Registered number 03707664

Virgin Mobile Telecoms Limited

Report and Financial Statements

For the year ended 31 December 2013

Virgin Mobile Telecoms Limited

Financial Statements

Year ended 31 December 2013

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Virgin Mobile Telecoms Limited

Company Information

Directors and Officers

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

Company Secretary
G E James

Registered Office
Bartley Wood Business Park
Hook
Hampshire
RG27 9UP

Auditor
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Virgin Mobile Telecoms Limited

Strategic Report

For year ended 31 December 2013

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 communication products and services.

At 31 December 2013 the company was a wholly owned subsidiary undertaking of Virgin Media Inc. (Virgin Media). Virgin Media became a wholly-owned subsidiary of Liberty Global plc (Liberty Global) as a result of a series of mergers that were completed on 7 June 2013 (the LG/VM Transaction). This is referred to in more detail in the consolidated financial statements of Virgin Media Inc. which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

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

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

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

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

Review of the business and future outlook
Total customers served by the company are outlined in the table below:

	31 December 2013	31 December 2012
Prepaid mobile customers (i)	1,111,100	1,328,600
Postpaid mobile customers (i)	1,879,100	1,708,900
Total Mobile	**2,990,200**	**3,037,500**
Mobile ARPU (ii)	**£14.36**	£14.89

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

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

Review of the business and future developments (continued)

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

Total revenue for the year decreased by 3.6% from £557,085,000 to £536,764,000 in 2013. The decrease was primarily due to a decrease in service revenues, mainly driven by a decrease in prepaid mobile customers and changes to mobile termination rates, which reduced inbound revenue, partially offset by an increase in postpay mobile revenue.

Operating profit has decreased by 63.8% from £78,139,000 for the year ended 31 December 2012 to £28,320,000 for the year ended 31 December 2013. The decrease was primarily due to higher administrative expenses driven by an increase in share based compensation expense due to the LG/VM Transaction and higher cost of sales due to increases in network charges.

The company reported an increase in net assets for the year ended 31 December 2013 as a result of normal operations. During the year, no external finance was arranged and there was no movement in the called up equity share capital of the company. Operations were financed through the company's own working capital and inter-company balances with fellow group undertakings which changed by £25.4m .

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

Principal 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.

Signed on behalf of the directors

G E James
Company secretary

Approved by the directors on 30 June 2014

Virgin Mobile Telecoms Limited

Directors' Report

For year ended 31 December 2013

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

Results and dividends

The company made a profit for the year ended 31 December 2013 of £22,814,000 (2012 - £82,171,000). The directors have not recommended an ordinary dividend (31 December 2012 - £nil).

Directors

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

M O Hifzi (appointed 31 March 2014)
R D Dunn (appointed 7 June 2013)
T Mockridge (appointed 7 June 2013)
D M Strong (appointed 22 November 2013)
C B E Withers (resigned 31 March 2014)
R C Gale (resigned 29 November 2013)

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

Environmental policies

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

The Virgin Media group continues to use its expertise, infrastructure and resources to pursue its strategic focus on the positive impact of digital technology in people's lives, communities and society at large. In 2013 the long-standing Virgin Media Pioneers initiative, which uses digital technology to support the next generation of entrepreneurs, increased its participant numbers by approximately 50% to nearly 6000 members. Virgin Media also completed a major engagement programme last year called "Our Digital Future" to better understand the nation's hopes, concerns and attitudes toward the internet and our increasingly digital lives. Over 3,000 people had their say online and in person, including Virgin Media staff, customers, members of the public, policy makers and digital experts, and plans are now in place to launch a series of commitments and provide people with useful tools to help them to get the best from life online.

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

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

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 company's contractual and other legal obligations. Virgin Media group trade payables, at the year-end, represented 32 days of purchases.

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.

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

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

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

Signed on behalf of the directors

M. O. Hfz

M O Hifzi
Director

Approved by the directors on 30 June 2014

Virgin Mobile Telecoms Limited

Statement of Directors' Responsibilities

For year ended 31 December 2013

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and cstimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 Member of Virgin Mobile Telecoms Limited

For year ended 31 December 2013

We have audited the financial statements of Virgin Mobile Telecoms Limited for the year ended 31 December 2013 set out on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
~~29 September 2014~~
30 June 2014

Virgin Mobile Telecoms Limited

Income Statement

For year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Revenue		**536,764**	557,085
Cost of sales		**(361,555)**	(364,349)
Gross profit		**175,209**	192,736
Administrative expenses		**(146,889)**	(114,597)
Operating profit	4	**28,320**	78,139
Finance costs	7	**(3,836)**	(3,453)
Profit before taxation		**24,484**	74,686
Tax (charge) / credit	8	**(1,670)**	7,485
Profit for the year	17	**22,814**	82,171

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 2013

There are no other recognised income and expenses other than those disclosed in the Income Statement for the years ended 31 December 2013 or 31 December 2012.

The notes on pages 12 to 23 form part of these financial statements.

