

**Virgin Media Payments Limited**  
**Financial Statements**  
**31 December 2009**

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# **Virgin Media Payments Limited**

## **Financial Statements**

**Year ended 31 December 2009**

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# Virgin Media Payments Limited

## Company Information

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<b>The board of directors</b>	R C Gale R M Mackenzie
<b>Joint company secretaries</b>	R M Mackenzie and G E James
<b>Registered office</b>	160 Great Portland Street London W1W 5QA
<b>Auditor</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

# Virgin Media Payments Limited

## The Directors' Report

Year ended 31 December 2009

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The directors present their report and the financial statements of the company for the year ended 31 December 2009

### Principal activities and business review

The principal activity of the company was, and will continue to be, that of the provision of payment handling and collection services on behalf of the Virgin Media group for substantially all of its residential fixed line telephone, television and broadband internet customers

The company is a wholly owned subsidiary undertaking of Virgin Media Inc. The Virgin Media group is a leading provider of entertainment and communications services in the UK, offering "quad-play" television, broadband internet, fixed line telephony and mobile telephony services

As at 31 December 2009, the Virgin Media 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 2009 provided mobile telephone services to approximately 2.2 million prepay mobile customers and approximately 950,000 contract mobile customers over third party networks. As of 31 December 2009, approximately 60.5% of residential customers on the group's cable network were "triple play" customers, receiving broadband internet, television and fixed line telephone services from the group and approximately 10.7% were "quad play" customers, also receiving the group's mobile telephone services.

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

During the year the Virgin Media group also provided a broad range of television programming through Virgin Media Television (VMTv), which operated wholly owned television channels, such as Virgin1, Living and Bravo. The Virgin Media group sold its VMTv operations on 12 July 2010.

The Virgin Media group continues to provide television programming through UKTV, its joint ventures with BBC Worldwide.

# Virgin Media Payments Limited

## The Directors' Report *(continued)*

Year ended 31 December 2009

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### Principal activities and business review *(continued)*

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 receives revenues in the form of payment handling charges incurred by those customers not settling by direct debit and management charges from the group companies for whom the company acts in collecting direct debit payments. Turnover has decreased by 2.7% to £60,873,000 for the year ended 31 December 2009 from £62,591,000 for the year ended 31 December 2008.

The company centrally manages the majority of the Virgin Media group's credit control procedures and processes and therefore incurs significantly all of the bad debt exposure.

The immediate parent undertaking, Virgin Media Limited, provides the services of certain of its employees for which the company is charged a management fee based on the actual costs incurred. Administrative expenses, including costs recharged to the company, decreased from £60,547,000 for the year ended 31 December 2008 to £57,425,000 for the year ended 31 December 2009.

The company is self-financed and passes the cash collected to Virgin Media Limited for central banking control and management purposes.

### Future developments

During 2009 the Virgin Media group completed significant upgrades to its network, resulting in improvements in upstream and downstream data transmission speeds. Following these upgrades, in July 2009, the group became the first provider in the UK to offer download speeds of up to 50 Mbps, making the service available to over 12 million homes. The group is planning to roll out a 100 Mbps service and is trialling download speeds of up to 200 Mbps and upload speeds of 20 Mbps within limited geographical areas.

The Virgin Media group is expecting to grow the amount of available high definition (HD) content in 2010. In March 2010 the group launched an HD ready set top box, the V HD Box, which is available for no extra monthly fee. The V+ HD digital video recorder (DVR) subscriber base is expected to grow and the group continues to work with TiVo to develop a new converged TV and Broadband interactive platform.

During 2009 the Virgin Media group increased its network footprint by over 100,000 new homes and plans to reach a total of 500,000 additional homes by the end of 2012.

### Results and dividends

The profit for the financial year amounted to £3,459,000 (2008 - profit of £2,232,000). The directors have not recommended an ordinary dividend (2008 - £nil).

