

Virgin Media Payments Limited

Financial Statements

31 December 2011



Virgin Media Payments Limited

Financial Statements

Year ended 31 December 2011

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Virgin Media Payments Limited

Company Information

The board of directors

R C Gale
P K Mitchell
J C Tillbrook

Company secretary

G E James

Registered office

Bartley Wood Business Park
Hook
Hampshire
RG27 9UP

Auditor

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

Virgin Media Payments Limited

The Directors' Report

Year ended 31 December 2011

The directors present their report and the financial statements of the company for the year ended 31 December 2011

Principal activities and business review

The principal activity of the company was, and will continue to be, the provision of payment handling and collection services in respect of substantially all of the Virgin Media group's residential fixed line telephony, television and broadband internet customers. Virgin Media group customers contract directly with the company for the provision of its payment services, with recipients of these services who choose to pay by methods other than Direct Debit paying a payment handling fee per payment.

The company is a wholly owned subsidiary undertaking of Virgin Media Inc. The Virgin Media group ("the group") is a leading entertainment and communications business, being a "quad play" provider of broadband internet, television, fixed line telephony and mobile telephony services that offer a variety of entertainment and communications services to residential and commercial customers throughout the UK.

As at 31 December 2011, the group provided services to approximately 4.8 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 and at 31 December 2011 provided mobile telephony services to approximately 1.5 million prepaid mobile customers and approximately 1.5 million contract mobile customers over third party networks. As of 31 December 2011, approximately 64% of residential customers on the group's cable network were "triple play" customers, receiving broadband internet, television and fixed line telephony services from the group. In addition, the group provides a complete portfolio of voice, data and internet solutions to businesses, public sector organizations and service providers in the UK through Virgin Media Business.

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 television on-demand services available in the UK market.

On 30 September 2011 the group completed the disposition of its interest in the UKTV television channels to a subsidiary of Scripps Networks Interactive Inc. On 12 July 2010 the group sold its television channel business known as Virgin Media TV.

Virgin Media Payments Limited

The Directors' Report *(continued)*

Year ended 31 December 2011

Key performance indicators (KPI's)

The company acts as the collections agency for significantly all of the Virgin Media group's trading companies and has been responsible for their payment handling activities together with customer collections and related operations. As a result there are no meaningful key performance indicators monitored at an entity level for this company. However, the performance of the group to which the company belongs is monitored and its key performance indicators are available in the group accounts of Virgin Media Finance PLC.

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

| | 2011 | 2010 | Comments |
|--------------------------------|--------|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Turnover (£000) | 53,407 | 61,604 | Revenue has decreased by 13.3%, this is primarily due to a £3,039,000 decrease in payment handling fees from customers and a £5,158,000 decrease in fees charged to fellow group undertakings |
| Administrative expenses (£000) | 55,460 | 51,606 | Administrative expenses have increased by 7.5% primarily due to an increase in consumer bad debt within the group, partially offset by a general decrease in other administrative expenses |

The company reported a decrease in both net current assets and total assets less current liabilities for the year ended 31 December 2011 as a result of normal operations. During the year, no new external finance was arranged and there was no movement in the called up equity share capital of the company. The company is self-financed and passes the cash collected to Virgin Media Limited for central banking control and management purposes.

Future outlook

Detail of the future outlook of the group is provided in Virgin Media Inc's financial statements and annual report for 2011, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

Results and dividends

The loss for the financial year amounted to £2,053,000 (2010 - profit of £9,998,000). The directors have not recommended an ordinary dividend (2010 - £nil).

Principal risks and uncertainties

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

Virgin Media Payments Limited

The Directors' Report *(continued)*

Year ended 31 December 2011

Directors

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

| | |
|---------------|-------------------------------|
| R C Gale | |
| P K Mitchell | (Appointed 31 March 2011) |
| J C Tillbrook | (Appointed 16 September 2011) |
| R M Mackenzie | (Resigned 16 September 2011) |

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 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



R C Gale
Director

Approved by the directors on 8 November 2012

Virgin Media Payments Limited

Statement of Directors' Responsibilities

Year ended 31 December 2011

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

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

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

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

Virgin Media Payments Limited

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

Year ended 31 December 2011

We have audited the financial statements of Virgin Media Payments Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the 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 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

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 the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and 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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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.

