COMPANY REGISTRATION NUMBER 02591237

Virgin Media Limited

Financial Statements

31 December 2012

Virgin Media Limited

Financial Statements

Year ended 31 December 2012

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Virgin Media Limited

Company Information

The board of directors	R D Dunn R C Gale T Mockridge C B E Withers
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

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

Principal activity and business review

The principal activity of the company during the year was, and will continue to be, the provision of cable television, telephony, broadband internet and other telecommunication services as well as running some of the telecommunication systems over which they are provided The company is also the principal employer within the Virgin Media group, and manages the majority of its working capital, finance leases, operating leases, capital commitments and construction in progress

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

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

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

As of 31 December 2012, the group provided services to approximately 4 9 million residential cable customers on its network The group is also one of the UK's largest mobile virtual network operators by number of customers, providing mobile telephony service to 1 7 million contract mobile customers and 1 3 million prepay mobile customers over third party networks As of 31 December 2012, 85% of residential customers on the group's cable network received multiple services from the group, and 65% were "triple play" customers, receiving broadband internet, television and fixed line telephony services from the group

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

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

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

	2012	2011	
Turnover (£000)	**449,499**	400,110	Turnover has increased by 12 3% primarily due to recognition of premium television services revenue in the company, together with the increased uptake of broadband, television and telephony services, partially offset by higher price discounting to stimulate customer activity
Gross profit margin (%)	**77.7**	83 2	Gross profit margin has decreased due mainly to the increase in revenue from premium television services, which have a low gross margin, partially offset by an increase in customers subscribing to the higher margin broadband product, together with selective price increases
Administrative expenses (£000)	**1,543,337**	1,405,977	Administrative expenses have increased by 9 8% during 2012 primarily due to an increase in depreciation expense due to fixed asset additions, together with an increase in the provision against amounts due from group undertakings of £21,928,000, as well as foreign exchange losses in 2012 compared to gains in 2011
Other operating income (£000)	**1,265,482**	1,211,331	Other operating income has increased by 4 5% during the year primarily due to an increase in amounts recharged to group companies This is partially offset by both a release in the impairment provision against amounts due from group undertakings of £25,214,000 and a VAT rebate received of £10,586,000 in 2011

Selected statistics for residential cable customers served by the company at 31 December 2012 and 31 December 2011 are shown in the table below

	2012	2011
Products		
Television	**603,300**	593,000
Fixed line telephone	**648,100**	634,800
Broadband	**670,900**	642,300
Total	**1,922,300**	1,870,100
Total customers	**769,100**	753,300
Products per customer	**2.50**	2 48

Each television, telephone and broadband internet subscriber directly connected to the company's network counts as one product Accordingly, a subscriber who receives both telephone and television services counts as two products Products may include subscribers receiving some services for free or at a reduced rate in connection with promotional offers

The company reported an increase in net current assets and net assets for the year ended 31 December 2012 as a result of normal operations and the impact of recognising a deferred tax asset in the year During the year, no new 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 inter-company balances with fellow group undertakings

Future outlook
Detail of the future outlook of the group is provided in Virgin Media Inc 's financial statements and annual report for 2012, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP

Results and dividends
The profit for the financial year amounted to £796,561,000 (2011 - profit of £198,759,000) The directors have not recommended an ordinary dividend (2011 - £nil)

Deferred tax assets of £633,169,000 have been recognised in the year This is considered in more detail in note 13

Principal risks and uncertainties
Financial and operational risk management is undertaken as part of the group's 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

Directors

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

R C Gale	
R D Dunn	(Appointed 7 June 2013)
T Mockridge	(Appointed 7 June 2013)
C B E Withers	(Appointed 31 December 2012)
J C Tillbrook	(Resigned 31 December 2012)

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

Environmental policies

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

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

In 2012, three areas of focus were prioritised to improve sustainability across the group its products, its operations and its people Targets for improved performance were set across each of these areas, in addition to the group's long-term target of reducing its 2007 carbon footprint by 15% by 2015

The 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

Employment policies and disabled employees

The group remains committed to the continuing introduction and practice of progressive employment policies which reflect changing business, social and employee needs

The group aims to ensure that everyone connected to it is treated fairly and equally, whether they are a current or former member of staff, job applicant, customer or supplier

Nobody should be discriminated against, either directly or indirectly, on the grounds of their gender, marital status, gender reassignment, pregnancy, race, ethnic origin, colour, nationality, national origin, disability, sexual orientation, religion or belief, age, political affiliation or trade union membership The policy applies to anyone who works for, who has worked for or who applies to work for Virgin Media or its partners That means permanent, temporary, casual or part-time staff, anyone on a fixed-term contract, agency staff and consultants working with the group, ex-employees and people applying for jobs This applies to all aspects of employment, including recruitment and training

The group gives full consideration to applications from employees with disabilities where they can adequately fulfil the requirements of the job Depending on their skills and abilities, employees with a disability have the same opportunities for promotion, career development and training as other employees Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to to achieve this aim

Employee involvement
The group is dedicated to increasing the practical involvement of individuals in the running of its business It seeks to achieve this in two ways, as follows

- all employees are encouraged to understand the aims of the overall group and their own business segment and to contribute to improving business performance through their knowledge, experience, ideas and suggestions This requires strong communication to ensure that employees are briefed as widely as possible about activities and developments across the group The online news channel, open forums, newsletters and team meetings play important roles in this, as does the development of people management skills and the ongoing conversations about performance and development which underpin mid and year end reviews, and

- the group ensures that all employees are involved and consulted with through local and national engagement forums

The group fosters a team spirit among employees and their greater involvement by offering participation in bonus or in local variable reward schemes, the opportunity to invest in the Virgin Media Sharesave Plan and the Virgin Media Partnership Plan which are designed to encourage share ownership in the ultimate parent undertaking, and team development opportunities The group also operates a recognition scheme, designed to reward employees for behaviours which are consistent with the group's values and has launched a volunteering scheme which allows employees to take a day to volunteer with a charity or organisation of their choice

