

Trade receivables are stated at the outstanding gross balance, less a provision for doubtful debts. Provisions for doubtful debts are estimated based on the current ageing of trade receivables, prior collection experience and future expectations of conditions that might impact recoverability. Movements in the provision for doubtful debts are shown in note 13.

*Provision for obsolete inventory*

Provision against obsolete inventory 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 the carrying amount of inventory held for resale to the lower of cost and net realisable value.

*Restructuring provisions*

Amounts provided for in relation to restructuring programmes include amounts expected to be settled in relation to vacant leased properties. These provisions are based on the best estimates of the cost of exiting a leased property and the discount rate applied to those specific costs. Further details are contained in note 17.

*Property, plant and equipment*

Depreciation is provided on all property, plant and equipment, on a straight-line basis at rates calculated to write off the cost over its estimated useful life up to a maximum of three years.

Overheads, including staff costs, relating to capital projects and related services are capitalised and depreciated on a straight-line basis over five years.

**Group accounts**

The company has taken advantage of the exemption from preparing group accounts afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of another company incorporated in the United Kingdom which prepares group accounts (see note 22). These financial statements therefore present information about the company as an individual undertaking and not about its group.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for handsets and airtime services provided in the normal course of business, net of discounts and sales related taxes. The following specific recognition criteria must also be met before revenue is recognised:

**Service revenue**

Mobile service revenues include airtime, data, roaming, and long distance revenues and are invoiced and recorded as part of a periodic billing cycle. Service revenues are recognised as the services are provided. Adjustments are recorded at the end of each period to defer revenue billed in advance and accrue for earned but unbilled services. Contract customers are billed in arrears based on usage and revenue is recognised when the service is rendered and recoverability is reasonably assured. Revenue from non-contract pre-pay customers is recorded as deferred revenue prior to commencement of the services and is rendered as the services are rendered or usage expires.

**Sale of goods**

Revenue from the sale of handsets and other equipment is recognised when the goods have been delivered and title has passed. Equipment revenue is stated net of discounts earned through service usage.

**Notes to Financial Statements  
For the year ended 31 December 2012**

**2 Accounting Policies (continued)**

**Bundled services**

In arrangements where mobile equipment and service revenue are bundled, revenue is allocated to the components of the contract based on their relative fair value. Where the fair value of the delivered component cannot be determined reliably but the fair value of the undelivered component can be, the fair value of the undelivered component is deducted from the total consideration and the net amount is allocated to the delivered components based on the 'residual value' method. The amount of revenue recognised on the delivered components is limited to the amount of cash collected.

**Interest income**

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

**Subscriber acquisition costs**

Subscriber acquisition costs for pre-pay and contract customers, which include the commission costs and other incremental costs of customer acquisition, are expensed in the income statement as incurred.

**Leases**

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.

**Foreign currency translation**

The functional currency of the company is sterling. 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. The resulting exchange differences are taken to the Income Statement.

**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.

*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.

**Notes to Financial Statements  
For the year ended 31 December 2012**

**2 Accounting policies (continued)**

- 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.

**Investments**

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

**Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include those 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.

Overheads, including staff costs, relating to capital projects and related services are capitalised and depreciated on a straight-line basis over five years.

Depreciation is provided on all property, plant and equipment, on a straight-line basis at rates calculated to write off the cost over its estimated useful life up to a maximum of three years.

**Inventories**

Inventory consists of goods for resale which are valued at the lower of cost and net realisable value using the first-in, first-out (FIFO) method. Cost represents the invoiced purchase cost of inventory. Net realisable value is the price receivable for the handsets and other accessories, excluding any commissions. 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 the carrying amount of inventory held for resale to the lower of cost and net realisable value.



**Notes to Financial Statements**  
**For the year ended 31 December 2012**

**2 Accounting Policies (continued)**

**Cash and cash equivalents**

Cash and short-term deposits in the 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 cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**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 company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**Provisions for liabilities and charges**

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

**3 Segments**

The company's operations and markets are located within the UK and comprise a single segment.

