

**Lynx Europe 2 Limited**

**Financial Statements**

**31 December 2013**

TUESDAY



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# **Lynx Europe 2 Limited**

## **Financial Statements**

**Period from 29 January 2013 to 31 December 2013**

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# Lynx Europe 2 Limited

## Company Information

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### **The board of directors**

Jeremy L. Evans  
Charles H. R. Bracken  
Bryan H. Hall

### **Registered office**

38 Hans Crescent  
London  
SW1X 0LZ

### **Auditor**

KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

# Lynx Europe 2 Limited

## Strategic Report

Period from 29 January 2013 to 31 December 2013

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### Principal activities and business review

The company was incorporated on 29 January 2013.

The principal activity of the company during the period was, and will continue to be, that of a holding company. The company also has significant intergroup financing arrangements with fellow Liberty Global plc group (the group) undertakings.

At 31 December 2013 the company was a direct wholly-owned subsidiary of Liberty Global and the company wholly owns Virgin Media Inc. (Virgin Media). Virgin Media became a wholly-owned subsidiary of 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 2013 Liberty Global Annual Report which is available at [www.libertyglobal.com](http://www.libertyglobal.com).

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

The Virgin Media 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 Virgin Media 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 Virgin Media group believes its advanced, deep-fibre cable access network enables it to offer faster and higher quality broadband internet services than our digital subscriber line, or DSL competitors. As a result, it provides customers with a leading next generation broadband internet service and one of the most advanced interactive digital cable services available in the U.K. market.

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

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

### Key performance indicators (KPI's)

The directors do not use KPI's to assess the performance of the company, as its principal activity is that of a holding company.

The company reported net current liabilities and net assets for the period ended 31 December 2013. Operations were financed through an issue of shares at a premium and inter-company loan notes with fellow group undertakings during the period.

### 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 the 2013 Liberty Global Annual Report which is available at [www.libertyglobal.com](http://www.libertyglobal.com).

# Lynx Europe 2 Limited

## Strategic Report *(continued)*

Period from 29 January 2013 to 31 December 2013

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### 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 2013 Liberty Global Annual Report which is available at [www.libertyglobal.com](http://www.libertyglobal.com).

Signed on behalf of the directors



Jeremy L. Evans  
Director



Charles H. R. Bracken  
Director

Approved by the directors on 25 September 2014

# Lynx Europe 2 Limited

## Directors' Report

### Period from 29 January 2013 to 31 December 2013

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The directors present their report and the financial statements of the company for the period from 29 January 2013 to 31 December 2013.

#### Results and dividends

The loss for the financial period amounted to \$169,169,000. The directors have not recommended an ordinary dividend during the period.

#### Directors

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

Jeremy L. Evans	(Appointed 29 January 2013)	
Charles H. R. Bracken	(Appointed 4 February 2013)	
Bryan H. Hall	(Appointed 24 May 2013)	
Henry Harris	(Appointed 29 January 2013)	(Resigned 4 February 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.

#### Going concern

After making suitable enquiries and obtaining the necessary assurances from Liberty Global plc that sufficient resources will be made available to meet any liabilities as they fall due should the company's income not be sufficient, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements they have no reason to believe that it will not do so. On this basis the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

#### 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

KPMG LLP have been appointed as auditors of the company.

Signed on behalf of the directors



Jeremy L. Evans  
Director



Charles H. R. Bracken  
Director

Approved by the directors on 25 September 2014

# **Lynx Europe 2 Limited**

## **Directors' Responsibilities Statement**

**Period from 29 January 2013 to 31 December 2013**

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The directors are responsible for preparing the Strategic Report, 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 period. 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 these 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.

## **Independent Auditor's Report to the Shareholder of Lynx Europe 2 Limited**

**Period from 29 January 2013 to 31 December 2013**

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We have audited the financial statements of Lynx Europe 2 Limited for the period from 29 January 2013 to 31 December 2013 on pages 8 to 17. 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 shareholder, 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 shareholder 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 shareholder, 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 Directors' Responsibilities Statement 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**

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](http://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 loss for the period 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.