Policy on the payment of creditors
It is the group's and company's policy that payments to suppliers are generally made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with Trade creditors, at the year-end, represented 40 days (2011 - 36 days) of purchases

Donations
During the year the company made the following contributions

	2012	2011
	£	£
Charitable	342,392	697,512

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

Disclosure of information to the auditor

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

Signed on behalf of the directors

R C Gale
Director

Approved by the directors on 27 September 2013

Virgin Media Limited

Statement of Directors' Responsibilities

Year ended 31 December 2012

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 year

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

We have audited the financial statements of Virgin Media Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 26 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 8, 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 2012 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

Ernst & Young LLP

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

27 September 2013

Virgin Media Limited

Profit and Loss Account

Year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover		**449,499**	400,110
Cost of sales		**(100,428)**	(67,333)
Gross profit		**349,071**	332,777
Administrative expenses		**(1,543,337)**	(1,405,977)
Other operating income	2	**1,265,482**	1,211,331
Operating profit	3	**71,216**	138,131
Attributable to			
Operating profit before exceptional items		**93,144**	112,917
Exceptional items	3	**(21,928)**	25,214
		71,216	138,131
Interest receivable	6	**154,822**	174,961
Interest payable and similar charges	7	**(57,130)**	(114,333)
Profit on ordinary activities before taxation		**168,908**	198,759
Tax on profit on ordinary activities	8	**627,653**	–
Profit for the financial year		**796,561**	198,759

All results relate to continuing operations

The notes on pages 14 to 42 form part of these financial statements.

Virgin Media Limited

Statement of Total Recognised Gains and Losses

Year ended 31 December 2012

	2012 £000	2011 £000
Profit for the financial year	**796,561**	198,759
Actuarial loss in respect of defined benefit pension scheme	**(17,485)**	(24,200)
Deferred tax on defined benefit pension scheme	**10,685**	-
Total gains and losses recognised since the last annual report	**789,761**	174,559

The notes on pages 14 to 42 form part of these financial statements.

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Virgin Media Limited

Balance Sheet

31 December 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	9	**1,803,611**	1,732,832
Investments	10	**20,772**	20,772
		1,824,383	1,753,604
Current assets			
Stocks	11	**751**	915
Debtors due after one year	12	**41,918**	37,535
Debtors due after one year – Deferred tax	12,13	**622,484**	-
Debtors due within one year	12	**5,744,777**	5,752,594
Cash at bank		**176,486**	217,630
		6,586,416	6,008,674
Creditors: Amounts falling due within one year	14	**(5,748,875)**	(5,820,108)
Net current assets		**837,541**	188,566
Total assets less current liabilities		**2,661,924**	1,942,170
Creditors: Amounts falling due after more than one year	15	**(167,528)**	(202,526)
Provisions for liabilities and charges	17	**(138,316)**	(165,480)
Net assets excluding pension liability		**2,356,080**	1,574,164
Defined benefit pension scheme liability	20	**(35,770)**	(43,615)
Net assets including pension liability		**2,320,310**	1,530,549
Capital and reserves			
Share capital	23	**726**	726
Share premium account	24	**12,214,200**	12,214,200
Share options reserve	24	**15,115**	15,115
Other reserves	24	**11**	11
Profit and loss account	24	**(9,909,742)**	(10,699,503)
Total shareholder's funds	24	**2,320,310**	1,530,549

These financial statements were approved by the directors on 27 September 2013 and are signed on their behalf by

R C Gale

R C Gale
Director

The notes on pages 14 to 42 form part of these financial statements.

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

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 26) 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

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

Turnover
Turnover represents the value of services provided, stated net of value added tax and discounts, and is attributable to continuing activities, being the provision of cable television, fixed line telephony, broadband internet and other telecommunication services and to run certain of the telecommunication systems over which they are provided, all of which is derived from operations in the United Kingdom The directors consider this to be a single class of business

Tangible fixed assets
Depreciation is provided on all tangible fixed assets, other than land, so as to write off the cost of a tangible fixed asset on a straight line basis over the expected useful economic life of that asset as follows

Network assets	3 - 30 years
Other fixed assets	
- Freehold property	30 years
- Leasehold property	period of lease
- Other	3 - 12 years

1. Accounting policies *(continued)*

Construction in progress
Construction in progress comprising materials, consumables and direct labour relating to network construction has been included in tangible fixed assets and is stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows

Raw materials and consumables	- purchase cost
Work in progress	- cost of direct materials and labour

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

Capitalised overheads
Overheads, including staff costs, relating to the design, construction and development of the network, capital projects, and related services have been capitalised Depreciation of capitalised overheads is provided on a straight-line basis over the life of the relevant assets

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Finance leases
Where the company enters into a lease under which it takes substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the Balance Sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies Finance lease debtors are recorded in the Balance Sheet, and future instalments payable under finance leases are included within creditors, net of finance charges Rentals receivable and payable under these finance lease arrangements are apportioned, the finance elements are recorded in the Profit and Loss Account on a reducing balance or straight line basis as appropriate, and the capital elements reduce the outstanding liability or asset in accordance with the terms of the contract

Operating leases
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

1. **Accounting policies** *(continued)*

Pensions

The company contributes to the Virgin Media-sponsored group personal pension plans for eligible employees Contributions are charged to the Profit and Loss Account as they become payable in accordance with the rules of each of the plans

The company operates two defined benefit pension plans The plans are funded by the payment of contributions to separately administered trust funds and are closed to new entrants

The regular cost of providing benefits under the defined benefit plans is attributed to individual years using the projected unit credit method Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related scheme assets are re-measured using the current actuarial assumptions and the resultant gain or loss recognised in the Profit and Loss Account during the period in which the settlement or curtailment occurs

The interest element of the defined benefit pension cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year The expected return on scheme assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect of fair value of the scheme assets of contributions received and benefits paid during the year The difference between the expected return on scheme assets and the interest cost is recognised in the Profit and Loss Account