**4 Operating profit**

This is stated after charging

	2012 £'000	2011 £'000
Cost of inventory recognised as an expense (included in cost of sales)	117,382	118,708
Write down of inventories (included in cost of sales)	3,300	5,793
Costs associated with onerous lease provision	-	965
Depreciation of property, plant and equipment	4,283	4,815
Loss on disposal of fixed assets	9	-
Operating lease payments	1,120	1,280

Certain expenses are specifically attributable to the company. Where costs are incurred by other group companies on behalf of the company, expenses are allocated to the company on a basis that, in the opinion of the directors, is reasonable.

**5 Auditor's remuneration**

Auditor's remuneration for audit services of £58,000 (2011 - £52,000) represents costs allocated to the company by the fellow group undertakings that pay all auditor's remuneration on behalf of the Virgin Media group.

**6. Staff costs and directors' emoluments**

**(a) Staff costs**

The company does not have any directly employed staff but is charged an allocation of staff costs by the Virgin Media group. Details of staff numbers and staff costs of the group are disclosed in the group accounts of Virgin Media Finance PLC.

**(b) Directors' emoluments**

The directors received remuneration for the year of £53,619 (2011 - £64,361) in relation to qualifying services as directors of this company, all of which was paid by Virgin Media Limited.

## Virgin Mobile Telecoms Limited

### Notes to Financial Statements For the year ended 31 December 2012 7 Other income

Other operating income in the previous year represents an allocation of a VAT rebate received by the group during 2011

### 8 Finance costs

	2012 £'000	2011 £'000
Finance charges	3,453	6,856
Unwinding of discounts on provisions	-	138
<b>Total finance costs</b>	<b>3,453</b>	<b>6,994</b>

Finance charges represent amounts charged by group undertakings

### 9 Taxation

The tax credit is made up as follows

	2012 £'000	2011 £'000
<b>Current tax charge</b>		
Current tax on profit for the year	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(7,485)	-
<b>Total credit in the income statement</b>	<b>(7,485)</b>	<b>-</b>

### Reconciliation of total tax charge

The tax expense in the income statement for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%). The differences are reconciled below

	2012 £'000	2011 £'000
Profit before taxation	74,686	55,659
Tax calculated at UK standard rate of corporation tax	18,298	14,750
Effects of		
Net expenses not deductible for tax purposes/(income not taxable)	37	(1,955)
(Accelerated capital allowances)/Depreciation in excess of capital allowances	(1,131)	1,404
Group relief claimed without payment	(17,204)	(14,199)
Movement in deferred tax assets credit reported	(7,485)	-
<b>Total tax recognised in the income statement</b>	<b>(7,485)</b>	<b>-</b>

**Notes to Financial Statements  
For the year ended 31 December 2012****9 Taxation (continued)****Deferred tax**

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

	<b>2012</b>		<b>2011</b>	
	<b>Recognised</b>	<b>Unrecognised</b>	<b>Recognised</b>	<b>Unrecognised</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Depreciation in excess of capital allowances	<b>7,485</b>	-	-	<b>11,304</b>
	<b>7,485</b>	-	-	<b>11,304</b>

A deferred tax asset has been recognised in the year as it is now considered, based upon available evidence, that it is probable that taxable profits will be available against which deductible temporary differences can be utilised

**Factors affecting current and future tax charges**

During the year the main rate of corporation tax reduced from 26% to 24% with effect from 1 April 2012. A number of changes to the UK corporation tax system were announced in the March 2013 Budget Statement. The Finance Act 2012, which was enacted and received Royal Assent on 17 July 2012, reduced the main rate of corporation tax to 23% from 1 April 2013. Deferred tax has been calculated using the enacted rate of 23%.

Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 was included in the Finance Act 2013 which was enacted in July 2013. These rate reductions had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements. It is expected that the changes would reduce the value of the company's deferred tax asset at 31 December 2012 by £976,000.

**10 Investments**

Virgin Mobile Telecoms Limited has a £2 investment (31 December 2011 – £2) representing a 100% holding in Bluebottle Call Limited, a subsidiary undertaking, the principal business of which is property investment. Bluebottle Call Limited is registered in England and Wales.

