Consolidated Financial Statements
December 31, 2013 and 2012

VIRGIN MEDIA INC.
12300 Liberty Boulevard
Englewood, Colorado 80112

VIRGIN MEDIA INC.

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FORWARD-LOOKING STATEMENTS

Certain statements in this annual report constitute forward-looking statements. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Business, Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including, but not limited to, statements regarding our future projected contractual commitments, our expectations with respect to our growth prospects and our strategic initiatives over the next few years, our expectations regarding our operating cash flow margins and percentage of revenue represented by our property and equipment additions in future periods, the future projected cash flows associated with our commitments and derivative instruments, our business, product, foreign currency and finance strategies, our future expenditures on property and equipment additions, subscriber growth and retention rates, competitive, regulatory and economic factors, the maturity of our markets, anticipated cost increases, liquidity, credit risks, foreign currency risks and target leverage levels.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished.

In evaluating forward-looking statements, you should consider the risks and uncertainties discussed under *Risk Factors* and *Quantitative and Qualitative Disclosures About Market Risk*, as well as the following list of some, but not all, of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the markets in which we operate;
- the competitive environment in the cable television, broadband and telecommunications industries in the U.K., including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues in the European Union (EU) and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our digital cable, broadband internet, fixed-line telephony and mobile and B2B (as defined in this annual report) service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our digital cable, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;

- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that impairs our competitive position, including any intervention that would open our broadband distribution networks to competitors and any adverse change in our accreditations or licenses;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver quality products, equipment, software and services;
- the availability of attractive programming for our digital cable services at reasonable costs;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and realize anticipated efficiencies from the LG/VM Transaction (as defined in this annual report) and from businesses we or Liberty Global (as defined in this annual report) may acquire;
- leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers;
- adverse changes in public perception of the "Virgin" brand, which we and others license from Virgin Group Limited, and any resulting impacts on the goodwill of customers toward us; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

The broadband distribution services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this annual report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this annual report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

BUSINESS

In this annual report, unless the context otherwise requires, the terms "we," "our," "our company," "us" and "Virgin Media" refer, as the context requires, to Virgin Media Inc. (and its predecessor), or collectively to Virgin Media (and its predecessor) and its subsidiaries. Unless otherwise indicated, operational and statistical data, including subscriber statistics and product offerings, are as of December 31, 2013.

Introduction

We are a subsidiary of Liberty Global plc (Liberty Global) that provides digital cable, broadband internet, fixed-line telephony and mobile services in the United Kingdom (U.K.) to both residential and business-to-business (B2B) customers. We are one of the U.K.'s largest providers of residential digital cable, broadband internet and fixed-line telephony services in terms of the number of customers. We believe our advanced, deep-fiber cable access network enables us to offer faster and higher quality broadband services than our digital subscriber line, or DSL, competitors. As a result, we provide our customers with a leading, next-generation broadband service and one of the most advanced interactive TV services available in the U.K. market.

Our residential broadband subscribers generally access the internet at various download speeds ranging up to 152 Mbps, depending on the tier of service selected. We determine pricing for each different tier of broadband internet service through analysis of speed, market conditions and other factors.

Our digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view programming (including digital cable-on-demand), digital cable recorders, high definition and 3D programming and access to over-the-top content.

We provide mobile services to our customers using a third-party network through a mobile virtual network operator (MVNO) arrangement.

In addition, we provide broadband internet, fixed-line and mobile telephony and other connectivity services to businesses, public sector organizations and service providers.

Liberty Global is a leading international cable company, with operations in 14 countries. Liberty Global connects people to the digital world and enables them to discover and experience its endless possibilities. Liberty Global´s market-leading television, broadband internet and telephony services are provided through next-generation networks and innovative technology platforms that connected 24 million customers who subscribed to 48 million services as of December 31, 2013.

The following table shows our operating statistics as of December 31, 2013.

CABLE

Footprint	
Homes Passed[1]	12,520,100
Two-way Homes Passed[2]	12,520,100
Subscribers (RGUs)	
Television[3]	3,749,600
Internet[4]	4,375,700
Telephony[5]	4,136,400
Total RGUs	12,261,700
Customer Relationships	
Customer Relationships[6]	4,908,500
RGUs per Customer Relationship	2.50
Customer Bundling	
Single-Play	15.9%
Double-Play	18.5%
Triple-Play	65.7%

MOBILE

Mobile Subscribers	
Postpaid[7]	1,879,100
Prepaid[8]	1,111,100
Total	2,990,200

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(1) Homes Passed are homes and residential multiple dwelling units that can be connected to our network without materially extending the distribution plant. Our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results. We do not count Homes Passed relating to networks that we do not own and operate (commonly referred to as partner networks, or Off-Net).

(2) Two-way Homes Passed are Homes Passed by those sections of our network that are technologically capable of providing two-way services, including video, internet and telephony services.

(3) A Television Subscriber is a home or residential multiple dwelling unit that receives our television service over our broadband network. All of our Television Subscribers receive our service via a digital television signal. Our Television Subscriber base includes customers who pay a monthly fee for the television subscription or TiVo box functionality they receive (Paying TV customers), as well as those that have paid an initial fee to receive a Virgin Media set-top box together with internet and telephony subscriptions who do not pay an incremental recurring fee for our television service. Paying TV customers made up 89% of our Television Subscriber base as of December 31, 2013.

(4) An Internet Subscriber is a home or residential multiple dwelling unit that receives internet services over our broadband network. Our Internet Subscribers exclude 134,800 ADSL subscribers that are not serviced over our network (non-cable internet subscribers).

(5) A Telephony Subscriber is a home or residential multiple dwelling unit that receives voice services over our network. Telephony Subscribers exclude Mobile Subscribers. Telephony Subscribers exclude 94,800 subscribers that are not serviced over our network (non-cable telephony subscribers).

(6) Customer Relationships are the number of residential customers who receive at least one of our television, internet or

telephony services that we count as RGUs, without regard to which, or to how many services they subscribe. Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., a primary home and a vacation home), that individual generally will count as two Customer Relationships. We exclude mobile and non-cable customers from Customer Relationships.

(7) Postpaid Mobile Subscribers represent the number of subscriber identification module, or SIM, cards relating to either a mobile service or a mobile broadband contract. Postpaid Mobile Subscribers are considered active if they have entered into a contract with Virgin Media for a minimum 30-day period and have not been disconnected.

(8) Prepaid Mobile Subscribers are considered active if they have made an outbound call or text message in the preceding 30 days.

LG/VM Transaction

We became a wholly-owned subsidiary of Liberty Global as a result of a series of mergers that were completed on June 7, 2013 (LG/VM Transaction), pursuant to which Liberty Global became the publicly-held parent company of the successors by merger of our predecessor company and Liberty Global, Inc. (the predecessor to Liberty Global), as further described in note 3 to our consolidated financial statements included in Part II of this report.

Products and Services

Cable

We offer our customers a choice of packages and tariffs within each of our cable product categories. Our bundled packaging and pricing are designed to encourage our customers to purchase multiple services across our product portfolio by offering incentives to customers who subscribe to two or more of our products. The types and number of services that each customer uses, and the prices we charge for these services, drive our revenue. For example, broadband internet is more profitable than our television services and, on average, our "triple-play" customers are more profitable than "double-play" or "single-play" customers. As of December 31, 2013, 84% of our cable customers received multiple services from us and 66% were "triple-play" customers, receiving broadband internet, television and fixed-line telephony services from us.

We offer our consumer products and services through a broad range of retail channels, including inbound and outbound telesales, customer care centers and online. We also engage in direct face-to-face marketing initiatives through a dedicated national sales force of approximately 350 representatives, as well as comprehensive national and regional mass media advertising initiatives. We have a national retail store base with approximately 80 retail stores and approximately 80 fixed and transportable kiosk-type retail outlets that offer a complete range of our consumer products and services. Our stores not only provide sales services, but also showcase our products, allowing demonstrations and customer interaction, and help resolve customer queries. In addition, at December 31, 2013, we employed approximately 2,000 staff members in our cable and non-cable call centers. We also use outsourced call centers in the U.K., Philippines and India.

Broadband Internet

We deliver high-speed broadband internet services to customers on our cable network. As of December 31, 2013, we provided cable broadband services to over 4.3 million subscribers. We are one of the leading providers of high-speed broadband internet access in the U.K., having introduced 50 Mbps rollouts in 2009, subsequently launching 100 Mbps in December 2010 and completing our rollout of 100 Mbps service across the network in March 2012. In August 2012, we launched speeds of 120 Mbps; at December 31, 2013, the rollout of our 120 Mbps services reached our entire network.

In January 2012, we announced a program to double the speed of our broadband, involving a significant investment in network capacity and in the rollout of Data Over Cable Services Interface Specification 3.0, or DOCSIS 3.0, wireless gateways. All our customers who were on 10 Mbps, 20 Mbps, 30 Mbps and 50 Mbps saw their headline speeds at least doubled under this program. In November 2013, we announced a further speed increase which we began to implement in February 2014. As a result, we currently offer three tiers of cable broadband services available to new subscribers with unlimited downloads (subject to any fair usage or traffic management policy) at speeds of up to 50 Mbps, 100 Mbps and 120 Mbps, with the 120 Mbps tier currently in the process of being increased to 152 Mbps.

Television

Our digital cable platform includes access to over 195 linear television channels, advanced interactive features, and a range of premium subscription-based and pay-per-view services. As of December 31, 2013, we provided digital cable services to approximately 3.7 million residential subscribers.

In addition to our linear television services, which allow our customers to view television programming at a scheduled time, our digital cable customers also have access to a broad range of digital interactive services, including one of the most comprehensive digital cable-on-demand services in the U.K. See “Virgin TV On Demand,” below. We also offer what we believe to be one of the most comprehensive cloud-based entertainment services in the U.K. with “Virgin TV Anywhere.”

We also offer interactive “red button” applications from the British Broadcasting Corporation, or BBC, and other commercial broadcasters. “Red button” functionality in the U.K. permits television viewers to press a red button on their remote control handset to receive additional interactive services, including multiple alternative broadcasts. The BBC reinvented their “red button” service in December 2012; “Connected Red Button” was first launched in 1.2 million Virgin Media customer homes as part of the innovation partnership we share with the BBC.

TiVo and Digital Cable Recorders

We offer two of the most advanced digital cable recorders in the U.K. Set-top boxes equipped with digital cable recorders digitally record television programming to a hard disk in real-time, which allows customers to play back, pause, fast forward or rewind the program at any point during or for a period after the broadcast.

Under a strategic partnership agreement entered into in 2009, TiVo is the exclusive provider of user interface software for our next generation set-top boxes, which provide converged television and broadband internet capabilities, and we are the exclusive distributor of TiVo services and technology in the U.K.

The Virgin Media TiVo service was launched in December 2010 with mass distribution commencing in mid-2011 and continues to evolve and be enhanced. This “next-generation” entertainment set-top box is available in both 1TB and 500 GB sizes, with the 1TB version recording up to 500 hours of television, and brings together television, digital cable-on-demand and web video services through a single user experience and features unique content discovery and personalization tools. The TiVo box is high definition (HD)-enabled and has three tuners, allowing viewers to record three programs while watching a fourth they previously recorded. The TiVo service, combined with the existing digital cable-on-demand service, makes available television shows, movies and music videos in addition to supporting web video services such as Netflix, which was added to the service in November 2013, the BBC iPlayer and YouTube. As of December 31, 2013 we had approximately 2.0 million TiVo customers.