Registered number 03707664

Virgin Mobile Telecoms Limited

Balance sheet

As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Investments	9	-	-
Property, plant and equipment	10	**10,066**	7,259
Deferred tax assets	8	**5,815**	7,485
		15,881	14,744
Current assets			
Inventories	11	**11,686**	11,241
Trade and other receivables	12	**366,661**	349,154
Cash and short-term deposits	13	**720**	1,971
		379,067	362,366
Total assets		**394,948**	377,110
Current liabilities			
Trade and other payables	15	**(65,379)**	(70,355)
		(65,379)	(70,355)
Total liabilities		**(65,379)**	(70,355)
Net assets		**329,569**	306,755
Capital and reserves			
Equity share capital	16	**19**	19
Share premium account	17	**34,700**	34,700
Retained earnings	17	**294,850**	272,036
Total equity	17	**329,569**	306,755

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

Robert D D

R D Dunn
Director

The notes on pages 12 to 23 form part of these financial statements.

Virgin Mobile Telecoms Limited

Statement of Changes in Equity

For year ended 31 December 2013

	Equity Share capital £'000	Share premium £'000	Retained earnings £'000	Total Equity £'000
At 1 January 2012	19	34,700	189,865	224,584
Total comprehensive income	-	-	82,171	82,171
At 31 December 2012	19	34,700	272,036	306,755
Total comprehensive income	-	-	22,814	22,814
At 31 December 2013	**19**	**34,700**	**294,850**	**329,569**

The notes on pages 12 to 23 form part of these financial statements.

Virgin Mobile Telecoms Limited

Cash flow statement

For year ended 31 December 2013

	2013 £'000	2012 £'000
Operating activities		
Profit for the year	**22,814**	82,171
Adjustments to reconcile profit to net cash flow from operating activities:		
Tax	**1,670**	(7,485)
Depreciation of property, plant and equipment	**4,961**	4,283
Loss on disposal of property, plant and equipment	**-**	9
Transfers in of property, plant and equipment	**(4,514)**	-
Increase in inventories	**(445)**	(3,281)
Increase in receivables	**(17,507)**	(68,450)
Decrease in payables	**(4,976)**	(3,561)
Decrease in provisions	**-**	(2,542)
Net cash inflow from operating activities	**2,003**	1,144
Investing activities		
Purchase of property, plant and equipment	**(3,254)**	(2,793)
Net cash used in investing activities	**(3,254)**	(2,793)
Net decrease in cash and cash equivalents	**(1,251)**	(1,649)
Cash and cash equivalents at 1 January	**1,971**	3,620
Cash and cash equivalents at 31 December	**720**	1,971

The notes on pages 12 to 23 form part of these financial statements.

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 2013 were authorised for issue by the board of directors on 30 June 2014 and the balance sheet was signed on the board's behalf by R D Dunn. 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 company 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 5.

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:

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

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.

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

2. Accounting policies (continued)

International Accounting Standards (IAS/IFRSs/IFRICs)

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

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

Judgements and Key sources of estimation uncertainty
The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the period. The nature of estimation means that actual outcomes could differ from these estimates.

The key assumptions concerning the future and key sources of estimation uncertainty at the balance sheet date, and which 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 8.

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 12.

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.

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 to residual value over its estimated useful life up to a maximum of three years.

Overheads, including staff costs, directly relating to capital projects and related services are capitalised and depreciated on a straight-line basis over three 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 20). These financial statements therefore present information about the company as an individual undertaking and not about its group.

2. Accounting policies (continued)

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.

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. Postpaid 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 prepaid 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.

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.

Subscriber acquisition costs
Subscriber acquisition costs for prepaid and postpaid 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.

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 three years.

2. Accounting policies (continued)

Depreciation is provided on all property, plant and equipment, on a straight-line basis at rates calculated to write off the cost to residual value 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.

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.

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.

2. Accounting policies (continued)

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.

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.

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:

	2013 £'000	2012 £'000
Cost of inventory recognised as an expense (included in cost of sales)	**127,422**	117,382
Write down of inventories (included in cost of sales)	**4,310**	3,300
Depreciation of property, plant and equipment	**4,961**	4,283
Loss on disposal of fixed assets	**-**	9
Operating lease payments	**-**	1,120

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 of £34,000 (2012 - £58,000) 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 £90,409 (2012 - £53,619) in relation to qualifying services as directors of this company, all of which was paid by, and is disclosed in the financial statements of Virgin Media Limited. In 2013 this included an element relating to compensation for loss of office.

7. Finance costs

	2013 £'000	2012 £'000
Finance charges	**3,836**	3,453

Finance charges represent amounts charged by group undertakings.