**Independent Auditor's Report to the Shareholder of Lynx Europe 2 Limited** *(continued)*

**Period from 29 January 2013 to 31 December 2013**

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**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.



John Cain (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
15 Canada Square  
London  
E14 5GL

30 September 2014

# Lynx Europe 2 Limited

## Profit and Loss Account

Period from 29 January 2013 to 31 December 2013

	Note	Period from 29 Jan 13 to 31 Dec 13 \$000
Other interest receivable and similar income	4	20
Interest payable and similar charges	5	(169,189)
<b>Loss on ordinary activities before tax</b>		<b>(169,169)</b>
Tax on loss on ordinary activities	6	–
<b>Loss for the financial period</b>	<b>13</b>	<b><u>(169,169)</u></b>

All results relate to continuing operations.

The notes on pages 11 to 17 form part of these financial statements.

# Lynx Europe 2 Limited

## Statement of Total Recognised Gains and Losses

Period from 29 January 2013 to 31 December 2013

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	Period from 29 Jan 13 to 31 Dec 13 \$000
Loss for the financial period Attributable to the shareholder	(169,169)
Unrealised profit on: Exchange difference on foreign investment and debt	721,340
Total gains and losses recognised for the period	<u>552,171</u>

The notes on pages 11 to 17 form part of these financial statements.

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**Lynx Europe 2 Limited****Balance Sheet****31 December 2013**

	Note	31 Dec 13 \$000
<b>Fixed assets</b>		
Investments	7	<u>15,715,835</u>
<b>Current assets</b>		
Debtors due after one year	8	4,020
Cash at bank		<u>437</u>
		4,457
<b>Creditors: Amounts falling due within one year</b>	9	<u>(66,648)</u>
<b>Net current liabilities</b>		(62,191)
<b>Total assets less current liabilities</b>		<u>15,653,644</u>
<b>Creditors: Amounts falling due after more than one year</b>	10	<u>(3,913,241)</u>
<b>Net assets</b>		<u>11,740,403</u>
<b>Capital and reserves</b>		
Share capital	12	2
Share premium account	13	11,130,485
Other reserves	13	779,085
Profit and loss account	13	<u>(169,169)</u>
<b>Shareholder's funds</b>	13	<u>11,740,403</u>

These financial statements were approved by the directors on 25 September 2014 and are signed on their behalf by:



Jeremy L. Evans  
Director



Charles H. R. Bracken  
Director

The notes on pages 11 to 17 form part of these financial statements.

# Lynx Europe 2 Limited

## Notes to the Financial Statements

Period from 29 January 2013 to 31 December 2013

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### 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 U.K. Accounting Standards..

#### **Foreign currency**

The presentation and functional currency is the U.S. dollar.

#### **Estimates**

The preparation of financial statements in conformity with U.K. Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, loss contingencies, fair value measurements, impairment assessments and share-based payments. Actual results could differ from those estimates.

#### **Going concern**

After making suitable enquiries and obtaining the necessary assurances from Liberty Global plc that sufficient resources will be made available to meet any liabilities as they fall due should the company's income not be sufficient, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements they have no reason to believe that it will not do so. On this basis the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

#### **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 14). These financial statements therefore present information about the company as an individual undertaking and not about its group.

#### **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.

# **Lynx Europe 2 Limited**

## **Notes to the Financial Statements**

**Period from 29 January 2013 to 31 December 2013**

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### **Tax**

The charge for tax is based on the earnings or loss for the period and takes into account deferred tax related to timing differences between the treatment of certain items for tax and accounting purposes.

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

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

### **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.

### **Foreign currency transactions**

Transactions denominated in currencies other than our functional currency are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our balance sheet related to these non-functional currency transactions result in transaction gains or losses that are reflected in our profit and loss accounts as unrealised (based on the applicable period end exchange rates) or realised upon settlement of the transactions.