The previous Virgin Media digital cable recorder, called the “V+ set-top box”, was available to our digital cable customers and is gradually being phased out in favor of TiVo boxes. The V+ set-top box has 160GB of hard disk storage space (up to 80 hours of broadcast television), is HD-enabled and has three tuners. As of December 31, 2013, we had approximately 1.0 million V+ set-top box customers.

Virgin TV On Demand

Our digital cable-on-demand service, Virgin TV On Demand, provides our customers with instant access to a wide selection of premium movies, television programs, music videos and other digital cable-on-demand content including live pay-per-view, or PPV, events. Content is available in broadcast standard definition (SD), HD and in three-dimensional (3D). Our HD content is available to all of our digital cable customers who have a HD box, at no additional charge. Viewers can watch programs instantly, without the need for buffering, and can freeze-frame, fast-forward and rewind the content at will. This gives our customers increased control over the content and timing of their television viewing. Additionally, our cable network enables us to provide digital cable-on-demand content to our customers separately from their high-speed data services, thereby maintaining their broadband speed.

The primary categories of content available within Virgin TV On Demand are television programming, movies (on a PPV and premium subscription basis) and music videos. A selection of content, including our “catch-up” television service, is available free of charge to all of our TV customers. The BBC iPlayer is the largest catch-up TV service we offer, enabling viewers to view more than 700 hours of BBC programs. Our Catch-Up TV also includes content from 4od, Demand Five and ITV Player.

Subscription Video On Demand. We offer our television customers basic subscription digital cable-on-demand, or SVOD, with a selection of content that increases in number in line with the customer's digital cable subscription tier.

In October 2011, Sky Anytime (now Sky On Demand) was added to the service, allowing customers to access approximately 1,000 hours of television content from across BSkyB's range of basic channels, and around 500 movie titles being made available as a bonus to Sky Movies subscribers. This service joined an existing SVOD movie service, PictureBox. Other content providers include WarnerTV, BBC Worldwide, Sony, Viacom, NBCU and AETN. Tailored advertising is also inserted across many providers within the basic TV SVOD and free catch-up services.

The digital cable-on-demand package also includes a music video service featuring over 5,000 tracks, which is available to subscribers to our top tier television package at no extra cost, or to lower tier customers on a pay-per-transaction, or PPT, basis.

Virgin Movies. Our PPT movie service, Virgin Movies, offers a further 500 titles from the major studios, many of which are available for rent on the same day as their DVD release. All our digital cable customers have access to Virgin Movies, which, after purchase, may be viewed multiple times within a 48-hour window. In 2012, functionality was added to the online version of Virgin Movies, allowing customers to rent titles and watch them when offline. The Virgin Movies service is available online to both subscribers and non-subscribers to our digital cable service.

Virgin TV Anywhere

In November 2012, we launched Virgin TV Anywhere, the U.K.'s most comprehensive internet streaming TV service that allows our TV customers to stream up to 90 live TV channels, including Sky Sports, and watch more than 4,000 hours of Virgin TV On-Demand through their web browser, anywhere in the U.K. with a broadband connection. Customers are able to also discover new shows with customized recommendations and ratings. Our TiVo customers with iOS or Android mobile devices can watch up to 67 live TV channels, manage their TiVo box and discover new shows with these mobile devices. And when in the home, these mobile devices can act as a remote control for their TiVo boxes. Virgin TV Anywhere is available at no extra cost to our digital cable customers.

Fixed-line Telephony

We provide local, national and international telephony services to our residential customers on our twisted copper network. We offer a basic line rental service to our cable customers for a fixed monthly fee. In addition, we also offer tiered bundles of call tariffs, features and services, including calling plans that enable customers to make unlimited national landline calls and calls to mobile telephones either during specified periods or anytime, for an incremental fixed monthly fee. Our fixed-line customers can also make calls to mobile customers free of charge and may also subscribe to additional services such as call waiting, call blocking, call forwarding, three-way calling, advanced voicemail and caller line identification services for an additional fee. In October 2013, we launched a mobile handset application called SmartCall that allows customers to call landlines and mobile phones using Wireless Fidelity, or Wi-Fi, networks, thus offloading many mobile calls onto the fixed network. As of December 31, 2013, we provided cable telephony services to approximately 4.1 million residential subscribers.

Mobile

Our mobile communication services are provided using the mobile network owned by EE Limited (EE) through an MVNO arrangement. EE currently operates 2G, 2.5G, 3G, 3.5G and 4G networks in the U.K. We offer a broad range of mobile communications products and services, including mobile voice services and data services, such as SMS, picture messaging, games, news and music services. We also offer a broad range of handsets, including Android-based, Blackberry and Apple iOS-based smartphones, and mobile broadband services which complement our fixed broadband offering.

Our customer base comprises both postpaid customers, who subscribe to our services for periods ranging from a minimum of 30 days for a SIM-only contract to up to 24 months for contracts taken with a subsidized mobile handset, and prepaid customers, who top up their accounts prior to using the services and have no minimum contracted term. As of December 31, 2013, we had approximately 3.0 million mobile customers, of which approximately 1.9 million were postpaid customers.

In 2013, we continued to focus on increasing our proportion of higher-value postpaid customers, improving access to content via our mobile platform, expanding our range of higher value mobile handsets and cross-selling into homes already connected to our cable network. We have continued to promote the use of our mobile platform to view internet and television content by introducing features such as Virgin TV Anywhere.

As at December 31, 2013, we employed approximately 550 members of staff in our mobile services call centers.

Business Products and Services

We offer a broad portfolio of business-to-business (B2B) voice, data and internet solutions to commercial and public sector organizations in the U.K., ranging from analog telephony to managed data networks and applications. B2B peak usage generally occurs at different times of the day from that of our residential customers, which allows for more efficient use of our network. We provide B2B services to approximately 50,000 U.K. businesses and almost 250 public sector organizations. We also supply communications services to approximately 55% of the U.K.'s fire and ambulance services and approximately 60% of U.K. police forces. We have security accreditations across a range of B2B products and services in order to increase our offerings to public sector organizations in the U.K. These accreditations are granted subject to periodic reviews of our policies and procedures by U.K. governmental authorities. We are currently undergoing a review of one of our most significant accreditations. If we were to fail to maintain an accreditation or to obtain a new one when required, it could impact our ability to provide certain offerings to the public sector.

We offer contractual service levels to all B2B customers and these are supported by U.K.-based regional teams. In addition to our standard B2B service levels, a tiered B2B service level is available to tailor service requirements based on size of organization, sector and importance. These tiered B2B service levels include priority response, named dedicated staff and customer premises-based teams managing service levels.

Converged Solutions

Converged solutions use a single network to transport voice, data and video, allowing our B2B customers to benefit from cost synergies. Additionally, we offer services such as internet protocol (IP) virtual private networks, which enable our customers to prioritize bandwidth for different types of traffic so that more time sensitive data or critical application data is transported with priority, providing increased flexibility and control over data management. Our extensive network reach also enables us to offer large or dispersed organizations the ability to effectively link sites across the U.K. using a wide range of access technologies, supporting services such as voice and video conferencing, instant messaging and file transfers.

Ethernet

Our Ethernet network has approximately 300 Ethernet nodes and is capable of carrying a variety of services and high bandwidth applications simultaneously. We have been delivering Ethernet services for over 10 years and have achieved both Metro Ethernet Forum, or MEF, 9 and MEF 14 accreditation (becoming the first service provider in the world to renew this accreditation), ensuring our Ethernet product portfolio can support stringent real-time communications applications, including voice over IP, or VoIP, and HD-quality videoconferencing. We offer a range of products from local area network extensions to managed wide area Ethernet networks, providing our B2B customers with high bandwidth and flexible solutions, including market-leading point to multi-point services.

Applications and Services

As an overlay to network products, we also offer applications, such as video conferencing, and managed services, such as information security services, designed to increase flexibility and reduce costs of our customers.

Voice and Mobile Services

We offer a comprehensive range of B2B voice products, from analog and digital services to converged IP telephony solutions. Our B2B voice solutions include basic features, such as call divert and voicemail, as well as products such as Centrex, which provides switchboard-like capability that is managed from our telephone exchange, offering our customers a cost-effective, scalable alternative to a premises-based system. We also now provide similar centrex features through a number of hosted unified IP-based solutions, which add additional features such as integrated messaging and video. This combination of mature services being offered in parallel with a next generation of converged services allows our customers to carry out phased migrations to new technologies.

In addition, we launched a mobile service to public and private sector B2B customers in September 2013, providing voice and 4G and 3G data services as a reseller of EE's business services. As a result, we now have the opportunity to offer our B2B customers a one-supplier solution for both their fixed-line and mobile telephony needs.

Our Network

We deliver voice, video and high-speed data services over our cable access network, which covers parts of many metropolitan areas in England, Wales, Scotland and Northern Ireland. The deep-fiber design of our access network enables us to transmit data by means of fiber optic cable from equipment in technical properties known as "headends" and "hubsites" to widely deployed distribution cabinets. The data are then transmitted to distribution points via coaxial cable for digital broadband signals and via twisted copper cables for fixed-line telephony. The final connection into each home from the fiber access network comprises two components combined into a single drop cable (twisted copper and coaxial cable). For video and high-speed data services, we use high capacity coaxial cable, which has considerable spectrum and associated bandwidth capabilities and which concurrently supports a full portfolio of linear and digital cable-on-demand services as well as high-speed broadband services. Using DOCSIS 3.0 we currently offer download speeds of up to 152Mbps. We have also conducted trials of 300 Mbps and 1.5 Gbps downstream speeds. For fixed-line voice services, we use a twisted copper pair. Our relatively short twisted copper pairs (typically less than 500 meters in length) are also capable of supporting the latest very high speed DSL 2, or VDSL2+, broadband technologies. As a result of the extensive use of fiber in our access networks, we are also able to provide high-speed data network services to business customers delivering nationwide connectivity.

We believe that our deep-fiber access network has enabled us to take a leading position in the roll-out of next-generation broadband access technologies in the U.K. During 2011 and 2012, we continued to invest in the capacity of our DOCSIS 3.0 and broadband related network platforms, as well as adding capability in our headends to deliver HD broadcast and digital cable-on-demand services. In 2011 and 2012, we continued to invest in upgrading our hybrid fiber coaxial, or HFC, access network from analogue to digital using the latest technology and deep-fiber architectures. This largely completed the upgrade from analogue to digital across our entire HFC access network footprint. As of December 31, 2013, approximately 99% of the homes served by our cable network could receive all our broadband, digital television and fixed-line telephony services.

Competition

We face intense competition from a variety of entertainment and communications service providers, which offer television, broadband internet, fixed-line telephony and mobile services. In addition, technological advances and product innovations have increased, and are likely to continue to increase the number of alternative providers available to our customers and intensify the competitive environment.