8. Tax

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

	2013 £'000	2012 £'000
Current tax charge:		
Current tax on profit for the year	-	-
Deferred tax:		
Effect of tax rate changes on opening balance	976	-
Origination and reversal of timing differences	694	(7,485)
Total charge / (credit) in the income statement	**1,670**	**(7,485)**

Reconciliation of total tax charge

The tax expense in the income statement for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are reconciled below:

	2013 £'000	2012 £'000
Profit before taxation	**24,484**	74,686
Tax calculated at UK standard rate of corporation tax	**5,693**	18,298
Effects of:		
Net expenses not deductible for tax purposes/(income not taxable)	**46**	37
Accelerated capital allowances	**(806)**	(1,131)
Group relief claimed without payment	**(4,933)**	(17,204)
Movement in deferred tax assets	**1,670**	(7,485)
Total tax recognised in the income statement	**1,670**	(7,485)

Deferred tax

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

	2013 Recognised £'000	2012 Recognised £'000
Depreciation in excess of capital allowances	**5,815**	7,485
	5,815	7,485

A deferred tax asset has been recognised as it is 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

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

9. Investments

Virgin Mobile Telecoms Limited has a £2 investment (31 December 2012 – £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.

10. Property, plant and equipment

	Fixtures and equipment £'000
Cost	
At 1 January 2012	16,281
Additions	2,793
Disposals	(4,331)
At 31 December 2012 and 1 January 2013	14,743
Additions	3,254
Transfers in	5,265
Disposals	(31)
At 31 December 2013	23,231
Accumulated Depreciation	
At 1 January 2012	7,523
Charge for the year	4,283
Disposals	(4,322)
At 31 December 2012 and 1 January 2013	7,484
Charge for the year	4,961
Transfers in	751
Disposals	(31)
At 31 December 2013	13,165
Net book value	
At 31 December 2013	10,066
At 1 January 2013	7,259
At 1 January 2012	8,758

11. Inventories

	2013 £'000	2012 £'000
Goods held for resale	11,686	11,241

12. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	36,414	49,460
Amounts owed by group undertakings (see note 18)	323,788	298,424
Other receivables	6,459	1,270
	366,661	349,154

Trade receivables are non-interest bearing and are generally on 30 - 90 day terms and are stated net of provision for non-recoverability. Inter-company receivables are unsecured, interest free and repayable on demand.

12. Trade and other receivables (continued)

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.

Movements in the provision for impairment of receivables were as follows:

	2013	2012
	£'000	£'000
At 1 January 2013	**6,185**	8,534
Charge for the year	**6,177**	6,112
Utilised	**(5,835)**	(8,461)
At 31 December 2013	**6,527**	6,185

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	<30 days	30 - 60 days	60 - 90 days	>90 days
	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2013	**36,414**	**18,761**	**12,964**	**598**	**758**	**3,333**
31 December 2012	49,460	25,920	12,640	1,463	2,352	7,085

13. Cash and short-term deposits

	2013	2012
	£'000	£'000
Cash at bank and in hand	**720**	1,971

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

14. Obligations under leases and hire purchase contracts

Operating lease agreements where the company is a lessee:

The company had a commercial lease on a property which was due to expire in 2015. The property was vacated at the end of 2012 and the liability in respect of future rental commitments is reflected in the accounts of Virgin Media Limited, a fellow group undertaking. In January 2014 the lease was surrendered.

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

	31 December 2013	31 December 2012
	Land and buildings	Land and buildings
	£'000	£'000
Within one year	-	960
In the second to fifth years inclusive	-	1,415
	-	2,375

At 31 December 2013 the company had no capital commitments contracted but not yet provided for (2012 - £nil).

15. Trade and other payables

Current	**2013 £'000**	2012 £'000
Trade payables	**11,596**	13,849
Amounts owed to group undertakings (see note 18)	**9,645**	9,690
Accruals and deferred income	**44,138**	46,816
	65,379	70,355

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.

16. Share Capital

	2013 £'000	2012 £'000
Issued and fully paid:		
19,574 (31 December 2012 – 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.

17. Reconciliation of shareholder's funds and movement on reserves

	Equity Share capital £'000	**Share premium £'000**	**Retained earnings £'000**	**Total Equity £'000**
At 1 January 2012	19	34,700	189,865	224,584
Total comprehensive income	-	-	82,171	82,171
At 31 December 2012	19	34,700	272,036	306,755
Total comprehensive income	-	-	22,814	22,814
At 31 December 2013	**19**	**34,700**	**294,850**	**329,569**

18. Related Party Transactions

Trading transactions

During the year, the company entered into the following transactions with Liberty Global plc, and its subsidiaries:

Fellow Subsidiaries of Virgin Media Inc. Year to 31 December 2013	Services charged by related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Virgin Mobile Holdings (UK) Limited	-	-	8,666
Virgin Mobile Group (UK) Limited	-	99,848	-
Bluebottle Call Limited	-	-	979
Virgin Media Limited	81,751	223,940	-
	81,751	**323,788**	**9,645**

Fellow Subsidiaries of Virgin Media Inc. Year to 31 December 2012	Services charged by related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
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

Transactions with related parties are made on terms that the company believes 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.

19. Contingent Liabilities

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

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

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

19. Contingent Liabilities (continued)

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

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

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

20. 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 2013 are Virgin Media Finance PLC and Liberty Global plc, respectively.

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

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

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

In addition copies of the consolidated Liberty Global plc accounts are available on Liberty Global's website at www.libertyglobal.com.