Actuarial gains and losses are recognised in full in the Statement of Total Recognised Gains and Losses in the period in which they occur

The defined benefit pension asset or liability in the Balance Sheet comprises the total for each scheme of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of scheme assets out of which the obligations are to be settled directly Fair value is based on market price information and, in the case of quoted securities, is the published bid price

Employee benefits

When an employee has rendered services to the company during an accounting period, short-term benefits expected to be paid in exchange for those services are recognised in the same accounting period Cash based long-term incentives are accrued at fair value, recognising the movement in the accrual in the financial statements where the conditions and the plan extend beyond a year

1. Accounting policies *(continued)*

Deferred tax
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 when 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

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date The resulting exchange differences are taken to the Profit and Loss Account

Share-based payments
The company is an indirect, wholly-owned subsidiary of Virgin Media Inc Accordingly, the company has no share-based compensation plans of its own Certain of the group's employees participate in the share-based compensation plans of Virgin Media Inc , which are described in Virgin Media Inc 's Annual Report and summarised in note 18, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions) of Virgin Media Inc common stock From 7 June 2013, following the merger of Virgin Media Inc and Liberty Global, Inc , the share-based compensation plans issued to employees were modified so as to be shares or rights over shares of Liberty Global plc common stock

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted The fair value of stock options is determined using the Black-Scholes model These transaction costs are recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, which ends on the date on which the relevant employees become fully entitled to the award (vesting date) The cumulative expense recognised for equity settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest, in the opinion of management at that date and based on the best available estimates

1. Accounting policies *(continued)*

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

To the extent that the expense for share-based payments is recharged by the ultimate parent company which issues the shares, no expense is separately identifiable in reserves as it is included within inter-company debt

Provisions for liabilities
A provision is recognised when the company has a present, 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 resources 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

When the effect of the time value of money is material provisions are discounted using a rate that reflects the risks specific to the liability Where discounting is used, the unwinding of the discount is expensed as incurred and recognised in profit and loss as an interest expense

Provision for dilapidations
The company recognises a provision for the expected cost of dilapidation to leasehold properties which are charged against profits when the cost of returning a property to its original state can be reliably estimated

Provision for asset retirement obligation
The company recognises a provision for liabilities associated with participation in the market for Waste Electrical and Electronic Equipment ('WEEE') The company has made assumptions in relation to historical waste regarding the number of units of equipment purchased, the number subsequently disposed of and the expected cost of disposal In relation to future waste, the company has made assumptions about the age profile of the equipment distributed and the cost of disposal

Restructuring provisions
Amounts provided for in relation to restructuring programmes include redundancy costs and amounts expected to be settled in relation to vacant leased properties These provisions are based on the best estimates of factors such as the number of people expected to be made redundant, their length of service and remuneration, the cost of exiting a leased property and the discount rate applied to those specific costs Further details are contained in note 17

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

2. Other operating income

	2012	2011
	£000	£000
Recharges to group undertakings	**1,265,482**	1,175,531
VAT rebate received	**-**	10,586
Release of impairment provision against amounts due from group undertakings (see note 3)	**-**	25,214
	1,265,482	1,211,331

3. Operating profit

Operating profit is stated after charging/(crediting)

	2012	2011
	£000	£000
Depreciation of owned tangible fixed assets	**289,818**	266,892
Depreciation of tangible fixed assets held under finance lease agreements	**74,927**	53,042
(Profit)/loss on disposal of fixed assets	**(13,728)**	246
Operating lease costs		
- Plant and equipment	**31,502**	28,025
- Other	**18,245**	17,964
Net loss/(profit) on foreign currency translation	**10,650**	(11,520)

Exceptional Items:

	2012	2011
	£000	£000
Increase in/(release of) provision against amounts owed by group undertakings	21,928	(25,214)

The group's inter-company funding arrangements are managed centrally Recoverability of inter-company receivables is assessed annually The provision for non-recoverability may increase or decrease as a result of that review The impairment review of inter-company indebtedness as at 31 December 2012 concluded that an increase of provision against amounts due from group undertakings totalling £21,928,000 should be made (2011 - release of £25,214,000)

Auditor's remuneration of £52,000 (2011 - £43,000) represents costs allocated to the company by fellow group undertakings that pay all auditor's remuneration on behalf of the group

4. Staff costs

The average number of staff employed by the company during the financial year amounted to

	2012	2011
	No	No
Consumer	**4,527**	4,592
Business	**807**	811
Access and Networks	**5,986**	5,501
Technology	**818**	862
Corporate	**1,214**	1,321
	13,352	13,087

The aggregate payroll costs of the above were

	2012	2011
	£000	£000
Wages and salaries	**499,231**	478,055
Social security costs	**62,810**	48,462
Other pension costs	**15,474**	12,084
Equity-settled share-based payments	**17,651**	19,986
	595,166	558,587

The analysis of other pension costs charged to operating profit is

	2012	2011
	£000	£000
Defined contribution scheme	**13,681**	13,464
Defined benefit scheme - total operating charge/(credit)	**1,793**	(1,380)
	15,474	12,084

Other pension costs are amounts charged to operating profit and do not include amounts credited to finance income or charged to finance costs and amounts recognised in the Statement of Total Recognised Gains and Losses

The company is the principal employer of the group

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2012	2011
	£000	£000
Remuneration receivable	458	493
Value of company pension contributions to money purchase schemes	41	38
	499	531

£46,727 (2011 - £49,657) of the aggregate amount was in relation to qualifying services as directors of this company

Remuneration of highest paid director:

	2012	2011
	£000	£000
Total remuneration (excluding pension contributions)	319	313
Value of company pension contributions to money purchase schemes	31	31
	350	344

The number of directors who exercised share options and received shares under a long term incentive scheme during the year were as follows

	2012	2011
	No	No
Number of directors who exercised share options under schemes operated by ultimate parent company	1	2
Number of directors accruing benefits under money purchase schemes	3	2