We believe that our deep-fiber access provides us with several competitive advantages in the areas served by our network. For instance, our cable network allows us to concurrently deliver internet access, together with real-time television and digital cable-on-demand content at higher speeds and with less data loss than comparable services of other providers. Our competitors are reliant on the access infrastructure of the U.K.'s incumbent telecommunications provider, BT Group plc, or BT, which typically relies on copper-pair technology from the local exchange to the customer's home. BT is upgrading its infrastructure to provide data services capable of higher speeds, using fiber-to-the-cabinet, or FTTC, technology, but service providers using BT's existing network are, and may remain, subject to capacity limits which can affect data download speeds or cause degradation when attempting to access the internet and watch IP television simultaneously. Our cable network also offers benefits over the infrastructure of satellite service providers, which are unable to offer a full array of interactive services in the absence of a fixed-line telephony or broadband connection using third-party access infrastructure. By contrast, our cable infrastructure allows us to provide "triple-play" bundled services of broadband internet, television and fixed-line telephony services without relying on a third-party service provider or network. In addition, our capacity is dimensioned to support peak consumer demand. In serving the B2B market, many aspects of the network can be leveraged at very low incremental cost given that B2B demand peaks at a time when residential consumer demand is low, and peaks at lower levels than residential consumer demand. As such, we believe we have an advantage over competitors who serve either residential or B2B customers but not both.

We also face intense competition in the mobile services market, which is primarily driven by increased pricing pressure from both established and new service providers, evolving customer needs and technological developments.

We offer most of our products on a stand-alone basis or as part of bundled packages designed to encourage customers to subscribe to multiple services. We offer broadband internet, fixed-line telephony and mobile telephony and data services throughout the U.K., and currently offer television services exclusively in areas served by our cable network. Our primary competitors are BT, British Sky Broadcasting Group plc, or BSkyB, TalkTalk Telecom Group plc, or TalkTalk, Vodafone Limited, or Vodafone, EE and Telefónica UK Limited, which operates in the U.K. as "O2."

Broadband Internet

We have a number of significant competitors in the market for broadband internet services. Of those competitors, BT is the largest, serving 32% of the total broadband internet market in the U.K. We serve 20% of the total broadband market in the U.K.

BT provides broadband internet access services over its own DSL network both as a retail brand and as a wholesale service. BT is currently rolling out fiber-based broadband, primarily using FTTC, and has recently announced its intention to expand fiber-based broadband deployments, which will allow its retail arm, and its wholesale customers, to offer ultra high speed broadband services. Where fully deployed, operators are able to offer download speeds of up to 330 Mbps. BT Openreach, a division of BT, is also expanding BT's fiber-based broadband to most of the U.K., including its fiber-to-the-premises, or FTTP, on-demand product. BT Openreach manages BT's local access network and provides competitors, including us, access to BT's networks.

Operators such as BSkyB, TalkTalk, EE and O2 deploy their own network access equipment in BT exchanges via a process known as local loop unbundling, or LLU. This allows an operator to reduce the recurring operating costs charged by BT by reducing the proportion of traffic that must travel directly over BT's network. LLU deployment requires a substantial capital investment to implement and requires a large customer base to deliver a return on investment.

In addition to the competition and pricing pressure in the broadband market arising from LLU, we may be subject to increased competition in the provision of broadband services from mobile broadband and technological developments (such as long-term evolution, or LTE, and 4G mobile technology) and other wireless technologies, such as Wi-Fi and Worldwide Interoperability for Microwave Access, or Wi-Max. For example, EE has also announced that its 4G coverage has reached 70% of the U.K. population and that it is on target to reach 98% of the U.K. population by the end of 2014.

Television

We are the largest cable television provider in the U.K. in terms of the number of video cable customers and the sole provider of video cable services in all of our network area. Our digital television services are available to approximately 46% of U.K. television households and serve 14% of the U.K. television market. Our digital television services compete primarily with those of BSkyB, which is the primary pay satellite television platform in the U.K. with approximately 9.8 million subscribers, or 36% of the U.K. television market. BSkyB owns the U.K. rights to SD, HD and 3D versions, as the case may be, of various sports and movie programming content. BSkyB is both our principal competitor in the pay-TV market and an important supplier of basic and premium television content to us.

In August 2013, BT, a principal competitor that offers very high-speed DSL (VDSL) broadband services, launched its own premium BT Sport channels, providing a range of sports content including football from the English Premier League and, from the 2015/2016 football season, exclusive rights to the UEFA Champions League and the UEFA Europa League. The BT Sport channels are available over BT's internet protocol television (IPTV) platform, BSkyB's satellite system and our cable network. BT is currently offering customers who subscribe to their broadband service free access to the SD version of BT Sport channels over BT TV, BT broadband and satellite.

Content owners, online aggregators and television channel owners are increasingly using broadband as a new digital distribution channel direct to consumers. In 2012, a free-to-air internet-connected TV service to U.K. homes was launched by YouView, a joint venture which includes Arqiva, BBC, BT, Channel 4, Channel 5, ITV plc, or ITV, and TalkTalk. Consumers are able to purchase a box from retailers or get a free subsidized box as part of a bundled package (TV, broadband and telephony) with providers BT and TalkTalk.

Residential customers may also receive digital terrestrial television, or DTT, which is delivered to customer homes through a conventional television aerial and a separately purchased set-top box or an integrated digital television set. The free-to-air DTT service in the U.K. is called Freeview. This service is provided by a consortium of operators, including the BBC.

BBC and ITV also offer a free-to-air digital satellite alternative to Freeview service, known as Freesat. Freesat offers approximately 120 subscription-free TV channels, including selected HD channels such as BBC 1 HD, ITV HD and Channel 4 HD. Freesat also offers a range of digital video recorders under the brand Freesat+. A new range of Internet connected digital video recorders under the brand Freetime offering access to catch-up TV services was launched in 2012.

Residential customers may also access television content by means of IPTV. BT TV, a combined DTT and video-on-demand service offered by BT over a DSL broadband connection, is available throughout the U.K. BSkyB also offers live streamed TV and video-on-demand services over a broadband connection, through its Sky On Demand and Sky Go services. In addition, Netflix, LoveFilm, Google, Apple and others have launched IPTV products.

The communications industry is constantly evolving and there are a number of new and emerging technologies which can be used to provide video services that are likely to compete with our digital cable and digital cable-on-demand services. These include the DSL services mentioned above and next generation LTE services. We expect continued advances in communications technology and in content, such as ultra HD.

Fixed-line Telephony

We compete primarily with BT in providing telephony services to residential customers in the U.K. BT occupies an established market position as the former state provider. We also compete with other telecommunications companies that provide telephony services directly, through LLU, or indirectly. These include TalkTalk and BSkyB, and mobile telephone operators such as EE, Vodafone and 3 U.K. Our share of the fixed-line telephony market in the U.K. is 14%.

We compete with mobile telephone networks that offer consumers an alternative to fixed-line telephony services. Mobile telephone services also contribute to the competitive price pressure on fixed-line telephony services.

In addition, we face competition from companies offering VoIP, services using the customer’s existing broadband, mobile data and Wi-Fi connections. These services are offered by independent providers, such as Vonage, WhatsApp and Skype, as well as those affiliated with established competitors such as BT and EE. These services generally offer free calls between users of the same service, but charge for calls made to fixed-line or mobile numbers either on a flat monthly rate for unlimited calls (typically restricted to geographic areas) or based on usage.

Mobile

In the mobile telephony market, we face direct competition from mobile network operators (MNOs) such as O2, EE, Vodafone and 3 U.K., and other MVNOs, such as Tesco Mobile, Lebara, TalkTalk and ASDA. We also compete with fixed-line telephony operators, with companies offering VoIP services, and from the growth in online communication, as described in “Fixed-line Telephony” above.

EE became the first U.K. mobile network operator to launch 4G in October 2012, following approval from the U.K. Office of Communications (Ofcom) to use its existing 1800MHz spectrum. Vodafone, O2 and 3 U.K. launched their 4G services during 2013; the launch of 4G services may introduce new competitors into the market or strengthen the position of existing competitors.

Business

The U.K. B2B telecommunications market is characterized by strong competition and ongoing consolidation. Competition in the U.K. B2B telecommunications market continues to be value driven, with the key components being quality, reliability and price.

We compete primarily with traditional network operators such as Vodafone UK, which acquired C&W Worldwide in July 2012, and BT. BT represents the main competitive threat nationally due to its network reach and product portfolio. Vodafone UK is our only U.K. competitor to have both a fixed and mobile network to serve its B2B customers. We also compete with regional providers, such as COLT Telecom Group plc, which have a strong network presence within limited geographic areas. Recently, we have faced increasing competition from services provided by MNOs which target small B2B customers.

In the retail market our traditional competitors are becoming increasingly focused on particular segments of the market. For example, Vodafone UK targets larger national and multi-national corporations. We continue to focus on small, medium and large nationally oriented businesses and public sector organizations. System integrators, such as Kcom (formerly known as Kingston Communications (Hull) plc), are also becoming an increasing competitive threat as large organizations continue to focus on information technology integration, management and outsourcing.

Regulatory Matters

Overview

Legislative Framework

Our business activities are subject to the laws and regulations of the EU and the U.K. At an EU level we are regulated by a variety of legal instruments and policies, collectively referred to as the "Regulatory Framework", regulating the establishment and operation of electronic communications networks, including cable television and traditional telephony networks, and the offer of electronic communications services, such as telephony, internet and, to some degree, television services. The Regulatory Framework does not generally address issues of content. The Regulatory Framework primarily seeks to open European markets for communications services and is comprised of:

- Directive 2002/21 on a common regulatory framework for electronic communications networks and services;
- Directive 2002/20 on the authorization of electronic communications networks and services;
- Directive 2002/19 on access to, and interconnection of, electronic communications networks and associated facilities; and
- Directive 2002/22 on universal service and users rights relating to electronic communications networks and services.

These Directives are supplemented by EU Directive 2002/58, concerning the processing of personal data and the protection of privacy in the electronic communications sector.

In the U.K., the Regulatory Framework is implemented through (1) the Communications Act 2003 (the Communications Act) which regulates all forms of communications technology, whether used for telecommunications or broadcasting, and (2) the Wireless Telegraphy Act 2006, which regulates radio communications in the U.K. (including with respect to the spectrum, licensing arrangements, usage conditions and charges, license bidding and trading and enforcement and penalties). The Privacy and Electronic Communications Regulations 2003, as amended, implemented EU Directive 2002/58, regulating the processing of personal data and the protection of privacy in the electronic communications sector.

We are also subject to regulation under the U.K. Broadcasting Acts 1990 and 1996 and other U.K. statutes and subordinate legislation, including the Competition Act 1998 and the Enterprise Act 2002. On-demand programming is regulated by the Authority for Television On-Demand (ATVOD) under a co-regulatory regime with Ofcom. The regulatory regime for on-demand programming is derived from the Audiovisual Media Services Directive.