# Virgin Media Payments Limited

## The Directors' Report *(continued)*

Year ended 31 December 2009

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### **Financial risk management**

The company's operations expose it to a variety of financial risks that include liquidity, interest rate and credit risks

#### ***Liquidity risk***

The Virgin Media group manages its financial risk via secure, long-dated and cost-effective funding for the group's operations in order to minimise the adverse effects of fluctuations in the financial markets on the value of its financial assets and liabilities, profitability and cash flows

The Virgin Media group's external debt is used to satisfy the funding requirements of group undertakings via inter-company loans on terms, including the repayment date and interest rate, which generally match those of the external debt. In addition, working capital is managed centrally within the Virgin Media group creating further inter-company trading balances, on terms which are generally interest free

#### ***Interest rate risk***

The group's policy is to manage its interest cost using a mix of fixed and variable rate financial instruments and to hedge all or part of the exposure to increased interest rates. The group's policy is not to hedge against interest rate risk in respect of inter-company debt. However, the company may reduce all or part of the risk by loaning funds to other group undertakings and charging interest at the same rate as the original borrowing

The company's financial instruments mainly comprise interest-free inter-company debt and as a result it is exposed to limited risks in respect of interest rates

#### ***Credit risk***

Credit risk is the risk that one party to a transaction will cause a financial loss for the other party by failing to discharge an obligation. The company's policies are aimed at minimising such losses, by generally requiring that customers satisfy credit worthiness criteria

The company's cash balances are only held with banks which have suitably high independent ratings

The directors will revisit the appropriateness of these policies should the company's operations change in size or nature

### **Directors**

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

R C Gale

R M Mackenzie

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

# Virgin Media Payments Limited

## The Directors' Report *(continued)*

Year ended 31 December 2009

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### 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 is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

Ernst & Young LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors



R M Mackenzie  
Director

Approved by the directors on 30 September 2010

# Virgin Media Payments Limited

## Statement of Directors' Responsibilities

Year ended 31 December 2009

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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 2009

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We have audited the financial statements of Virgin Media Payments Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 13. 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 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 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 (APB'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.

# Virgin Media Payments Limited

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

**Year ended 31 December 2009**

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### **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 2009 and of its profit 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

### **Matters on which we are required to report by exception**

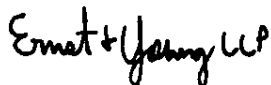
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Michael Rudberg (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

30 September 2010

# Virgin Media Payments Limited

## Profit and Loss Account

Year ended 31 December 2009

	Note	2009 £000	2008 £000
Turnover		60,873	62,591
Administrative expenses		(57,425)	(60,547)
Operating profit	2	3,448	2,044
Interest receivable	4	11	229
Interest payable and similar charges	5	–	(41)
Profit on ordinary activities before taxation		3,459	2,232
Tax on profit on ordinary activities	6	–	–
Profit for the financial year		<u>3,459</u>	<u>2,232</u>

All of the activities of the company are classed as continuing

### Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £3,459,000 attributable to the shareholder for the year ended 31 December 2009 (2008 - profit of £2,232,000)

The notes on pages 11 to 15 form part of these financial statements.

**Virgin Media Payments Limited****Balance Sheet****31 December 2009**

	Note	2009 £000	2008 £000
<b>Current assets</b>			
Debtors	7	–	2,448
Cash at bank		<u>39,616</u>	<u>64,623</u>
		39,616	67,071
<b>Creditors. Amounts falling due within one year</b>	8	<u>(19,339)</u>	<u>(50,253)</u>
<b>Net current assets</b>		<u>20,277</u>	<u>16,818</u>
<b>Total assets less current liabilities</b>		<u>20,277</u>	<u>16,818</u>
<b>Capital and reserves</b>			
Called-up equity share capital	11	1	1
Profit and loss account	12	<u>20,276</u>	<u>16,817</u>
<b>Shareholder's funds</b>	12	<u>20,277</u>	<u>16,818</u>

These financial statements were approved by the directors on 30 September 2010 and are signed on their behalf by



R C Gale  
Director

The notes on pages 11 to 15 form part of these financial statements.

# Virgin Media Payments Limited

## Notes to the Financial Statements

Year ended 31 December 2009

### 1. Accounting policies

#### *Accounting convention*

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

#### *Cash flow statement*

The company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate parent undertaking (see note 13)

#### *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 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 full amount is written off when the probability for recovery of a balance is assessed as being remote.

### 2. Operating profit

Operating profit is stated after charging

	2009 £000	2008 £000
Auditor's remuneration		
- as auditor	5	4
Bad debt expense	<u>24,684</u>	<u>26,670</u>

# Virgin Media Payments Limited

## Notes to the Financial Statements

Year ended 31 December 2009

### 2. Operating profit (*continued*)

The directors' remuneration is paid by Virgin Media Limited and disclosed in the group accounts of Virgin Media Finance PLC

Auditor's remuneration above represents costs attributed to the company by the fellow group undertakings that pay all auditor's remuneration on behalf of the Virgin Media group. Following guidance from Statutory Instrument 2008/489(6)(2)-(3), the company is not required to disclose amounts in respect of non-audit services, as it is a subsidiary of Virgin Media Finance PLC and the group accounts of Virgin Media Finance PLC are required to disclose this information on a consolidated basis.