6. Interest receivable and similar income

	2012	2011
	£000	£000
Bank interest receivable	896	4,885
Interest on amounts owed by group undertakings	153,926	169,360
Net finance income in respect of defined benefit pension schemes (note 20)	–	716
	154,822	174,961

7. Interest payable and similar charges

	2012 £000	2011 £000
Finance charges	**16,838**	14,892
Unwinding of discounts on provisions	**2,140**	3,969
Other finance charges	**2,814**	4,962
Net finance costs in respect of defined benefit pension schemes (note 20)	**1,217**	–
Interest on amounts owed to group undertakings	**34,121**	90,510
	57,130	114,333

8. Taxation

Tax on profit on ordinary activities

The tax credit is made up as follows

	2012 £000	2011 £000
Current tax credit:		
Adjustments to tax charge in respect of prior years	**(5,169)**	-
Total current tax	**(5,169)**	-
Deferred tax:		
Origination and reversal of timing differences	**(622,484)**	-
Total deferred tax (note 13)	**(622,484)**	-
Total tax credit on profit on ordinary activities	**(627,653)**	-

Tax included in the statement of total recognised gains and losses

The tax credit is made up as follows

	2012 £000	2011 £000
Deferred tax:		
Defined benefit pension scheme liability recognised in the statement of total recognised gains and losses	**(10,685)**	-
Total deferred tax (note 13)	**(10,685)**	-
Total tax credit	**(10,685)**	-

8. Taxation *(continued)*

The tax assessed on the profit on ordinary activities for the year is lower than (2011 – lower) the standard rate of corporation tax in the UK of 24 50% (2011 – 26 50%) The differences are explained below

	2012	2011
	£000	£000
Profit on ordinary activities before taxation	**168,908**	198,759
Profit on ordinary activities multiplied by rate of tax	**41,383**	52,671
Effects of		
Depreciation in excess of capital allowances/(accelerated capital allowances)	**20,746**	(9,877)
Utilisation of tax losses	**(1,908)**	-
Group relief claimed without payment	**(26,328)**	-
Income not taxable	**(19,590)**	(24,493)
Other short term timing differences	**(14,303)**	(18,301)
Adjustments in respect of prior years	**(5,169)**	
Total current tax	**(5,169)**	-

Factors affecting current and future tax charges

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

Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 was included in the Finance Act 2013 which was enacted in July 2013 These rate reductions had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements It is expected that the changes would reduce the value of the company's deferred tax asset as at 31 December 2012 by £82,587,000

9. Tangible fixed assets

	Network £000	Construction in progress £000	Other £000	Total £000
Cost				
At 1 January 2012	3,157,914	37,510	581,729	3,777,153
Additions	12,305	306,425	135,347	454,077
Disposals	(204,218)	–	(102,802)	(307,020)
Transfers	327,451	(327,451)	–	–
At 31 December 2012	3,293,452	16,484	614,274	3,924,210
Depreciation				
At 1 January 2012	1,809,266	–	235,055	2,044,321
Charge for the year	253,561	–	114,938	368,499
On disposals	(189,621)	–	(102,600)	(292,221)
At 31 December 2012	1,873,206	–	247,393	2,120,599
Net book value				
At 31 December 2012	1,420,246	16,484	366,881	1,803,611
At 31 December 2011	1,348,648	37,510	346,674	1,732,832

Included in "Other" are the following net book values of land and buildings

	2012 £000	2011 £000
Freehold	13,450	12,396
Short leasehold	75,100	80,503

Hire purchase and finance lease agreements

Included within the net book value of £1,803,611,000 is £242,682,000 (2011 - £236,881,000) relating to assets held under finance lease agreements The depreciation charged to the financial statements in the year in respect of such assets amounted to £74,927,000 (2011 - £53,042,000)

10. Investments

	£000
Cost	
At 1 January 2012 and 31 December 2012	**10,226,484**
Amounts written off	
At 1 January 2012 and 31 December 2012	**10,205,712**
Net book value	
At 31 December 2012 and 31 December 2011	**20,772**

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

The company 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 result for the year for each of the subsidiary undertakings on the basis that their results are included in the group accounts of Virgin Media Finance PLC (see note 26)

The material investments in which the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows

Name of Company	**Holdings**	**Proportion Held**	**Nature of Business**
Direct subsidiaries			
Limited companies – direct:			
ntl Rectangle Limited	Ordinary	100%	Holding
Virgin Media Payments Limited	Ordinary	100%	Collections
X-Tant Limited	Ordinary	100%	Telecoms
Virgin Media Secretaries Limited	Ordinary	100%	Finance
Limited liability corporation incorporated in the USA:			
NTL (Triangle) LLC	Common Stock	100%	Holding

10. Investments *(continued)*

Name of Company	**Holdings**	**Proportion Held**	**Nature of Business**
Indirect subsidiaries			
Limited companies:			
ntl Cambridge Limited	Ordinary	100%	Telecoms
ntl Irish Holdings Limited	Ordinary	100%	Telecoms
ntl (CWC) Limited	Ordinary	100%	Holding
ntl (B) Limited	Ordinary	100%	Holding
ntl Communications Services Limited	Ordinary	100%	Telecoms
ntl CableComms Limited	Ordinary	100%	Telecoms
ntl (South Hertfordshire) Limited	Ordinary	100%	Telecoms
BCMV Limited	Ordinary	100%	Telecoms
Unlimited companies:			
ntl (V)	Ordinary	100%	Holding
ntl CableComms Bolton	Ordinary	100%	Telecoms
ntl CableComms Bromley	Ordinary	100%	Telecoms
ntl CableComms Bury and Rochdale	Ordinary	100%	Telecoms
ntl CableComms Cheshire	Ordinary	100%	Telecoms
ntl CableComms Derby	Ordinary	100%	Telecoms
ntl CableComms Greater Manchester	Ordinary	100%	Telecoms
ntl CableComms Macclesfield	Ordinary	100%	Telecoms
ntl CableComms Oldham and Tameside	Ordinary	100%	Telecoms
ntl CableComms Solent	Ordinary	100%	Telecoms
ntl CableComms Staffordshire	Ordinary	100%	Telecoms
ntl CableComms Stockport	Ordinary	100%	Telecoms
ntl CableComms Surrey	Ordinary	100%	Telecoms
ntl CableComms Sussex	Ordinary	100%	Telecoms
ntl CableComms Wessex	Ordinary	100%	Telecoms
ntl CableComms Wirral	Ordinary	100%	Telecoms
ntl Wirral Telephone and Cable TV Company	Ordinary	100%	Telecoms