U.K. Regulatory Authorities

Ofcom is the key regulatory authority for the communications sector in which we operate. It is responsible for furthering the interests of consumers by promoting competition. In particular, Ofcom is responsible for regulating the behavior of providers of electronic communications networks or services that have significant market power in identified markets which may have a harmful influence on competition and consumers. A provider is deemed to have significant market power if it has a position of economic strength affording it the power to act independently of competitors and customers within a given market. Currently, the U.K. Office of Fair Trading (OFT) also has jurisdiction with respect to competition matters. Pursuant to the Enterprise and Regulatory Reform Act 2013, effective April 1, 2014, the competition functions of OFT together with those of the Competition Commission will be transferred to a new U.K. competition authority, the Competition and Markets Authority. The Competition and Markets Authority's primary duty will be to promote competition, both within and outside the U.K., for the benefit of consumers.

Broadband Expansion

The U.K. government has attempted to drive the deployment of super-fast broadband and the provision of basic broadband to 95% of the population of the U.K. by 2017 using money from the publicly funded BBC Licence Fee, under-spend from the Analogue TV Switch-Off Project and other sources of public investment to stimulate private investment. Two key projects are under way: (1) the Broadband Delivery Programme, which is focused on delivering broadband to areas that the market will not serve of its own accord (mainly rural areas); and (2) the Urban Broadband Fund, which is aimed at establishing "super connected" cities with internet capabilities of between 80 Mbps to 100 Mbps and comprehensive mobile broadband coverage. In 2013, the U.K. Government announced the Superfast Extension Programme, which is designed to support the roll-out of broadband with download speeds of 30 Mbps or higher to 99% of the population of the U.K. by 2018.

We lodged a formal challenge against the European Commission's decision to approve a project involving the deployment of a state-subsidized broadband network in the city of Birmingham in 2012. Based on assurances received from the U.K. government that no Urban Broadband Fund monies would be used to deploy telecommunications infrastructure in the U.K., such that Birmingham could not implement the network for which it had received European Commission approval, we requested and were granted a stay in proceedings until December 31, 2015.

Regulation of Television and Video-on-Demand Services

We are required to hold individual licenses under the Broadcasting Acts 1990 and 1996 for any television channels (including barker channels) which we own or operate and for the provision of certain other services on our cable TV platform, such as electronic program guides. These television licensable content service (TLCS) licenses are granted and administered by Ofcom. Under these licenses, each covered service must comply with a number of Ofcom codes, including the Broadcasting Code, and with all directions issued by Ofcom. Breach of any of the terms of a TLCS license may result in the imposition of fines on the license holder and, ultimately, to the license being revoked.

ATVOD is the independent co-regulator for the editorial content of U.K. video on-demand services that fall within the statutory definition of an "On-Demand Programme Service" (ODPS) under the Communications Act.

As a provider of an ODPS, we must comply with a number of statutory obligations in relation to "editorial content" and notify ATVOD of our intention to provide an ODPS. Failure to notify ATVOD or comply with the relevant statutory obligations may result in the imposition of fines or, ultimately, the prohibition on providing an ODPS.

In March 2007, following our request, and in conjunction with other affected operators, Ofcom initiated an investigation into the U.K. pay-TV market. In its final statement in March 2010, Ofcom found that BSkyB has market power in the wholesale supply of certain premium sports and premium movie channels. To remedy the concerns around premium sports channels, Ofcom imposed a wholesale must offer (WMO) regime for regulating the terms of supply of Sky Sports 1 and 2 SD and HD. This decision was appealed by a number of parties, including us. In August 2012, the Competition Appeal Tribunal, or CAT, overturned Ofcom's decision, ruling that the competition concerns on which Ofcom based its decision were unfounded. BT appealed certain aspects of the CAT's judgment to the Court of Appeal. In February 2014, the Court of Appeal upheld BT's appeal. The matter will now be referred back to the CAT for further consideration.

In 2006, Ofcom also initiated a review of the terms under which operators of digital television platforms in the U.K., such as us, allow access to their platforms for third-party television channels and content providers. However, this review has not progressed beyond its initial stages. We are therefore unable to assess the likely outcome of this review and resulting impact on our activities in this sector at this time.

Regulation of Telecommunications Services

In order to operate in the telecommunications sector, a provider must comply with general conditions imposed by Ofcom. These general conditions cover a broad range of issues including interconnection standards, number portability, deployment of telephone numbers, access to emergency services and sales and marketing standards. Any breach of these general conditions could lead to the imposition of fines by Ofcom and, ultimately, to the suspension or revocation of a company's right to provide electronic communications networks and services. Ofcom also undertakes triennial reviews of the various economic markets within the telecommunications sector to establish whether any provider has significant market power warranting the imposition of remedies.

Broadband Services

Ofcom is in the final stages of its triennial review of the Fixed Access markets (including Wholesale Local Access incorporating physical or passive network access via methods such as LLU and duct access) and Wholesale Broadband Access market (virtual or active network access via methods such as provision of wholesale managed service products). Proposals made by Ofcom in this review indicate that there is no substantive change in its approach to regulation. Therefore, we do not anticipate significant consequences for our operations.

We anticipate that, in line with Ofcom's current proposals, BT will again be found to have significant market power in the Wholesale Local Access market and at least one sub-national area of the Wholesale Broadband Access market and will be required to provide certain products and services on regulated terms, including providing access to its ducts and poles infrastructure.

Mobile Telephony Services

As a MVNO, we are subject to EU regulations relating to retail prices for roaming services. These regulations set limits on certain wholesale and retail tariffs for international mobile voice roaming, SMS tariffs and data roaming within the EU, provide for greater levels of transparency of retail pricing information, impose measures to guard against bill shock in respect of data roaming and set maximum roaming rates within the EU. A new measure effective July 1, 2014 will allow consumers to select an alternative provider for their EU roaming services. The measure is intended to increase competition for the provision of roaming services.

Mobile termination charges applied by MNOs are regulated by Ofcom under a significant market power charge control condition. Under our MNO agreement with EE these changes in mobile termination charges are passed on to us and we have experienced a reduction in revenue from such charges. Ofcom is in the process of reviewing mobile termination charges for the period of 2015-2018, and its current proposals suggest that rates will stabilize around current levels.

Government Communications White Paper

The U.K. government published a White Paper reviewing U.K. Communications legislation. It plans to consult on a number of areas in the future, including the prominence of various services in platforms' electronic program guides and retransmission.

Non-Industry Specific Regulation

Our business activities are subject to certain environmental and health and safety laws and regulations. Failure to comply with these laws and regulations may result in us incurring fines or other penalties and we may incur expenditure to account for these fines or penalties, maintain compliance and/or undertake any necessary remediation. In addition, any breach of the aforementioned laws and/or regulations by our affiliates, vendors and contractors could result in liability for us.

Legal Proceedings

From time to time, we have become involved in litigation relating to claims arising out of our operations in the normal course of business. For additional information, see note 15 to our consolidated financial statements in Part II of this annual report.

Patents, Trademarks, Copyrights and Licenses

We do not have any material patents or copyrights nor do we believe that patents play a material role in our business. We own or have the right to use registered trademarks, which in some cases are, and in others may be, of material importance to our business. This includes the exclusive right to use the "Virgin" name and logo under licenses from Virgin Enterprises Limited in connection with our corporate activities and the activities of our consumer and business operations. These licenses, which expire in April 2036, are exclusive to us within the U.K. and Ireland, and are subject to renewal on terms to be agreed. They entitle us to use the

"Virgin" name for the television, broadband internet, fixed-line telephony and mobile phone services we provide to our consumer and business customers, and in connection with the sale of certain communications equipment, such as set-top boxes and cable modems.

Our license agreements provide for an annual royalty of 0.25% of certain consumer, business and content revenues, subject to a minimum annual royalty, subject to inflationary adjustments, of £8.5 million in relation to our consumer operations, and £1.5 million in relation to our business operations.

Under the agreements we have worldwide exclusivity over the name "Virgin Media" and "Virgin Media Inc." We are also licensed to use the name "Virgin Media Business" for the provision of business communications services.

Properties

We own and lease administrative facilities, operational network facilities, and retail facilities throughout the U.K. We lease our U.K. headquarters in Hook, Hampshire.

We own or lease the fixed assets necessary for the operation of our businesses, including office space, transponder space, headend facilities, rights of way, cable television and telecommunications distribution equipment, telecommunications switches and customer premises equipment and other property necessary for our operations. The physical components of our broadband network require maintenance and periodic upgrades to support the new services and products we introduce. Subject to these maintenance and upgrade activities, our management believes that our current facilities are suitable and adequate for our business operations for the foreseeable future.

Employees

At December 31, 2013, we had a total of 14,259 employees. The number of full-time equivalent employees at December 31, 2013 was 8.9% less than at June 30, 2013, principally due to organizational changes implemented following completion of the LG/VM Transaction. There are no employees at Virgin Media covered by collective bargaining or recognition agreements. For employee consultation purposes, we work with and recognize our National and Divisional Employee Voice Forums. We believe we have a good relationship with our workforce.

RISK FACTORS

In addition to the information contained in this annual report, you should consider the following risk factors in evaluating our results of operations, financial condition, business and operations or an investment in our securities.

The risk factors described in this section have been separated into two groups:

- risks relating to our industry and our business; and
- risks relating to our financial indebtedness, taxes and other financial matters.

Although we describe below and elsewhere in this annual report the risks we consider to be the most material, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

If any of the events described below were to occur, our businesses, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected.

Risks Relating to Our Industry and Our Business

We operate in highly competitive markets, and there is a risk that we will not be able to effectively compete with other service providers. The markets for digital cable, broadband internet, fixed-line telephony and mobile services in which we operate are highly competitive and, in certain markets, we compete with established companies that hold positions of market power in these and/or closely related markets. We face competition from these companies, other established companies and potential new entrants. Technological advances may increase competition or alter the competitive dynamics of markets in which we operate. For example, we face increasing competition from video services provided by, or over the networks of, the incumbent telecommunications operator and other service providers. As the availability and speed of broadband internet increases, we also face competition from over-the-top video content providers utilizing our or our competitors' high-speed internet connections. In addition, continued consolidation within the media industry may permit more competitors to offer "triple-play" bundles of digital television, fixed-line telephony and broadband services, or "quad-play" bundles including mobile telephone services.

In order to compete effectively, we may be required to reduce the prices we charge for our services or increase the value of our services without being able to recoup associated costs. We may also need to pursue legal and regulatory actions. In addition, some of our competitors offer services that we are unable to offer. We expect the level and intensity of competition to continue to increase from both existing competitors and new market entrants as a result of changes in the regulatory framework of the industries in which we operate, advances in technology, the influx of new market entrants and strategic alliances and cooperative relationships among industry participants. Increased competition may lead to a decrease in our revenue, increased costs, increased customer churn or a reduction in the rate of customer acquisition, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

The markets in which we compete are subject to rapid and significant changes in technology, and the effect of technological changes on our businesses cannot be predicted. Technology in the video, telecommunications and data services industries is changing rapidly, including advances in current technologies and the emergence of new technologies. For example, advances in current technologies, such as VoIP (over fixed and mobile technologies), 3D TV, mobile instant messaging, wireless fidelity, or Wi-Fi, the extension of local Wi-Fi networks across greater distances, or Wi-Max, LTE, internet protocol television, or the emergence of new technologies, such as white space technologies (which use portions of the old analog TV spectrum), or the availability to our competitors of 4G spectrum and technology, may result in our core offerings becoming less competitive or render our existing products and services obsolete. We may not be able to develop new products and services, or keep up with trends in the technology market, at the same rate as our competitors (or at all). The pace of change may be such that we fail to seize opportunities to become market disrupters or to adequately respond to market disrupters. A lack of market acceptance of new products and services which we may offer, or the development of significant competitive products or services by others, could have an adverse effect on our business, financial condition, results of operations and cash flows.