Where a financial liability in foreign currency is used to finance an investment in foreign currency, the investment is first recorded based on exchange rates at the time such transaction has arisen and retranslated at the end of each accounting period at the closing rate of exchange. The retranslated investment is held in the balance sheet and any resulting exchange rate difference is taken to the hedging reserve. Any exchange gain or loss on the financial liability in foreign currency used to fund this investment, is offset against the exchange rate difference on the investment held in the hedging reserve for that accounting period. The exchange gain or loss on the financial liability in foreign currency will only be offset to the extent of exchange rate differences on the investment that have arisen in any one period.

## **2. Auditor's and directors remuneration**

Auditor's remuneration is paid on behalf of the company by Liberty Global plc. No costs are allocated or attributed to the company.

The directors received no remuneration for qualifying services as directors of this company. All directors' remuneration is paid by and disclosed in the financial accounts of Liberty Global plc.

## **3. Staff costs**

The company does not have any directly employed staff and is not charged an allocation of staff costs by Liberty Global plc.

# Lynx Europe 2 Limited

## Notes to the Financial Statements

Period from 29 January 2013 to 31 December 2013

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### 4. Other interest receivable and similar income

	Period from 29 Jan 13 to 31 Dec 13 \$000
Interest receivable on convertible loan notes	<u>20</u>

### 5. Interest payable and similar charges

	Period from 29 Jan 13 to 31 Dec 13 \$000
Interest payable on intercompany loan notes	<u>169,189</u>

### 6. Tax on ordinary activities

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 23.12%. The differences are explained below:

	Period from 29 Jan 13 to 31 Dec 13 \$000
Loss on ordinary activities before tax	<u>(169,169)</u>
Loss on ordinary activities multiplied by rate of tax	(39,112)
Effects of:	
Group relief surrendered	<u>39,112</u>
Total current tax	<u>-</u>

### 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.

# Lynx Europe 2 Limited

## Notes to the Financial Statements

Period from 29 January 2013 to 31 December 2013

### 7. Investments

	Subsidiary undertakings
	\$000
<b>Cost or valuation</b>	
Additions	14,819,286
Revaluations	896,549
At 31 December 2013	<u>15,715,835</u>
<b>Net book value</b>	
At 31 December 2013	<u>15,715,835</u>

During 2013 the company acquired 100% of the common stock of Virgin Media Inc. for £9,486,515,000 (\$14,819,286,000 translated at the exchange rate on each investment date) as part of the LG/VM Transaction. The investment in Virgin Media Inc. is denominated and was initially recognised in sterling and has been retranslated at the exchange rate on the balance sheet date. The increase in value of the investment from the movement in exchange rates is reflected in the hedging reserve.

Virgin Media Inc. is a company incorporated in the United States and its principal activity is that of a holding company.

The Virgin Media Inc. consolidated group (the Virgin Media group) operates under the Virgin Media brand in the U.K. The Virgin Media group provides digital cable, broadband internet, fixed-line telephony and mobile services in the U.K. to both residential and B2B customers.

Lynx Europe 2 Limited has taken advantage of the exemption under Section 400 of the Companies Act 2006 not to disclose the aggregate amount of capital and reserves and the results for the year of the subsidiary undertaking on the basis that their results are included in the group accounts of Liberty Global plc (see note 14).

Lynx Europe 2 Limited has also taken advantage of Section 410 of the Companies Act 2006 and disclosed only those investments whose results or financial position materially affected the figures shown in the company's annual financial statements.

In the opinion of the directors the aggregate value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the financial statements.

### 8. Debtors

	31 Dec 13
	\$000
Other debtors	<u>4,020</u>



# Lynx Europe 2 Limited

## Notes to the Financial Statements

Period from 29 January 2013 to 31 December 2013

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### 8. Debtors (continued)

The debtors above include the following amounts falling due after more than one year:

	<b>31 Dec 13</b>
	<b>\$000</b>
Other debtors	<b><u>4,020</u></b>

Other debtors comprises of the investment in Wananchi Group Holdings Limited convertible loan notes.