Virgin Media Payments Limited

Independent Auditor's Report to the Member of Virgin Media Payments Limited *(continued)*

Year ended 31 December 2011

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

8 November 2012

Virgin Media Payments Limited

Profit and Loss Account

Year ended 31 December 2011

| | Note | 2011 £000 | 2010 £000 |
|------------------------------------------------------|------|--------------|--------------|
| Turnover | | 53,407 | 61,604 |
| Administrative expenses | | (55,460) | (51,606) |
| (Loss)/profit on ordinary activities before taxation | | (2,053) | 9,998 |
| Tax on (loss)/profit on ordinary activities | 4 | — | — |
| (Loss)/profit for the financial year | | (2,053) | 9,998 |

The company has no other gains or losses and therefore no separate statement of total recognised gains or losses is presented

All results relate to continuing operations

The notes on pages 10 to 14 form part of these financial statements.

Virgin Media Payments Limited**Balance Sheet****31 December 2011**

| | Note | 2011 £000 | 2010 £000 |
|-------------------------------------------------------|------|-----------------|----------------|
| Current assets | | | |
| Debtors | 5 | – | 17,813 |
| Cash at bank | | <u>40,612</u> | <u>19,900</u> |
| | | 40,612 | 37,713 |
| Creditors: Amounts falling due within one year | 6 | <u>(12,390)</u> | <u>(7,438)</u> |
| Net current assets | | <u>28,222</u> | <u>30,275</u> |
| Total assets less current liabilities | | <u>28,222</u> | <u>30,275</u> |
| Capital and reserves | | | |
| Share capital | 9 | 1 | 1 |
| Profit and loss account | 10 | <u>28,221</u> | <u>30,274</u> |
| Total shareholder's funds | 10 | <u>28,222</u> | <u>30,275</u> |

These financial statements were approved by the directors on 8 November 2012 and are signed on their behalf by



R C Gale
Director

The notes on pages 10 to 14 form part of these financial statements.

Virgin Media Payments Limited

Notes to the Financial Statements

Year ended 31 December 2011

1. Accounting policies

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

Basis of accounting

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

Cash flow statement

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

Turnover

Turnover arises from payment charges made to Virgin Media customers who do not pay by direct debit, which is recognised on receipt, and charges to other group companies for the provision of payment, credit and collection services, which is recognised once the service has been provided. All turnover is derived in the United Kingdom.

Deferred taxation

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

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

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

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

Trade and other debtors

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

Virgin Media Payments Limited

Notes to the Financial Statements

Year ended 31 December 2011

2. Auditor's and Director's Remuneration

Auditor's remuneration of £5,000 (2010 - £5,000) represents costs attributed to the company, all of which is borne by a fellow group undertaking that pays all auditor's remuneration on behalf of the group

The directors received remuneration for the year of £9,488 (2010 - £8,423) in relation to qualifying services as directors of this company, all of which was paid by Virgin Media Limited. The company had corporate directors until 30 April 2010 that received no remuneration. On 30 April 2010 new directors were appointed.

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.