Our property and equipment additions may not generate a positive return. The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant additions to our property and equipment are required to add customers to our networks and to upgrade our broadband communications networks and customer premises equipment to enhance our service offerings and improve the customer experience, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies, the expansion of existing technologies, such as fiber-to-the-home/-cabinet/-building/-node and advanced DSL technologies, or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our networks and customer premises equipment. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned additions to our property and equipment, our growth could be limited and our competitive position could be harmed.

Adverse economic developments could reduce customer spending for our digital cable, broadband, fixed-line telephony and mobile services and increase churn, either of which could have a material adverse effect on our business, financial condition and results of operations. Most of our revenue is derived from customers who could be impacted by adverse economic developments globally, in Europe and in the U.K. Ongoing struggles in Europe related to sovereign debt issues, among other things, has contributed to a challenging economic environment. Accordingly, unfavorable economic conditions may impact a significant number of our customers and, as a result, it may be (1) more difficult for us to attract new customers, (2) more likely that customers will downgrade or disconnect their services and (3) more difficult for us to maintain ARPUs at existing levels. The U.K. may also seek new or increased revenue sources due to fiscal deficits. Such actions may further adversely affect our company. Accordingly, our ability to increase, or, in certain cases, maintain, our revenue, ARPUs, RGUs, operating cash flow, operating cash flow margins and liquidity could be materially adversely affected if the economic environment in Europe remains uncertain or declines. We are currently unable to predict the extent of any of these potential adverse effects.

Our fixed-line telephony revenue is declining and unlikely to improve. Fixed-line telephony usage is in decline across the industry, with the rate of decline in lines used by businesses being nearly twice as high as that in the residential fixed-line telephony market. There is a risk that business and residential customers will migrate from using fixed-line telephony to using other forms of telephony such as VoIP, or mobile telephony. There is no assurance that our fixed-line customers will migrate to our mobile phones and they may eventually shift to other providers of mobile telephony services. Such a migration could have a material adverse effect on our results of operations, revenue and financial condition.

A failure in our network and information systems, whether caused by a natural failure or a security breach, could significantly disrupt our operations, which could have a material adverse effect on those operations, our business, our results of operations and financial condition. Certain network and information systems are critical to our business activities. Network and information systems may be affected by cyber security incidents that can result from deliberate attacks or system failures. These may include, but are not limited to computer hackings, computer viruses, worms or other destructive or disruptive software, or other malicious activities. Our network and information systems may also be the subject of power outages, fire, natural disasters, terrorist attacks, war or other similar events. Theft of metals is particularly acute in the U.K. due to high prices for scrap metal, and our network is not immune to such thefts. Such events could result in a degradation of, or disruption to, our cable and non-cable services, and could prevent us from billing and collecting revenue due to us or could damage our equipment and data or could result in damage to our reputation. Disruption to services could result in excessive call volumes to call centers that may not be able to cope with such volume, which could in turn have a material adverse effect on our reputation and brand. Our plans for recovery from, and resilience to, such challenges may not be sufficient. The amount and scope of insurance we maintain against losses resulting from these events may not be sufficient to cover our losses or otherwise adequately compensate us for any disruptions to our business that may result.

Sustained or repeated failures of our own or third-party systems that interrupt our ability to provide services to our customers, prevent us from billing and collecting revenue, or that otherwise prevent us from meeting our obligations in a timely manner, could materially adversely affect our reputation and result in a loss of customers and revenue. These network and information systems-related events could also require significant expenditures to repair or replace damaged networks or information systems or to protect them from similar events in the future. Further, any security breaches, such as misappropriation, misuse, penetration by viruses, worms or other destructive or disruptive software, leakage, falsification or accidental release or loss of information maintained in our information technology systems and networks or those of our business partners (including customer, personnel and vendor data) could damage our reputation, result in legal and/or regulatory action against us, and require us to expend significant capital and other resources to remedy any such security breach. As a result of the increasing awareness concerning the importance of safeguarding personal information, the potential misuse of such information and legislation that has been adopted or is being considered regarding the protection, privacy and security of personal information, the liability associated with information-related risks is increasing, particularly for businesses like ours that handle a large amount of personal customer data. The occurrence of any such network or information system-related events or security breaches could have a material adverse effect on our business and results of operations.

Unauthorized access to our network resulting in piracy could result in a loss of revenue. We rely on the integrity of our technology to ensure that our services are provided only to identifiable paying customers. Increasingly sophisticated means of illicit piracy of television, broadband and telephony services are continually being developed in response to evolving technologies. Furthermore, billing and revenue generation for our pay television services rely on the proper functioning of our encryption systems. While we continue to invest in measures to manage unauthorized access to our networks, any such unauthorized access to our cable television service could result in a loss of revenue, and any failure to respond to security breaches could raise concerns under our agreements with content providers, all of which could have a material adverse effect on our business and results of operations.

We rely on third-party suppliers and contractors to provide necessary hardware, software or operational support and are reliant on them in a way that could economically disadvantage us. We rely on third-party vendors to supply us with a significant amount of customer equipment, hardware, software and operational support necessary to operate our network and systems and provide our services. In many cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us in the short term to change supply and maintenance relationships in the event that our initial supplier is unwilling or unable to offer us competitive prices or to provide the equipment, software or support that we require.

We also rely upon a number of third-party contractors to construct and maintain our network and to install our equipment in customers' homes. Quality issues or installation or service delays relating to these contractors could result in liability, reputational harm or contribute to customer dissatisfaction, which could result in additional churn or discourage potential new customers.

We are also exposed to risks associated with the potential financial instability of our suppliers, some of whom may have been adversely affected by the global economic downturn. If our suppliers were to discontinue certain products, were unable to provide equipment to meet our specifications or interrupt the provision of equipment or services to us, whether as a result of bankruptcy or otherwise, our business and results of operations could be materially adversely affected.

Our consumer mobile service relies on EE's network to carry its communications traffic. Our services to mobile customers rely on our MVNO agreement with EE for voice, non-voice and other telecommunications services and for ancillary services such as pre-pay account management. If the agreement with EE is terminated, if EE fails to provide the services required under the agreement, or if EE fails to deploy and maintain its network, and we are unable to find a replacement network operator on a timely and commercial basis (if at all), we could be prevented from continuing our mobile business. If we find a replacement network operator, we may only be able to continue our mobile business on less favorable terms. Additionally, migration of all or some of our customer base to any such replacement network operator would be dependent in part on EE and could entail potential technical or commercial risk. If any of this were to happen, this could have a material adverse effect on our business and results of operations.

EE is also a customer of our B2B operations. Any disagreements between EE and our mobile operations or between EE and our B2B operations could have a material adverse effect on the relationship of the other Virgin Media businesses and EE.

The "Virgin" brand is not under our control and the activities of the Virgin Group and other licensees could have a material adverse effect on the goodwill of customers towards us as a licensee. The "Virgin" brand is integral to our corporate identity. We are reliant on the general goodwill of consumers towards the Virgin brand. Consequently, adverse publicity in relation to the Virgin Group or its principals, particularly Sir Richard Branson who is closely associated with the brand, or in relation to another licensee of the "Virgin" name and logo (particularly in the U.K.) could have a material adverse effect on our reputation, business and results of operations. In addition, the licenses from Virgin Enterprises Limited can be terminated in certain circumstances. For example, Virgin Enterprises Limited can terminate the licenses, after providing Virgin Media with an opportunity to cure, (i) if Virgin Media or any of its affiliates commits persistent and material breaches or a flagrant and material breach of the licenses, (ii) if Virgin Enterprises Limited has reasonable grounds to believe that the use (or lack of use) of the licensed trademarks by Virgin Media has been or is likely to result in a long-term and material diminution in the value of the "Virgin" brand, or (iii) if a third party who is not (or one of whose directors is not) a "fit and proper person," such as a legally disqualified director or a bankrupt entity, acquires "control" of Liberty Global. Such a termination could have a material adverse effect on our business and results of operations.

We depend almost exclusively on our relationships with third-party programming providers and broadcasters for programming content, and a failure to acquire a wide selection of popular programming on acceptable terms could adversely affect our business. We enter into agreements for the provision of television programs and channels distributed via our entertainment service with program providers, such as public and commercial broadcasters, or providers of pay or on-demand television. We have historically obtained a significant amount of our premium programming and some of our basic programming and pay per view sporting events from BSkyB. BSkyB is also one of our main competitors in the television services business. BSkyB is a leading supplier of programming to pay television platforms in the U.K. and is the exclusive supplier of some programming, including its Sky Sports channels and Sky Movies channels, which are the most popular premium subscription sports and film channels available in the U.K.

In 2010, Ofcom imposed new license conditions on BSkyB that provide for a WMO obligation on BSkyB that regulate (or set a fair, reasonable and non-discriminatory requirement for) the price and terms of supply of certain of BSkyB's Sports Channels. While BSkyB and others appealed the imposition of these license conditions and sought to overturn it, we and others appealed that the intervention did not go far enough. In August 2012, the CAT, overturned Ofcom's decision ruling that the competition concerns on which Ofcom based its decision were unfounded. BT appealed certain aspects of the CAT's judgment to the Court of Appeal. In February 2014, the Court of Appeal upheld BT's appeal. The matter will now be referred back to the CAT for further consideration.

We currently purchase BSkyB wholesale premium content on the basis of carriage agreements entered into on June 4, 2010, which provide for the wholesale distribution of BSkyB's basic channels and its premium sports and movie channels on our digital cable service. However, for SD we are still exposed to BSkyB changing the rate card terms of supply on 60 days' notice and we are also exposed to BSkyB offering HD versions of its channels exclusively to its digital satellite customers and not to us. Our agreements for the supply of certain of BSkyB's premium channels expire on March 31, 2014. We are currently negotiating with BSkyB to enter into new agreements for the supply of these channels beyond March 31, 2014. While we expect that we will be successful in obtaining access to these channels beyond March 31, 2014, there can be no assurance that we will be able to enter into new agreements with BSkyB on acceptable terms or at all.

In addition, in August 2013, BT, a principal competitor, launched its own premium BT Sport channels, providing a range of sports content including football (soccer) from the English Premier League and, from the 2015/2016 football (soccer) season, exclusive rights to the UEFA Champions League and the UEFA Europa League. The BT Sport channels are available on our digital cable network, however, the cost to obtain such channels was a significant driver of our increased programming costs for 2013, and there can be no assurance that we will be able to continue carriage of such channels at a reasonable cost in the future.