The convertible loan notes mature on 20 December 2016. The notes accrue interest at a rate of 15% per annum. If the notes are not converted into equity by 31 December 2015, the notes will accrue interest thereafter at a rate of 12.5% until maturity.

Lynx Europe 2 Limited has the right to convert the notes and accumulated interest into the common equity of Wananchi Group Holdings Limited at any time during the period 1 July 2014 to 31 December 2015.

### 9. Creditors: Amounts falling due within one year

	<b>31 Dec 13</b>
	<b>\$000</b>
Amounts owed to group undertakings	<b><u>66,648</u></b>

The amounts owed to group undertakings falling due within one year comprise of interest payable on intercompany loan notes.

### 10. Creditors: Amounts falling due after more than one year

	<b>31 Dec 13</b>
	<b>\$000</b>
Amounts owed to group undertakings	<b><u>3,913,241</u></b>

The amounts owed to group undertakings falling due after more than one year comprise of intercompany loan notes.

Sterling denominated intercompany notes of £2,297,251,000 (\$3,805,741,000 translated at the exchange rate on the balance sheet date), are payable to Virgin Media Finco Limited, an indirect subsidiary undertaking. The loan notes mature on 15 April 2023 and interest is payable at a rate of 8.5% per annum.

\$107,500,000 of intercompany notes are payable to Virgin Media Inc. The loan notes mature on 15 April 2023 and interest is payable at a rate of 7.875% per annum.

### 11. 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 Liberty Global plc, and its subsidiaries (see note 14).

# Lynx Europe 2 Limited

## Notes to the Financial Statements

Period from 29 January 2013 to 31 December 2013

### 12. Share capital

Allotted, called up and fully paid:

	31 Dec 2013	
	No	\$000
Ordinary shares of £10 each	123	2

On incorporation the company issued 10 shares at a nominal value of £10 each (\$15.76 translated at the exchange rate on the date of incorporation).

On 7 June 2013 the company issued 100 shares at a nominal value of £10 each (\$15.54 translated at the exchange rate on that date) and a total share premium was paid of \$9,514,991,000.

On 20 December 2013 the company issued 13 shares at a nominal value of £10 each (\$16.36 translated at the exchange rate on that date) and a total share premium was paid of \$1,615,494,000.

The total nominal value of share capital issued during the period was \$2,000.

The share premium paid is included within the share premium reserve.

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

	Share capital \$000	Share premium account \$000	Capital contribution \$000	Hedging reserve \$000	Profit and loss account \$000	Total share- holder's funds \$000
At 29 January 2013	-	-	-	-	-	-
Loss for the period	-	-	-	-	(169,169)	(169,169)
New equity share capital subscribed	2	11,130,485	-	-	-	11,130,487
Other	-	-	57,745	721,340	-	779,085
At 31 December 2013	2	11,130,485	57,745	721,340	(169,169)	11,740,403

#### Share premium

Amounts included within the share premium account represent the amount paid over the nominal price of the share capital by Liberty Global plc.

#### Capital contribution account

During 2013 Liberty Global plc made capital contributions of \$57,745,000.

#### Hedging reserve

The amount included within the hedging reserve represents the net impact of the exchange difference on the revaluation of the foreign denominated investment and foreign exchange movements on the intercompany loan notes.

# **Lynx Europe 2 Limited**

## **Notes to the Financial Statements**

**Period from 29 January 2013 to 31 December 2013**

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### **14. Ultimate parent company**

The company's immediate parent undertaking and controlling party at 31 December 2013 is Liberty Global plc, a company incorporated in England and Wales.

The smallest and largest group of which the company is a member and into which the company's accounts are consolidated is Liberty Global plc.

Copies of the consolidated Liberty Global plc financial statements which include the results of the company are available on the Liberty Global website at [www.libertyglobal.com](http://www.libertyglobal.com).