# Virgin Mobile Telecoms Limited

## Notes to Financial Statements For the year ended 31 December 2012

### 11 Property, plant and equipment

	Fixtures and equipment £'000
<b>Cost</b>	
At 1 January 2011	15,723
Additions	3,795
Disposals	(3,237)
At 31 December 2011 and 1 January 2012	16,281
Additions	2,793
Disposals	(4,331)
At 31 December 2012	14,743
<b>Accumulated Depreciation</b>	
At 1 January 2011	5,945
Charge for the year	4,815
Disposals	(3,237)
At 31 December 2011 and 1 January 2012	7,523
Charge for the year	4,283
Disposals	(4,322)
At 31 December 2012	7,484
<b>Net book value</b>	
At 31 December 2012	7,259
At 1 January 2012	8,758
At 1 January 2011	9,778

### 12 Inventories

	2012 £'000	2011 £'000
Finished goods held for resale	11,241	7,960

### 13 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	49,460	49,929
Amounts owed by group undertakings (see note 20)	298,424	230,667
Other receivables	1,270	108
	349,154	280,704

Trade receivables are non-interest bearing and are generally on 14 - 90 day terms and are stated net of provision for non-recoverability. Inter-company receivables are unsecured, interest free and repayable on demand.

Concentrations of credit risk with respect to trade receivables are limited because of the large number of customers and their dispersion across geographic areas. The Virgin Media group performs credit checks on new customers.

## Virgin Mobile Telecoms Limited

### Notes to Financial Statements For the year ended 31 December 2012

#### 13 Trade and other receivables (continued)

Movements in the provision for impairment of receivables were as follows

	2012 £'000	2011 £'000
At 1 January	8,534	2,651
Charge for the year	6,112	8,472
Utilised	(8,461)	(2,589)
At 31 December	6,185	8,534

The ageing analysis of trade receivables is as follows

	Total £'000	Neither past due nor impaired £'000	<30 days £'000	30 - 60 days £'000	60 - 90 days £'000	>90 days £'000
31 December 2012	49,460	25,920	12,640	1,463	2,352	7,085
31 December 2011	49,929	26,025	11,719	3,238	2,280	6,667

#### 14 Cash and short-term deposits

	2012 £'000	2011 £'000
Cash at bank and in hand	1,971	3,620

Cash at bank earns interest at floating rates based on daily bank deposit rates

#### 15 Obligations under leases and hire purchase contracts

*Operating lease agreements where the company is a lessee*

The company has a commercial lease on a property which is due to expire in 2015

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

	31 December 2012 Land and buildings £'000	31 December 2011 Land and buildings £'000
Within one year	960	1,280
In the second to fifth years inclusive	1,415	3,163
	2,375	4,443

At 31 December 2012 the company has no capital commitments contracted but not yet provided for (2011 - £nil)

## Virgin Mobile Telecoms Limited

### Notes to Financial Statements For the year ended 31 December 2012

#### 16 Trade and other payables

	2012 £'000	2011 £'000
<i>Current</i>		
Trade payables	13,849	4,400
Amounts owed to group undertakings (see note 20)	9,690	9,565
Accruals and deferred income	46,816	59,951
	<b>70,355</b>	<b>73,916</b>

Trade payables are non-interest bearing and normally repayable on terms of up to 120 days

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

#### 17 Provisions

	Property contract exist costs £'000
At 31 December 2011	
Current	-
Non-current	2,542
	<b>2,542</b>
Used during the year	(2,542)
At 31 December 2012	-

#### 18 Share Capital

	2012 £'000	2011 £'000
Authorised		
5,019,901 (31 December 2011 – 5,019,901) ordinary shares of £1 00 each	5,020	5,020
Issued and fully paid		
19,574 (31 December 2011 – 19,574) ordinary shares of £1 00 each	19	19

The company has one class of ordinary shares which carries no right to fixed income