Other significant programming suppliers include the BBC, ITV, Channel 4, UKTV, Five, Viacom Inc., ESPN, Discovery Communications Inc. and Turner, a division of Time Warner Inc. Our dependence on these and other suppliers for television programming could have a material adverse effect on our ability to provide attractive programming at a reasonable cost. Any loss of programs could negatively affect the quality and variety of the programming delivered to our customers. In addition, there is the risk that suppliers will become exclusive providers to other platforms, including BSkyB, which reduces our ability to offer the same or similar content to our customers. All of these factors could have a material adverse effect on our business and increase customer churn.

We do not insure the underground portion of our cable network and various pavement-based electronics associated with our cable network. Our cable network is one of our key assets. However, we do not insure the underground portion of our cable network or various pavement-based electronics associated with our cable network. Almost all our cable network is constructed underground. As a result, any catastrophe that affects our underground cable network or our pavement-based electronics could prevent us from providing services to our customers and result in substantial uninsured losses that would have a material adverse effect on our business and results of operations.

We are subject to significant regulation, and changes in U.K. and EU laws, regulations or governmental policy affecting the conduct of our business may have a material adverse effect on our ability to set prices, enter new markets or control our costs. Our principal business activities are regulated and supervised by Ofcom and the U.K. Office of Fair Trading, among other regulators. Regulatory change is an ongoing process in the communications sector at both the U.K. and EU level. Changes in laws, regulations or governmental policy affecting our activities and those of our competitors could significantly influence how we operate our business and introduce new products and services. For example, regulatory changes relating to our activities and those of our competitors, such as changes relating to third party access to infrastructure, the costs of interconnection with other networks or the prices of competing products and services, or any change in policy allowing more favorable conditions for other operators, could adversely affect our ability to set prices, enter new markets or control our costs. In particular, following the transposition of recent amendments to European directives into U.K. law, Ofcom may attempt to use the non-significant market power access provisions to require us to make available access to our ducts. In addition, Ofcom may look to impose regulation on the cable network, which is currently unregulated. Such regulation would allow customers to switch with ease to another provider without informing us. Our ability to introduce new products and services may also be affected if we cannot predict how existing or future laws, regulations or policies would apply to such products or services. In addition, our business and the industry in which we operate are subject to investigation by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. Any such action could harm our reputation and result in increased costs to the business.

We are also subject to accreditation requirements with respect to certain of our B2B products and services provided to public sector organizations in the U.K. We have security accreditations across a range of B2B products and services for public sector organizations in the U.K., which are granted subject to periodic reviews of our policies and procedures by U.K. governmental entities. We are currently undergoing a review of one of our most significant accreditations. If we were to fail to maintain an accreditation or to obtain a new one when required, it could impact our ability to provide certain offerings to the public sector.

Risks Relating to Our Indebtedness, Taxes and Other Financial Matters

We have substantial indebtedness that may have a material adverse effect on our available cash flow, our ability to obtain additional financing if necessary in the future, our flexibility in reacting to competitive and technological changes and our operations. We have a substantial amount of indebtedness. Our consolidated total long term debt, net of £72.5 million current portion, was £8,150.8 million as of December 31, 2013.

Our ability to pay principal and interest on or to refinance the outstanding indebtedness depends upon our operating performance, which will be affected by, among other things, general economic, financial, competitive, regulatory and other factors, some of which are beyond our control. Moreover, we may not be able to refinance or redeem such debt on commercially reasonable terms, on terms acceptable to us, or at all.

The level of our indebtedness could have important consequences, including the following:

- a substantial portion of our cash flow from operations will have to be dedicated to the payment of interest and principal on existing indebtedness, thereby reducing the funds available for other purposes;

- our ability to obtain additional financing in the future for working capital, capital expenditures, product development, acquisitions or general corporate purposes may be impaired;

- our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate, and to technological and other changes may be limited;

- we may be placed at a competitive disadvantage as compared to our competitors that are not as highly leveraged;

- our substantial degree of leverage could make us more vulnerable in the event of a downturn in general economic conditions or adverse developments in our business; and

- we are exposed to risks inherent in interest rate and foreign exchange rate fluctuations.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, which could adversely affect our business and operations.

We may not be able to fund our debt service obligations in the future. We have significant principal payments due from 2015 onwards that could require a partial or comprehensive refinancing of our senior credit facility and other debt instruments. Our ability to implement such a refinancing successfully would be significantly dependent on stable debt capital markets. In addition, we may not achieve or sustain sufficient cash flow in the future for the payment of principal or interest on our indebtedness when due. Consequently, we may be forced to raise cash or reduce expenses by doing one or more of the following:

- raising additional debt;

- restructuring or refinancing our indebtedness prior to maturity, and/or on unfavorable terms;

- selling or disposing of some of our assets, possibly on unfavorable terms;

- issuing equity or equity-related instruments that will dilute the equity ownership interest of existing stockholders; or

- foregoing business opportunities, including the introduction of new products and services, acquisitions and joint ventures.

We cannot be sure that any of, or a combination of, the above actions would be sufficient to fund our debt service obligations, particularly in times of turbulent capital markets.

The covenants under our debt agreements place certain limitations on our ability to finance future operations and how we manage our business. The agreements that govern our indebtedness contain financial maintenance tests and restrictive covenants that restrict our ability to incur additional debt and limit the discretion of our management over various business matters. For example, the financial maintenance tests include leverage ratios, and the restrictive covenants impact our ability to:

- pay dividends or make other distributions, or redeem or repurchase equity interests or subordinated obligations;
- make investments;
- sell assets, including the capital stock of subsidiaries;
- enter into certain sale and leaseback transactions and certain vendor financing arrangements;
- create liens;
- enter into agreements that restrict some of our subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- merge or consolidate or transfer all or substantially all of our assets; and
- enter into certain transactions with affiliates.

Although these limitations are subject to significant exceptions and qualifications, if we breach any of these covenants, or are unable to comply with the required financial ratios, we may be in default under our debt instruments. A significant portion of our indebtedness may then become immediately due and payable, and we may not have sufficient assets to repay amounts due thereunder.

These restrictions could also materially adversely affect our ability to finance future operations or capital needs or to engage in other business activities that may be in our best interests. We may also incur other indebtedness in the future that may contain financial or other covenants more restrictive than those applicable under our current indebtedness.

We are a holding company dependent upon cash flow from subsidiaries to meet our obligations. Virgin Media Inc. and a number of its subsidiaries are holding companies with no independent operations or significant assets other than investments in their subsidiaries. Each of these holding companies depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations.

The terms of our senior credit facility and other indebtedness limit the payment of dividends, loan repayments and other distributions to or from these companies under certain circumstances. Various agreements governing our debt may restrict and, in some cases, may also prohibit the ability of these subsidiaries to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation.

Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests or as loans, or even prevent such payments.

We are subject to currency and interest rate risks. We are subject to currency exchange rate risks because substantially all of our revenues and operating expenses are paid in pounds sterling, but we pay interest and principal obligations with respect to a portion of our indebtedness in United States (U.S.) dollars and euros. To the extent that the pound sterling declines in value against the U.S. dollar and the euro, the effective cost of servicing our U.S. dollar and euro-denominated debt will be higher. Changes in the exchange rate result in foreign currency gains or losses.

We are also subject to interest rate risks as we have interest determined on a variable basis, either through unhedged variable rate debt or derivative hedging contracts. We also incur costs in U.S. dollars and euros in the ordinary course of our business, including for customer premises equipment and network maintenance services. Any deterioration in the value of the pound relative to the U.S. dollar, euro or the rand could cause an increase in the effective cost of purchases made in these currencies as only part of these exposures are hedged.

We are subject to tax in more than one tax jurisdiction and our structure poses various tax risks. We are subject to taxation in multiple jurisdictions, in particular the U.S. and the U.K. Our effective tax rate and tax liability will be affected by a number of factors in addition to our operating results, including the amount of taxable income in particular jurisdictions, the tax rates in those jurisdictions, tax treaties between jurisdictions, the manner in which and extent to which we transfer funds to and repatriate funds from our subsidiaries, accounting standards and changes in accounting standards, and future changes in the law. We may incur losses in one jurisdiction that cannot be offset against income earned in a different jurisdiction and so we may pay income taxes in one jurisdiction for a particular period even though on an overall basis we incur a net loss for that period.

Although substantially all of our revenue and operating income is generated outside the United States, the majority of our subsidiaries remain subject to potential current U.S. income tax on their income due their being owned through U.S. corporations. Our worldwide effective tax rate is reduced under a provision in U.S. tax law that defers the imposition of U.S. tax on certain foreign active income until that income is repatriated to the United States for a majority of our subsidiaries. Any repatriation of assets through our U.S. ownership currently held by these jurisdictions or recognition of income that fails to meet the U.S. tax requirements related to deferral of U.S. income tax may result in a higher effective tax rate for our company. This includes what is typically referred to as “Subpart F Income,” which generally includes, but is not limited to, such items as interest, dividends, royalties, gains from the disposition of certain property, certain currency exchange gains in excess of currency exchange losses, and certain related party sales and services income. While the company may mitigate this increase in its effective tax rate through claiming a foreign tax credit against its U.S. federal income taxes or potentially have foreign or U.S. taxes reduced under applicable income tax treaties, we are subject to various limitations on claiming foreign tax credits or we may lack treaty protections that will potentially limit any reduction of the increased effective tax rate.

We may have exposure to additional tax liabilities. We are subject to income taxes as well as non-income based taxes in multiple jurisdictions, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, mainly in the U.K. and U.S. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to audit by tax authorities in all jurisdictions in which we operate. Although we believe that our tax estimates are reasonable, (1) there is no assurance that the final determination of tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions, expense amounts for non-income based taxes and accruals and (2) any material differences could have an adverse effect on our financial position and results of operations in the period or periods for which determination is made.

Our ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes will be subject to limitation as a result of the LG/VM Transaction. In general, under Section 382 of the Code a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses (NOLs) to offset future taxable income for U.S. federal income tax purposes. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders increases by more than 50 percentage points over such stockholders’ lowest percentage ownership during the testing period (generally three years).

As of June 7, 2013, Virgin Media had approximately £505.6 million and its dual resident subsidiaries (subsidiaries that are resident of both the U.S. and the U.K. for income tax purposes) had approximately £521.2 million of NOLs that are subject to limitation under Section 382 of the Code. These NOLs will expire between 2019 and 2033.

The LG/VM Transaction resulted in an ownership change of Virgin Media and its dual resident subsidiaries under Section 382 of the Code. This ownership change limited our ability to utilize these pre-change NOLs. Upon an ownership change, Section 382 of the Code imposes an annual limitation on the amount of NOLs that may be used to offset future taxable income for U.S. federal income tax purposes. The amount of the annual limitation generally is equal to the aggregate value of the Predecessor’s common stock (or, in the case of dual resident subsidiaries, the aggregate value of their common stock) that was outstanding immediately prior to the LG/VM Transaction, multiplied by the adjusted federal tax-exempt rate, set by the IRS. Limitations imposed on the ability to use NOLs to offset future taxable income could cause U.S. federal income taxes to be paid by us and our dual resident subsidiaries earlier than they otherwise would be paid if such limitations were not in effect and could cause such NOLs to expire unused, in each case, reducing or eliminating the benefit of such NOLs. Similar rules and limitations may apply for state income tax purposes.