All companies are registered in England and Wales unless otherwise noted

The company has taken advantage of Section 409 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

11. Stocks

	2012	2011
	£000	£000
Goods for resale	**751**	915

12. Debtors

	2012	2011
	£000	£000
Trade debtors	334,007	323,068
Consortium relief recoverable	5,169	-
Amounts owed by group undertakings	5,316,620	5,348,931
Other debtors	41,918	37,535
Prepayments and accrued income	88,981	80,595
Deferred tax (note 13)	622,484	–
	6,409,179	5,790,129

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

	2012	2011
	£000	£000
Deferred tax (note 13)	622,484	–
Other debtors	41,918	37,535
	664,402	37,535

The analysis of amounts owed by group undertakings is

	2012	2011
	£000	£000
Loans advanced to group undertakings	1,729,171	1,581,306
Other amounts owed by group undertakings	3,587,449	3,767,625
	5,316,620	5,348,931

Loans advanced to group undertakings are stated after deducting an impairment provision of £716,331,000 (2011 - £781,075,000) Other amounts owed by fellow group undertakings are stated after deducting an impairment provision of £576,618,000 (2011 - £489,946,000)

The loans advanced to undertakings include U S dollar denominated balances totalling $910,440,000 (2011 - $565,818,000) which had a carrying value of £562,382,000 (2011 - £363,964,000)

Amounts owed by group undertakings are unsecured and repayable on demand

13. Deferred tax

The deferred tax included in the balance sheet is as follows

	2012	2011
	£000	£000
Included in debtors (note 12)	622,484	-

The movement in deferred tax during the year was

	2012	2011
	£000	£000
Profit and loss account movement arising during the year	622,484	-
Statement of total recognised gains and losses movement arising during the year	10,685	-
Balance carried forward	633,169	-
Included within		
Debtors - Deferred tax	622,484	-
Defined benefit pension scheme liability	10,685	-

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

	2012		2011	
	Provided	Unprovided	Provided	Unprovided
	£000	£000	£000	£000
Depreciation in excess of capital allowances	583,242	-	-	603,658
Share-based payments	26,728	-	-	-
Other timing differences	12,514	-	-	23,041
	622,484	-	-	626,699

As at 31 December 2012 there was a deferred tax asset provided for in respect of the defined benefit pension scheme liability of £10,685,000, which is included within the defined benefit pension scheme liability As at 31 December 2011 there was an unprovided deferred tax asset of £10,904,000

A deferred tax asset has been recognised in the year as it is now considered, based upon all available evidence, more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

14. Creditors: Amounts falling due within one year

	2012	2011
	£000	£000
Trade creditors	335,411	296,446
Amounts owed to group undertakings	4,712,300	4,843,215
Other taxation and social security	85,715	86,447
Finance lease agreements	77,056	75,647
Accruals and deferred income	538,393	518,353
	5,748,875	5,820,108

14. Creditors: Amounts falling due within one year *(continued)*

The analysis of amounts owed to group undertakings is

	2012 £000	2011 £000
Loans advanced by group undertakings	**556,858**	1,286,236
Other amounts owed to group undertakings	**4,155,442**	3,556,979
	4,712,300	4,843,215

The loans advanced by group undertakings include U S dollar denominated balances totalling $nil (2011 - $534,022,000) which had a carrying value of £nil (2011 - £343,511,000) and euro denominated balances totalling €429,695,000 (2011 - €417,553,000) which had a carrying value of £350,486,000 (2011 - £348,280,000)

Amounts owed to group undertakings are unsecured and repayable on demand

15. Creditors: Amounts falling due after more than one year

	2012 £000	2011 £000
Finance lease agreements	**151,916**	181,683
Other creditors	**15,612**	20,843
	167,528	202,526

16. Commitments under hire purchase and finance lease agreements

Future commitments under hire purchase and finance lease agreements are as follows

	2012 £000	2011 £000
Amounts payable within 1 year	**87,598**	91,091
Amounts payable between 2 to 5 years	**131,974**	147,519
Amounts payable after more than 5 years	**152,513**	240,836
	372,085	479,446
Less interest and finance charges relating to future periods	**(143,113)**	(222,116)
	228,972	257,330
Hire purchase and finance lease agreements are analysed as follows		
Current obligations	**77,056**	75,647
Non-current obligations	**151,916**	181,683
	228,972	257,330

17. Provisions for liabilities

	Redundancy costs £000	Property and contract exit costs £000	Waste Electrical and Electronic Equipment £000	National Insurance £000	Total £000
At 1 January 2012	(2,002)	(104,465)	(49,590)	(9,423)	(165,480)
Provided during the year	(50)	(1,819)	(12,305)	(12,926)	(27,100)
Utilised during the year	1,997	4,852	–	4,897	11,746
Revisions in cashflow estimates	–	34,729	14,923	–	49,652
Amortisation of discount	–	(5,094)	(2,040)	–	(7,134)
31 December 2012	**(55)**	**(71,797)**	**(49,012)**	**(17,452)**	**(138,316)**

Redundancy costs
During 2008 the Virgin Media group commenced the implementation of a restructuring plan aimed at driving further improvements in operational performance and eliminating inefficiencies in order to create a fully-integrated, customer focused organisation

Property and contract exit costs
Property and contract exit costs relate primarily to the restructuring plan described above There are a large number of properties to which the provision relates, with a wide range of remaining lease terms The majority of the costs are expected to be incurred over the next 25 years