## Virgin Mobile Telecoms Limited

### Notes to Financial Statements For the year ended 31 December 2012

#### 19 Reconciliation of shareholder's funds and movement on reserves

	Share Capital £'000	Share Premium £'000	Retained earnings £'000	Total £'000
At 1 January 2011	19	34,700	134,206	168,925
Profit for the year ended 31 December 2011	-	-	55,659	55,659
At 31 December 2011	19	34,700	189,865	224,584
Profit for the year ended 31 December 2012	-	-	82,171	82,171
At 31 December 2012	19	34,700	272,036	306,755

#### 20 Related Party Transactions

##### Trading transactions

During the year, the company entered into the following transactions with related Virgin Media Inc group parties

	Services rendered to related party £'000	Services charged by related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
<b>Fellow Subsidiaries of Virgin Media Inc Year to 31 December 2012</b>				
Virgin Mobile Holdings (UK) Limited	-	-	-	8,666
Virgin Mobile Group (UK) Limited	-	-	99,848	-
Bluebottle Call Limited	-	1,120	-	1,024
Virgin Media Limited	-	92,793	198,576	-
	-	93,913	298,424	9,690

	Services rendered to related party £'000	Services charged by related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
<b>Fellow Subsidiaries of Virgin Media Inc Year to 31 December 2011</b>				
Virgin Mobile Holdings (UK) Limited	-	-	-	8,666
Virgin Mobile Group (UK) Limited	-	-	99,848	-
Bluebottle Call Limited	-	1,280	-	899
Virgin Media Limited	-	68,589	130,819	-
	-	69,869	230,667	9,565

Transactions are made on terms that the company believe to be equivalent to those that prevail in normal arm's length transactions

Key management personnel are employed by the Virgin Media group and details of their remuneration can be found in the group accounts of Virgin Media Finance PLC

#### 21 Contingent Liabilities

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks. As at 31 December 2012 this comprised a term facility of £750 million and a revolving facility of £450 million. Borrowings under the facility are secured against the assets of certain members of the group including those of the 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 credit facility. The amount outstanding under the senior secured notes at 31 December 2012 amounted to £2,582 million (2011 - £2,575 million). Borrowings under the notes are secured against the assets of certain members of the group including those of the company.

**Notes to Financial Statements  
For the year ended 31 December 2012**

**21 Contingent Liabilities (continued)**

On 7 June 2013, fellow group undertakings entered into a new senior secured credit facility agreement, pursuant to which the lenders agreed to provide the borrowers with i) a £375 million term loan (Facility A), ii) a \$2,755 million term loan (Facility B), iii) a £600 million term loan (Facility C) and iv) a £660 million revolving credit facility. With the exception of the revolving credit facility, all available amounts were borrowed under the new senior secured credit facility in June 2013, with an equivalent aggregate value of £2,733 million. The new senior secured credit facility ranks pari passu with the group's existing senior secured notes, and subject to certain exceptions, shares in the same guarantees and security granted in favour of its existing senior secured notes. The borrowings on the new senior secured credit facility were used in part to repay in full the borrowings on the previous senior secured credit facility.

On 7 June 2013, upon completion of the merger, two senior secured notes issued by a subsidiary of Liberty Global, Inc. on 22 February 2013, with an equivalent aggregate principal amount of £1,744 million due in 2021, were pushed down to Virgin Media Secured Finance PLC, a fellow group undertaking of the company. The notes are split into a \$1,000 million U.S. dollar denominated tranche and a £1,100 million sterling denominated tranche. The new senior secured notes rank pari passu with the group's existing senior secured notes and senior secured credit facility, and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing senior secured notes. On 11 June 2013, the net proceeds of the issuance of the senior secured notes were in part used to repay an equivalent aggregate amount of £55 million of the group's existing senior secured notes.

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

**22 Parent Undertaking and Controlling Party**

The company's immediate parent undertaking is Virgin Mobile Group (UK) Limited.

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

The company's ultimate parent undertaking and controlling party at 31 December 2012 was Virgin Media Inc., a company incorporated in the state of Delaware, United States of America.

On 7 June 2013 pursuant to the merger agreement, 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 all sets of group accounts which include the results of the company are available from the company secretary, Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.