Adverse changes in our financial outlook may result in negative or unexpected tax consequences which could adversely affect our net income. During 2012, we recognized a gain on reversing a significant portion of the valuation allowance on our deferred tax assets. Future adverse changes in the underlying profitability and financial outlook of our operations could cause us to change our judgment and establish an additional valuation allowance on our deferred tax assets, which could materially and adversely affect our consolidated balance sheets and statements of operations. A change in this valuation allowance will not result in any change to the amount of cash payments we make to the tax authorities.

Strategic transactions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction. From time to time we have made acquisitions, dispositions and have entered into other strategic transactions, such as the LG/VM Transaction. In connection with such transactions, we may incur unanticipated expenses, fail to realize anticipated benefits and synergies, have difficulty integrating the combined businesses, disrupt relationships with current and new employees, customers and suppliers, incur significant indebtedness, or experience delays or fail to proceed with announced transactions. For example, in connection with the LG/VM Transaction, we are reassessing our internal structure in light of our ongoing integration with Liberty Global’s European operations. While we expect to achieve synergies as a result of certain restructuring and integration activities, no assurance can be given that the actual synergies that we achieve will not fall short of our expectations. These factors could have a material adverse effect on our business and/or our reputation.

Independent Auditors' Report

The Board of Directors
Virgin Media Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Virgin Media Inc. (and its subsidiaries), which comprise the consolidated balance sheet as of December 31, 2013 (Successor), and the related consolidated statements of operations, comprehensive earnings (loss), equity and cash flows for the period from June 8, 2013 through December 31, 2013 (Successor), and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Virgin Media Inc. (and its subsidiaries) as of December 31, 2013 (Successor), and the results of their operations and their cash flows for the period from June 8, 2013 through December 31, 2013 (Successor) in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

London, England
March 12, 2014

Report of Independent Auditors

The Board of Directors
Virgin Media Inc.

We have audited the accompanying consolidated financial statements of Virgin Media Inc., which comprise the consolidated balance sheet as of December 31, 2012 (Predecessor), and the related consolidated statements of operations, comprehensive earnings (loss), equity and cash flows for the period from January 1, 2013 through June 7, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor), and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Virgin Media Inc. at December 31, 2012 (Predecessor), and the results of their operations and their cash flows for the period from January 1, 2013 through June 7, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor) in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

London, England
March 12, 2014

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED BALANCE SHEETS
(in millions)

	Successor	Predecessor (a)
	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	£ 343.0	£ 206.3
Trade receivables, net	405.3	442.7
Derivative instruments (note 4)	27.7	36.2
Related-party receivables (note 11)	88.1	—
Prepaid expenses	71.7	72.8
Other current assets	55.6	79.8
Total current assets	991.4	837.8
Property and equipment, net (note 6)	6,112.6	4,512.2
Goodwill (note 6)	5,793.7	2,017.5
Intangible assets subject to amortization, net (note 6)	2,321.5	—
Deferred income taxes (note 8)	1,407.4	2,641.7
Related-party notes receivable (note 11)	2,373.5	—
Other assets, net (note 4)	311.1	555.7
Total assets	£ 19,311.2	£ 10,564.9

(a) As retrospectively revised - see note 2.

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED BALANCE SHEETS — (Continued)
(in millions, except share and per share amounts)

	Successor	Predecessor (a)
	December 31, 2013	December 31, 2012
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	£ 274.5	£ 296.4
Deferred revenue and advanced payments from subscribers and others	315.7	317.7
Current portion of debt and capital lease obligations (note 7)	159.5	77.1
Derivative instruments (note 4)	136.5	29.3
Accrued interest	92.4	60.3
Related-party payables (note 11)	87.6	—
Value added tax (VAT) Payable	78.1	85.1
Other current liabilities (note 12)	392.3	371.5
Total current liabilities	1,536.6	1,237.4
Long-term debt and capital lease obligations (note 7)	8,289.3	5,852.0
Other long-term liabilities (notes 4, 8 and 13)	457.1	257.1
Total liabilities	10,283.0	7,346.5
Commitments and contingent liabilities (notes 4, 7, 8, 12, 13 and 15)		
Equity (note 9):		
Successor common stock - $0.01 par value; authorized 1,000 shares; issued and outstanding 111 shares	—	—
Predecessor common stock - $0.01 par value; authorized 1,000,000,000 (2013 and 2012) shares; issued and outstanding nil and 269,300,000, respectively	—	1.4
Additional paid-in capital	9,477.9	3,658.9
Accumulated deficit	(595.3)	(436.1)
Accumulated other comprehensive earnings (loss)	145.6	(5.8)
Total equity	9,028.2	3,218.4
Total liabilities and equity	£ 19,311.2	£ 10,564.9

(a) As retrospectively revised - see note 2.

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions)

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012 (a)	Year ended December 31, 2011
Revenue	£ 2,310.2	£ 1,810.2	£ 4,100.5	£ 3,991.8
Operating costs and expenses:				
Operating (other than depreciation and amortization)	1,051.7	845.4	1,872.9	1,866.6
Selling, general and administrative (SG&A) (including share-based compensation) (note 10)	380.1	256.1	574.2	535.3
Depreciation and amortization	910.2	432.8	966.4	1,046.4
Impairment, restructuring and other operating items, net	36.5	51.2	(11.8)	6.8
	2,378.5	1,585.5	3,401.7	3,455.1
Operating income (loss)	(68.3)	224.7	698.8	536.7
Non-operating income (expense):				
Interest expense:				
Third-party	(263.6)	(156.7)	(398.2)	(440.4)
Related-party (note 11)	(5.8)	—	—	—
Interest income – related-party (note 11)	107.0	—	—	—
Gain (loss) on debt modification and extinguishment, net	0.6	(0.1)	(187.8)	(47.2)
Realized and unrealized gains (losses) on derivative instruments, net (note 4)	(203.4)	51.8	148.1	(50.7)
Foreign currency transaction gains (losses), net	142.6	(2.1)	(6.3)	(2.4)
Other income, net	0.4	0.4	6.8	97.1
	(222.2)	(106.7)	(437.4)	(443.6)
Earnings (loss) from continuing operations before income taxes	(290.5)	118.0	261.4	93.1
Income tax benefit (expense) (note 8)	(197.5)	(18.1)	2,652.0	(16.0)
Earnings (loss) from continuing operations	(488.0)	99.9	2,913.4	77.1
Loss from discontinued operation, net of tax (note 1)	—	—	—	(1.2)
Net earnings (loss)	£ (488.0)	£ 99.9	£ 2,913.4	£ 75.9

(a) As retrospectively revised - see note 2.

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(in millions)

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Net earnings (loss)	£ (488.0)	£ 99.9	£ 2,913.4	£ 75.9
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	147.2	(9.8)	11.3	(12.7)
Net unrealized gains (losses) on derivatives	—	66.8	(130.3)	(24.2)
Reclassification of derivative losses (gains) to net income	—	(74.4)	94.2	1.0
Pension liability adjustment	(1.6)	0.6	(11.0)	(20.6)
Other comprehensive earnings (loss)	145.6	(16.8)	(35.8)	(56.5)
Total comprehensive earnings (loss)	£ (342.4)	£ 83.1	£ 2,877.6	£ 19.4

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF EQUITY
(in millions)

	Common stock $0.01 par value	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive earnings	Total equity
Predecessor:					
Balance at January 1, 2011	£ 1.8	£ 4,375.2	£ (3,198.9)	£ 86.5	£ 1,264.6
Net earnings	—	—	75.9	—	75.9
Other comprehensive loss, net of taxes (note 14)	—	—	—	(56.5)	(56.5)
Exercise of stock options and tax effect	—	18.0	—	—	18.0
Share-based compensation (note 10)	—	22.5	—	—	22.5
Acquisition of additional shares in a controlled subsidiary	—	(9.7)	—	—	(9.7)
Repurchase of common stock (note 9)	(0.2)	(539.4)	(105.2)	—	(644.8)
Dividends paid (note 9)	—	—	(31.1)	—	(31.1)
Balance at December 31, 2011	£ 1.6	£ 3,866.6	£ (3,259.3)	£ 30.0	£ 638.9

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF EQUITY — (Continued)
(in millions)

	Common stock $0.01 par value	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive earnings (loss)	Total equity
Predecessor:					
Balance at January 1, 2012	£ 1.6	£ 3,866.6	£ (3,259.3)	£ 30.0	£ 638.9
Net earnings	—	—	2,913.4	—	2,913.4
Other comprehensive loss, net of taxes (note 14)	—	—	—	(35.8)	(35.8)
Exercise of stock options and tax effect	—	8.4	—	—	8.4
Share-based compensation (note 10)	—	20.9	—	—	20.9
Excess tax benefits on stock-based compensation	—	32.5	—	—	32.5
Acquisition of additional shares in a controlled subsidiary	—	(0.9)	—	—	(0.9)
Repurchase of common stock (note 9)	(0.2)	(268.6)	(62.9)	—	(331.7)
Dividends paid (note 9)	—	—	(27.3)	—	(27.3)
Balance at December 31, 2012	£ 1.4	£ 3,658.9	£ (436.1)	£ (5.8)	£ 3,218.4

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF EQUITY — (Continued)
(in millions)

	Common stock $0.01 par value	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive earnings (loss)	Total equity
Predecessor:					
Balance at January 1, 2013	£ 1.4	£ 3,658.9	£ (436.1)	£ (5.8)	£ 3,218.4
Net earnings	—	—	99.9	—	99.9
Other comprehensive loss, net of taxes (note 14)	—	—	—	(16.8)	(16.8)
Exercise of stock options and tax effect	0.1	21.6	—	—	21.7
Share-based compensation (note 10)	—	11.9	—	—	11.9
Conversion of debt into equity	—	(0.7)	—	—	(0.7)
Repurchase of common stock (note 9)	—	1.8	(1.8)	—	—
Dividends paid (note 9)	—	—	(14.2)	—	(14.2)
Balance at June 7, 2013	£ 1.5	£ 3,693.5	£ (352.2)	£ (22.6)	£ 3,320.2
Successor:					
Balance at June 7, 2013 (note 3)	£ —	£ 6,147.3	£ (107.3)	£ —	£ 6,040.0
Net loss	—	—	(488.0)	—	(488.0)
Other comprehensive earnings, net of taxes (note 14)	—	—	—	145.6	145.6
Capital contribution from parent (note 9)	—	2,343.2	—	—	2,343.2
Issuance of additional common stock to parent (note 9)	—	987.4	—	—	987.4
Share-based compensation (note 10)	—	69.5	—	—	69.5
Capital charge in connection with the exercise of share-based incentive awards (note 11)	—	(69.5)	—	—	(69.5)
Balance at December 31, 2013	£ —	£ 9,477.9	£ (595.3)	£ 145.6	£ 9,028.2