Waste Electrical & Electronic Equipment (WEEE)
The provision for the asset retirement obligation in respect of WEEE is calculated based on the total equipment purchased, its expected useful economic life and the anticipated cost of disposal Costs in relation to disposal of WEEE are expected to be incurred over the next 5 years

National Insurance
Provision has been made for National Insurance contributions on share options and restricted stock unit grants, which are expected to be exercised The provision has been calculated based on Virgin Media Inc 's closing share price at 31 December 2012 and the exercise price of the options and is being allocated over the period from the date of the award to the date that the employee will become unconditionally entitled to the options, which is expected to be the next 5 years

18. Share-based payments

Equıty-settled share-based payments

The company ıs an ındırect, wholly-owned subsıdıary of Vırgın Medıa Inc Consequently, the company has no share-based compensatıon plans The group's dırectors and certaın of ıts employees partıcıpate ın the share-based compensatıon plans of Vırgın Medıa Inc , as summarısed below From 7 June 2013, followıng the merger of Vırgın Medıa Inc and Lıberty Global, Inc , the share-based compensatıon plans ıssued to employees were modıfied to be share-based compensatıon plans of Lıberty Global plc

Vırgın Medıa stock ıncentıve plans
The Vırgın Medıa Stock Incentıve Plans are ıntended to encourage share ownershıp by employees and dırectors so that they may acquıre or ıncrease theır proprıetary ınterest ın the Vırgın Medıa and Lıberty Global group, and to encourage such employees and dırectors to remaın ın the group's employ or servıce and to put forth maxımum efforts for the success of the busıness To accomplısh such purposes, the plans provıde that the ultımate parent company may grant ıncentıve share optıons, non-qualıfied share optıons, shares of restrıcted stock, restrıcted stock unıts, performance shares and share awards

Vırgın Medıa Sharesave Plan
The Vırgın Medıa Sharesave Plan ıs a broad based share optıon arrangement whıch enables elıgıble employees to receıve optıons to purchase shares of the ultımate parent company's common shares at a dıscount Employees are ınvıted to take out savıngs contracts that last for three, five or seven years At the end of the contract employees use the proceeds of these savıngs to exercıse optıons granted under the plan

Stock option grants
All optıons have a 10 year term and vest and become fully exercısable wıthın 5 years of contınued employment The company accounts for the plan under FRS 20 'Share-based Payment'

The faır value for these optıons was estımated at the date of grant usıng the Black-Scholes optıon-prıcıng model wıth the followıng weıghted average assumptıons

Year ended 31 December	**2012**	2011
Rısk-free Interest Rate	**0.73%**	1 81%
Expected Dıvıdend Yıeld	**0.66%**	0 63%
Expected Volatılıty	**49.96%**	58 10%
Expected Lıves	**4.7 years**	5 3 years

The expected lıfe of the optıons ıs based on hıstorıcal data and ıs not necessarıly ındıcatıve of exercıse patterns that may occur The expected volatılıty reflects the assumptıon that the hıstorıcal realısed volatılıty of the ultımate parent company's shares, matched to the expected lıfe of the optıon, ıs ındıcatıve of future trends, whıch may not necessarıly be the actual outcome

18. Share-based payments *(contınued)*

A summary of the actıvıty and related ınformatıon of the Vırgın Medıa share optıon grants relatıng to employees of the group, outstandıng as of 31 December 2012, pursuant to the share ıncentıve plans and the Vırgın Medıa Sharesave Plan, and of the changes durıng the year ended 31 December 2012 ıs gıven below

	2012 Optıons	**2012 Weıghted average exercıse prıce**	2011 Optıons	2011 Weıghted average exercıse prıce
As at 1 January	**12,731,980**	**$16.43**	16,630,395	$14 67
Granted	**1,441,434**	**$24.36**	2,835,578	$23 04
Exercısed	**(3,062,796)**	**$13.77**	(4,824,414)	$14 51
Expıred	**(167,514)**	**$17.79**	(286,850)	$21 44
Forfeıted	**(694,306)**	**$20.89**	(1,622,729)	$14 72
Outstandıng at end of the year	**10,248,798**	**$18 33**	12,731,980	$16 43
Exercısable at end of the year	**3,849,623**	**$18.14**	3,735,200	$18 70

The optıons exercısable at 31 December 2012 had a weıghted average remaınıng contractual term of 5 07 years (2011 - 5 68 years) and the optıons outstandıng at the year end had a weıghted average remaınıng term of 6 71 years (2011 - 5 07 years)

The weıghted average share prıce at the date of exercıse for the optıons exercısed ın 2012 was $27 28 (2011 - $28 17)

The weıghted average faır value of optıons granted durıng the year ended 31 December 2012 was $9 71 (2011 - $10 39) The range of exercıse prıces for optıons outstandıng at 31 December 2012 was $3 98 to $30 64 (2011 - $0 02 to $30 64)

For performance based optıon grants the performance objectıves are set by the Compensatıon Commıttee of the Board of Dırectors of Vırgın Medıa Inc based upon quantıtatıve and qualıtatıve objectıves, ıncludıng earnıngs and stock prıce performance, amongst others These objectıves may be absolute or relatıve to prıor performance or to the performance of other entıtıes, ındıces or benchmarks and may be expressed ın terms of progressıon wıthın a specıfic range

18. Share-based payments *(continued)*

Restricted stock grants

	2012 Shares	2012 Weighted average grant-date fair value	2011 Shares	2011 Weighted average grant-date fair value
As at 1 January	**312,500**	**$10.71**	437,500	$11 57
Vested	**(303,050)**	**$10.72**	(114,596)	$13 66
Forfeited	**(9,450)**	**$10.30**	(10,404)	$14 28
Non vested at end of the year	**-**	**-**	312,500	$10 71