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 Virgin Media group. Details of staff numbers and staff costs of the group are disclosed in the group accounts of Virgin Media Finance PLC.

### 4. Interest receivable

	2009	2008
	£000	£000
Bank interest receivable	11	229

### 5. Interest payable and similar charges

	2009	2008
	£000	£000
Interest payable on bank borrowing	-	41

### 6. Taxation

#### (a) Analysis of charge in the year

The tax charge is made up as follows

	2009	2008
	£000	£000
<b>Current tax charge:</b>		
Current tax on profit for the year	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
<b>Total tax charge on profit on ordinary activities</b>	-	-

# Virgin Media Payments Limited

## Notes to the Financial Statements

Year ended 31 December 2009

### 6. Taxation (continued)

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 28% (2008 - 28.50%)

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

	2009	2008
	£000	£000
Profit on ordinary activities before taxation	3,459	2,232
Profit on ordinary activities multiplied by the rate of tax	969	636
Expenses not deductible for tax purposes	55	44
Group relief claimed without payment	(1,024)	(680)
Total current tax (note 6(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

In the 2010 Emergency budget the UK government announced its intention to set out legislation for Parliament to reduce the UK corporate income tax rate from 28%. As at the balance sheet date the change in the tax rate was not substantively enacted

### 7. Debtors

	2009	2008
	£000	£000
Amounts owed by group undertakings	-	2,448

### 8 Creditors: Amounts falling due within one year

	2009	2008
	£000	£000
Amounts owed to group undertakings	19,339	50,253

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

# Virgin Media Payments Limited

## Notes to the Financial Statements

Year ended 31 December 2009

### 9. Contingent liabilities

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks under which it has guaranteed the amount outstanding, which as at 31 December 2009 amounted to approximately £3,213 million (2008 - £4,289 million). Borrowings under the facility are secured against the assets of certain members of the group including those of the company.

On 19 January 2010 Virgin Media Secured Finance PLC, a fellow group undertaking, issued \$1.0 billion aggregate principal amount of 6.50% senior secured notes due 2018 and £875 million aggregate principal amount of 7.00% senior secured notes due 2018. Subject to certain exceptions the senior secured notes due 2018 share in the same guarantees and security which have been granted in favour of the senior credit facility. The net proceeds from the issuance of the senior secured notes were used to repay £1,453 million of the group's obligations under its senior credit facility.

On 19 April 2010, the Virgin Media group drew down an aggregate principle amount of £1,675 million under its new senior credit facility dated 16 March 2010 and applied the proceeds towards the repayment of all amounts outstanding under its old senior credit facility and for general corporate purposes. The new senior credit facility comprises a term loan A facility in an aggregate principle amount of £1,000 million, a term loan B facility in an aggregate principle amount of £675 million and a revolving credit facility in aggregate principle amount of £250 million. The group also utilised £20.4 million of the new revolving credit facility for bank guarantees and standby letters of credit. The new senior credit facility dated 16 March 2010 shares substantially the same guarantees and security as the senior credit facility which was in place at the balance sheet date.

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

### 10. Related party transactions

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with group undertakings as it is a subsidiary undertaking which is 100% controlled by the ultimate parent undertaking.

### 11. Share capital

#### Authorised share capital:

	2009	2008
	£000	£000
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

#### Allotted, called up and fully paid:

	2009		2008	
	No	£000	No	£000
Ordinary shares of £1 each	<u>1,000</u>	<u>1</u>	<u>1,000</u>	<u>1</u>



# Virgin Media Payments Limited

## Notes to the Financial Statements

Year ended 31 December 2009

### 12. Reconciliation of shareholder's funds and movement on reserves

	Share capital	Profit and loss	Total share-
	£000	account	holder's funds
		£000	£000
At 1 January 2008	1	14,585	14,586
Profit for the year	—	2,232	2,232
At 31 December 2008 and 1 January 2009	1	16,817	16,818
Profit for the year	—	3,459	3,459
At 31 December 2009	1	20,276	20,277

### 13. 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 for which group accounts have been drawn up are those headed by Virgin Media Finance PLC and Virgin Media Inc , respectively

The company's ultimate parent undertaking and controlling party at 31 December 2009 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 Secretary, Virgin Media, 160 Great Portland Street, London, W1W 5QA