3. Staff costs

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

4. Taxation

(a) Analysis of charge in the year

The tax charge is made up as follows

| | 2011 £000 | 2010 £000 |
|-------------------------------------------------------------------|--------------|--------------|
| Current tax charge: | | |
| Current tax on (loss)/profit for the year | - | - |
| Deferred tax: | | |
| Origination and reversal of timing differences | - | - |
| | <hr/> | <hr/> |
| Total tax (credit)/charge on (loss)/profit on ordinary activities | - | - |
| | <hr/> | <hr/> |

Virgin Media Payments Limited

Notes to the Financial Statements

Year ended 31 December 2011

4. Taxation (continued)

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2010 - lower) the standard rate of corporation tax in the UK of 26.50% (2010 - 28%)

The difference between the effective statutory rate and the actual current tax charge is reconciled as follows

| | 2011 £000 | 2010 £000 |
|----------------------------------------------------------------|--------------|--------------|
| (Loss)/profit on ordinary activities before taxation | (2,053) | 9,998 |
| (Loss)/profit on ordinary activities multiplied by rate of tax | (544) | 2,799 |
| Effects of | | |
| Expenses not deductible for tax purposes | 51 | 19 |
| Group relief surrendered/(claimed) without payment | 493 | (2,818) |
| Total current tax (note 4(a)) | - | - |

(c) Factors that may affect future tax charges

There are no factors which may affect the future tax charge

(d) Change in tax rate

As at 31 December 2011 the enacted UK corporation tax rate was 25%. A rate reduction to 24% was substantively enacted under the Provisional Collection of Taxes Act in March 2012 with effect from 1 April 2012, and further rate reductions were announced to be introduced in annual decrements to reduce the rate to 22%. These rate changes will affect the amount of future tax payments to be made by the company

5. Debtors

| | 2011 £000 | 2010 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed by group undertakings | - | 17,813 |

Amounts owed by group undertakings are unsecured and repayable on demand

6. Creditors: Amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | 12,390 | 7,438 |

Amounts owed to group undertakings are unsecured and repayable on demand

Virgin Media Payments Limited

Notes to the Financial Statements

Year ended 31 December 2011

7. 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 2011 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 2011 amounted to approximately £2,575 million (2010 - £1,495 million). Borrowings under the notes are secured against the assets of certain members of the group including those of the company.

The company has joint and several liabilities under a group VAT registration. The group's revenue generating activities are subject to Value Added Tax (VAT). The UK tax authorities have challenged the VAT treatment of certain of these activities. As a result the group has estimated contingent losses totalling £27.5 million as of 31 December 2011 (2010 - £22.3 million) that were not accrued for as the group did not deem them to be probable of resulting in a liability. An initial hearing on these matters is expected to take place in 2013.

8. Related party transactions

In accordance with the exemptions offered by FRS 8 "Related Party disclosures" there is no disclosure in these financial statements of transactions with entities that are part of Virgin Media Inc., and its subsidiaries (see note 11).

9. Share capital

Authorised share capital:

| | 2011 | 2010 |
|----------------------------------|----------|----------|
| | £000 | £000 |
| 1,000 Ordinary shares of £1 each | <u>1</u> | <u>1</u> |

Allotted, called up and fully paid.

| | 2011 | | 2010 | |
|----------------------------|--------------|----------|--------------|----------|
| | No | £000 | No | £000 |
| Ordinary shares of £1 each | <u>1,000</u> | <u>1</u> | <u>1,000</u> | <u>1</u> |

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

| | Share capital | Profit and loss account | Total shareholder's funds |
|----------------------------------------|---------------|-------------------------|---------------------------|
| | £000 | £000 | £000 |
| At 1 January 2010 | 1 | 20,276 | 20,277 |
| Profit for the year | — | 9,998 | 9,998 |
| At 31 December 2010 and 1 January 2011 | 1 | 30,274 | 30,275 |
| Loss for the year | — | (2,053) | (2,053) |
| At 31 December 2011 | <u>1</u> | <u>28,221</u> | <u>28,222</u> |

Virgin Media Payments Limited

Notes to the Financial Statements

Year ended 31 December 2011

11. Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Media Limited

The smallest and largest groups of which the company is a member and into which the company's accounts are consolidated are Virgin Media Finance PLC and Virgin Media Inc , respectively

The company's ultimate parent undertaking and controlling party at 31 December 2011 was Virgin Media Inc , a company incorporated in the state of Delaware, United States of America

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