Restricted stock grants are issued with certain restrictions attached, which can be either service-based or performance related For performance related restricted stock grants the performance objectives are set by the Compensation Committee of the Board of Directors of Virgin Media Inc based upon quantitative and qualitative objectives, including earnings and stock price performance, amongst others These objectives may be absolute or relative to prior performance or to the performance of other entities, indices or benchmarks and may be expressed in terms of progression within a specific range The fair value for restricted stock grants is determined using the share price at the date of grant At 31 December 2012, there were no non-vested shares of restricted stock

Restricted stock unit grants

	2012 Performance based	2012 Weighted average grant-date fair value	2011 Performance based	2011 Weighted average grant-date fair value
As at 1 January	**4,078,675**	**$14 96**	5,179,451	$12 29
Granted	**1,522,494**	**$24 45**	1,570,471	$20 27
Vested	**(1,015,523)**	**$9.10**	(974,239)	$12 16
Forfeited	**(395,478)**	**$18.16**	(1,697,008)	$13 34
Non vested at end of the year	**4,190,168**	**$19.53**	4,078,675	$14 96

Participants in the Virgin Media group's long term incentive plans are awarded restricted stock units or performance shares which vest after a three year period dependent on the achievement of certain long term performance targets and continued employment The final number of restricted stock units vesting will be settled, at the Compensation Committee's discretion, in either shares in the ultimate parent company or an amount of cash equivalent to the fair market value at the date of vesting

In 2010, the Compensation Committee introduced a relative stock performance measure to the stock incentive plan The vesting of a proportion of restricted stock units under the 2010-2012, 2011-2013 and 2012-2014 long term incentive plans are subject to a relative Total Shareholder Value ("TSV") performance measure The measure is based on a comparison of Virgin Media Inc 's stock price growth with that of a comparator group of organisations selected by the Compensation Committee

18. Share-based payments *(continued)*

The faır values of the restrıcted stock unıts contaınıng a market condıtıon were estımated at the date of grant usıng the Monte Carlo sımulatıon model wıth the followıng assumptıons

Year ended 31 December	2012	2011
Rısk-free Interest Rate	0.31% - 2.08%	0 93% - 2 54%
Expected Dıvıdend Yıeld	0.66%	0 64%
Expected Volatılıty of Vırgın Medıa Inc shares	39.36%	69 58%
Expected Volatılıty of Selected Comparator Group shares	17.11% - 44 74%	25 85% - 59 67%
Expected Lıves	2.93 years	2 93 years

The expected lıfe of the restrıcted stock unıts ıs based on the stated performance perıod Actual hıstorıcal changes ın the market values of the ultımate parent company's shares and those of selected comparator group stocks are used to calculate the expected volatılıty assumptıon

The restrıcted stock unıts that vested durıng the year had a total faır value of £16 1 mıllıon (2011 - £16 3 mıllıon)

Total expense
The expense ıncluded ın the fınancıal statements of the company relatıng to the payment of stock-based compensatıon of certaın of ıts employees ıs £17,651,000 (2011 - £19,986,000)

19. Commıtments under operatıng leases

At 31 December 2012 the company had annual commıtments under non-cancellable operatıng leases as set out below

	2012		2011	
	Land and buildıngs £000	Other Items £000	Land and buıldıngs £000	Other Items £000
Operatıng leases whıch expıre				
Wıthın 1 year	3,329	4,326	3,474	7,666
Wıthın 2 to 5 years	8,467	10,822	19,089	9,714
After more than 5 years	8,446	4,880	7,443	4,647
	20,242	20,028	30,006	22,027

20. Pensions and other post retirement benefits

Defined contribution plans
The company contributes to the Virgin Media personal pension plan of eligible employees Contributions are charged to the Company Profit and Loss Account as they become payable, in accordance with the rules of the plans

Contributions to the defined contribution plans during the period were £13,681,000 (2011 - £13,464,000) The amount of outstanding contributions at 31 December 2012 included within creditors amounts falling due within one year was £2,314,000 (2011 - £2,269 000)

Defined benefit plans
The company recognises any actuarial gains and losses in each period in the Statement of Total Recognised Gains and Losses

The company operates two plans which are defined benefit plans that pay out pensions at retirement based on services and final pay

- **ntl 1999 Pension Plan**

The company operates a funded pension plan providing defined benefits ("ntl 1999 Pension Plan") The plan has never been opened to new entrants except when the plan began and subsequently on 31 May 2007, on both occasions new members were transferred from other existing plans The assets of the plan are held separately from those of the company, being invested in units of exempt unit trusts The plan is funded by the payment of contributions to separately administered trust funds The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method with a control period

- **ntl Pension Plan**

The company operates a funded pension plan providing defined benefits ("ntl Pension Plan") The pension plan was closed to new entrants as of 6 April 1998 The assets of the plan are held separately from those of the company, in an independently administered trust The plan is funded by the payment of contributions to this separately administered trust The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method

The plans' assets are measured at fair value The plans' liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond As closed plans, under the projected unit method the current service cost will increase as the members of the plan approach retirement

20 Pensions and other post retirement benefits *(continued)*

Changes in the present value of the defined benefit obligation are as follows

	2012 £000	2011 £000
Defined benefit obligation at start of year	424,621	390,077
Current service cost	1,793	1,628
Past service credit	-	(3,008)
Interest cost	20,049	21,157
Experience (gains)/losses	(24,840)	4,061
Impact of changes in financial assumptions	24,186	23,289
Employee contributions	314	320
Benefits paid	(15,072)	(12,903)
Defined benefit obligation at end of year	431,051	424,621

Changes in the fair value of plan assets are as follows

	2012 £000	2011 £000
Fair value of the plan assets at start of year	381,006	351,085
Expected return on assets	18,832	21,873
Actual less expected return on assets	(18,139)	3,150
Employer contributions	17,655	17,481
Employee contributions	314	320
Benefits paid	(15,072)	(12,903)
Fair value of plan assets at end of year	384,596	381,006

The amounts recognised in the company balance sheet, for the current and previous four periods are as follows

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of funded defined benefit obligations	**(431,051)**	(424,621)	(390,077)	(377,770)	(307,778)
Fair value of plan assets	**384,596**	381,006	351,085	306,200	273,898
Deficit in plan	**(46,455)**	(43,615)	(38,992)	(71,570)	(33,880)
Related deferred tax asset	**10,685**	-	-	-	-
Net liability in the balance sheet	**(35,770)**	**(43,615)**	**(38,992)**	**(71,570)**	**(33,880)**
Experience gains/(losses) on plan liabilities	**24,840**	(4,061)	5,781	(5,627)	12,336
Experience (losses)/gains on plan assets	**(18,139)**	3,150	21,341	18,206	(67,666)

20. Pensions and other post retirement benefits *(continued)*

The amounts recognised in the profit and loss account for the year are as follows

	2012 £000	2011 £000
Charged/(credited) to operating profit:		
Current service cost	1,793	1,628
Past service credit	-	(3,008)
Total recognised in arriving at operating profit	1,793	(1,380)
Charged/(credited) to net interest expense:		
Expected return on pension plan assets	(18,832)	(21,873)
Interest on pension plan liabilities	20,049	21,157
Total net finance cost/(income)	1,217	(716)
Taken to the Statement of Total Recognised Gains and Losses:		
Experience losses/(gains) on plan assets	18,139	(3,150)
Experience (gains)/losses on plan liabilities	(24,840)	4,061
Changes in assumptions underlying the present value of the plan liabilities	24,186	23,289
Actuarial losses recognised in the Statement of Total Recognised Gains and Losses	17,485	24,200

The company expects to contribute £17 0 million to the Pension Plans in 2013

Principal actuarial assumptions are as follows

	2012	2011
Discount rate	4 40%	4 80%
Annualised expected return on plan assets for the year	5 45%	4 91%
Rate of salary increases	3 30%	3 50%
Rate of pension increases	3 43%	3 52%
Rate of inflation	1 80%	2 00%
Life expectancy for		
Male aged 45	88 6	88 4
Male aged 65	87 3	86 4
Female aged 45	91 0	91 0
Female aged 65	89 4	89 1

Where investments are held in bonds and cash, the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension plans

20. Pensions and other post retirement benefits *(continued)*

Our pension plan weighted-average asset allocations by asset category and by fair value hierarchy level at 31 December 2012 and 2011 were as follows

2012

	Long term rate of return	Total £000
Equities	6.90%	168,386
Property	6.40%	5,205
Government bonds	2.90%	19,499
Corporate bonds	4.40%	81,195
Hedge funds	6.40%	9,092
Insurance policy (buy-in)	4.40%	90,589
Cash and other	2.90%	10,630
Total market value of assets		384,596
Present value of plan liabilities		(431,051)
Net pension liability (excluding deferred tax)		(46,455)

2011

	Long term rate of return	Total £000
Equities	6 80%	125,409
Property	6 30%	6,566
Government bonds	3 00%	142,721
Corporate bonds	4 80%	74,986
Hedge funds	6 50%	27,048
Cash and other	3 00%	4,276
Total market value of assets		381,006
Present value of plan liabilities		(424,621)
Net pension liability (excluding deferred tax)		(43,615)

During the fourth quarter of 2012, the trustees of one of the company's defined benefit plans purchased an insurance contract that will pay an income stream to the plan which is expected to match all future cash outflows in respect of certain liabilities The fair value of this insurance contract is presented as an asset of the plan and is measured based on the future cash flows to be received under the contract discounted using the same discount rate used to measure the associated liabilities

20. Pensions and other post retirement benefits *(continued)*

The benefits expected to be paid out of the pension plans in total are set out below for each of the next five years and the following five years in aggregate The benefits expected to be paid are based on the same assumptions used to measure the benefit obligation at 31 December 2012 and include estimated future employee services

	£000
2013	15,600
2014	16,600
2015	17,600
2016	18,700
2017	19,800
Years 2018 - 2022	119,900
Weighted average duration of the defined benefit obligation	18 6 years

21. Contingent liabilities

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks As at 31 December 2012 this comprised a term facility of £750 million and a revolving facility of £450 million Borrowings under the facility are secured against the assets of certain members of the group including those of the company

In addition, a fellow group undertaking has issued senior secured notes which, subject to certain exceptions, share the same guarantees and security which have been granted in favour of the senior credit facility The amount outstanding under the senior secured notes at 31 December 2012 amounted to £2,582 million (2011 - £2,575 million) Borrowings under the notes are secured against the assets of certain members of the group including those of the company

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

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

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

22. 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 26)

23. Share capital

Authorised share capital

	2012 £000	2011 £000
5,378,375 Ordinary shares of £0 01 each	**54**	54
5,243,153 Ordinary shares of $0 20 each	**682**	682
	736	736

Allotted and called up:

	2012 No	£000	2011 No	£000
Ordinary shares fully paid of £0 01 each	**5,179,802**	**52**	5,179,802	52
Ordinary shares fully paid of $0 20 each (converted at exchange rate in place at date of issue of shares)	**5,179,680**	**674**	5,179,680	674
	10,359,482	**726**	10,359,482	726

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

	Share capital £000	Share premium account £000	Share options reserve £000	Other reserves £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2011	726	12,214,200	15,115	11	(10,874,062)	1,355,990
Profit for the year	–	–	–	–	198,759	198,759
Actuarial losses on pension plans	–	–	–	–	(24,200)	(24,200)
At 31 December 2011 and 1 January 2012	726	12,214,200	15,115	11	(10,699,503)	1,530,549
Profit for the year	–	–	–	–	796,561	796,561
Actuarial losses on pension plans	–	–	–	–	(17,485)	(17,485)
Movement on deferred tax relating to pension liability					10,685	10,685
At 31 December 2012	726	12,214,200	15,115	11	(9,909,742)	2,320,310

25. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £148,479,000 (2011 - £162,507,000)

In the ordinary course of its business, the company contracts on behalf of fellow group undertakings and subsidiaries, therefore the above amounts include commitments entered into on behalf of these companies

26. Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Media Investments Limited

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

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

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

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