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012 (a)	Year ended December 31, 2011
Cash flows from operating activities:				
Net earnings (loss)	£ (488.0)	£ 99.9	£ 2,913.4	£ 75.9
Loss from discontinued operation	—	—	—	1.2
Earnings (loss) from continuing operations	(488.0)	99.9	2,913.4	77.1
Adjustments to reconcile earnings (loss) from continuing operations to net cash provided by operating activities:				
Share-based compensation expense	85.5	22.1	25.8	27.0
Depreciation and amortization	910.2	432.8	966.4	1,046.4
Impairment, restructuring and other operating items, net	36.5	51.2	(11.8)	6.8
Amortization of deferred financing costs and non-cash interest accretion	11.2	14.7	35.6	36.6
Losses (gains) on debt modification and extinguishment, net	(0.6)	0.1	187.8	47.2
Realized and unrealized losses (gains) on derivative instruments, net	203.4	(51.8)	(148.1)	50.7
Foreign currency transaction losses (gains), net	(142.6)	2.1	6.3	2.4
Deferred income tax expense (benefit)	197.2	17.2	(2,652.5)	20.1
Changes in operating assets and liabilities, net of the effect of dispositions:				
Receivables and other operating assets	307.7	(594.8)	(32.7)	31.1
Payables and accruals	(558.0)	594.6	(91.3)	(186.6)
Net cash used by operating activities of discontinued operation	—	—	—	(10.4)
Net cash provided by operating activities	562.5	588.1	1,198.9	1,148.4
Cash flows from investing activities:				
Loan to related-party	(2,356.3)	—	—	—
Capital expenditures	(418.9)	(313.4)	(782.5)	(656.7)
Sale of equity investments, net	—	—	—	243.4
Loan repayment from equity investee	—	—	—	108.2
Other investing activities, net	1.8	4.1	(0.5)	(9.6)
Net cash used by investing activities	£ (2,773.4)	£ (309.3)	£ (783.0)	£ (314.7)

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN MEDIA INC.
(See note 1)
CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
(in millions)

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012 (a)	Year ended December 31, 2011
Cash flows from financing activities:				
Repayments and repurchases of debt and capital lease obligations	£ (4,050.8)	£ (46.5)	£ (1,414.9)	£ (1,395.0)
Borrowings of debt	1,983.4	—	1,454.7	1,001.5
Repayments of related-party notes	(1,819.6)	—	—	—
Capital contribution from parent	3,278.0	—	—	—
Release of restricted cash from escrow	2,313.6	—	—	—
Net cash received (paid) related to derivative instruments	364.3	—	(26.0)	68.3
Payment of financing costs and debt premiums	(64.3)	(1.1)	(165.1)	(40.0)
Repurchase of common stock	—	—	(330.2)	(635.0)
Dividends paid	—	(14.2)	(27.3)	(31.1)
Other financing activities, net	(0.1)	22.9	8.2	17.5
Net cash provided (used) by financing activities	2,004.5	(38.9)	(500.6)	(1,013.8)
Effect of exchange rate changes on cash and cash equivalents	(5.4)	0.9	(9.4)	1.0
Net increase (decrease) in cash and cash equivalents	(211.8)	240.8	(94.1)	(179.1)
Cash and cash equivalents (b):				
Beginning of period	554.8	206.3	300.4	479.5
End of period	£ 343.0	£ 447.1	£ 206.3	£ 300.4
Cash paid for interest	£ 332.2	£ 102.9	£ 406.9	£ 435.2
Income taxes paid	£ 0.4	£ 0.1	£ 0.6	£ 2.3

(a) As retrospectively revised - see note 2.

(b) For information regarding the difference between the ending cash balance on June 7, 2013 and the beginning cash balance on June 8, 2013, see note 3.

The accompanying notes are an integral part of these consolidated financial statements.

(1) Basis of Presentation

General

Virgin Media Inc. (Virgin Media) is a provider of digital cable, broadband internet, fixed-line telephony and mobile services in the United Kingdom (U.K.) to both residential and business-to-business (B2B) customers. Virgin Media became a wholly-owned subsidiary of Liberty Global plc (Liberty Global) as a result of a series of mergers that were completed on June 7, 2013 (the LG/VM Transaction), pursuant to which Liberty Global became the publicly-held parent company of the successors by merger of the predecessor to Virgin Media (Old Virgin Media) and Liberty Global, Inc. (LGI) (the predecessor to Liberty Global), as further described in note 3. In these notes, the terms "we," "our," "our company," and "us" may refer, as the context requires, to Virgin Media (or Old Virgin Media) or collectively to Virgin Media (or Old Virgin Media) and its subsidiaries.

As a result of Liberty Global's push-down of its investment basis in Virgin Media arising from the LG/VM Transaction, a new basis of accounting was created on June 7, 2013. In these consolidated financial statements, the results of operations and cash flows of Old Virgin Media for the periods ended on or prior to June 7, 2013 and the financial position of Old Virgin Media as of balance sheet dates prior to June 7, 2013 are referred to herein as "Predecessor" consolidated financial information and the results of operations and cash flows of Virgin Media for periods beginning on June 8, 2013 and the financial position of Virgin Media as of June 7, 2013 and subsequent balance sheet dates are referred to herein as "Successor" consolidated financial information.

The Predecessor and Successor consolidated financial information presented herein is not comparable primarily due to the fact that the Successor consolidated financial information reflects:

- the application of acquisition accounting as of June 7, 2013, as further described in note 3, of which the most significant implications are (i) increased depreciation expense, (ii) increased amortization expense and (iii) increased share-based compensation expense;
- conforming accounting policy changes, primarily to align to Liberty Global's accounting policy for the recognition of installation fees received on B2B contracts, as further described below; and
- additional interest expense associated with debt financing arrangements entered into in connection with the LG/VM Transaction and subsequently pushed down to our balance sheet, as further described in note 7.

On July 12, 2010, we completed the sale of our television channel business known as Virgin Media TV. Virgin Media TV's operations comprised our former Content segment. These consolidated financial statements reflect Virgin Media TV as a discontinued operation.

On January 26, 2014, Liberty Global's board of directors approved a share dividend (the 2014 Share Dividend) of one Liberty Global Class C ordinary share for each outstanding Class A, Class B and Class C ordinary share as of the February 14, 2014 record date for the share dividend. The 2014 Share Dividend was distributed on March 3, 2014. The Liberty Global share and share-based numbers included in this report have not been adjusted to give effect to the 2014 Share Dividend.

Unless otherwise indicated, convenience translations into pound sterling are calculated as of December 31, 2013.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 12, 2014, the date of issuance.

Alignment of accounting policies

On June 8, 2013, we adopted Liberty Global's accounting policy for installation fees relating to our B2B contracts involving both installation services and the provision of ongoing services. Previously, we generally treated installation fees received from customers with B2B contracts as a separate deliverable and recognized revenue upon completion of the installation activity in an amount that was based on the relative standalone selling price methodology. Our current accounting policy is to generally defer upfront installation fees on our B2B contracts and recognize the associated revenue over the contractual term of the arrangement. The following table provides the amount of installation revenue we previously recognized that would have been deferred under Liberty Global's accounting policy in the indicated periods (in millions):

Year ended December 31, 2012	£	69.6
Period from January 1, 2013 to June 7, 2013	£	17.5

The following table provides a rollforward of our deferred revenue for installation services provided to customers with B2B contracts in the period from June 7, 2013 through December 31, 2013 (in millions):

Balance at June 7, 2013 (a)	£	—
Amounts deferred for completed installation services (b)		5.4
Amortization of deferred revenue over contract life		(0.2)
Balance at June 30, 2013		5.2
Amounts deferred for completed installation services (b)		10.6
Amortization of deferred revenue over contract life		(0.5)
Balance at September 30, 2013		15.3
Amounts deferred for completed installation services (b)		18.7
Amortization of deferred revenue over contract life		(2.1)
Balance at December 31, 2013	£	31.9

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(a) Amounts that were included in Old Virgin Media's consolidated balance sheet as of June 7, 2013 were eliminated in acquisition accounting. For additional information, see note 3.

(b) Represents amounts that would have been recognized upfront as installation revenue under Old Virgin Media's policy, but were deferred under Liberty Global's policy.

(2) Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) 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, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, programming and copyright expenses, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets, share-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

Reclassifications and Retrospective Restatement

Reclassifications. Certain prior period amounts have been reclassified to conform to the presentation of Liberty Global including (i) reclassifications between operating costs and SG&A expenses in our consolidated statements of operations for the years ended December 31, 2012 and 2011 and (ii) the reclassification of premiums paid on debt redemptions from net cash provided by operating activities to net cash used in financing activities in the statements of cash flows for the years ended December 31, 2012 and 2011.

Retrospective Restatement. During the first quarter of 2013 and subsequent to the initial filing of our Annual Report on Form 10-K/A for the year ended December 31, 2012, we discovered that the reported amount of deferred income tax assets as of December 31, 2012 and the reported income tax benefit for the year ended December 31, 2012 were understated by £60.8 million. This understatement was principally caused by an error in the calculation of our deferred tax assets relating to arrangements that we account for as capital leases.

We determined that the understatement was not material to the consolidated financial statements as of and for the year ended December 31, 2012. However, if the adjustments to correct the understatement of our deferred income tax assets had been recorded in the three months ended March 31, 2013, we believe the impact would have been significant to that period. Therefore, we determined that it was appropriate to correct the error to the consolidated financial statements as of and for the year ended December 31, 2012 by correcting the comparative 2012 periods in the consolidated financial statements as of and for the year ending December 31, 2013, beginning with the condensed consolidated financial statements for the three months ended March 31, 2013.

The December 31, 2012 consolidated balance sheet included in this annual report reflects the correction of this understatement by increasing the previously reported amounts of our total deferred tax assets and total shareholders' equity by £60.8 million and by decreasing the previously reported amount of accumulated deficit by £60.8 million. Prior to the fourth quarter of 2012, we maintained a full valuation allowance on our deferred income tax assets. If we had not understated our deferred income tax assets in periods prior to the fourth quarter of 2012, we would have increased the valuation allowance on those deferred income tax assets by a corresponding amount, resulting in no net impact on the consolidated balance sheets, statements of operations or statements of comprehensive earnings. The income tax benefit for the year ended December 31, 2012 has increased by £60.8 million from previously reported amounts.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest and variable interest entities for which our company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents and Restricted Cash

Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value reported by the investment manager as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value reported by the investment manager.

Restricted cash consists of cash held in restricted accounts, including cash held as collateral for debt and other compensating balances. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. At December 31, 2013 and 2012, our aggregate current and long-term restricted cash balances aggregated £1.5 million and £1.9 million, respectively.

Our significant non-cash investing and financing activities are disclosed in our consolidated statements of equity and in notes 3, 6, and 7.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated £13.1 million and £9.0 million at December 31, 2013 and 2012, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Financial Instruments

Due to the short maturities of cash and cash equivalents, restricted cash, short-term liquid investments, trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of our derivatives and debt, see notes 4 and 7, respectively. For information concerning how we arrive at certain of our fair value measurements, see note 5.

Derivative Instruments

All derivative instruments, whether designated as hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded in other comprehensive earnings or loss and subsequently reclassified into our consolidated statements of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognized in earnings. Although we applied hedge accounting to certain of our derivative instruments prior to the LG/VM Transaction, we currently do not apply hedge accounting to our derivative instruments. For information regarding our derivative instruments, including our policy for classifying cash flows related to derivative instruments in our consolidated statements of cash flows, see note 4.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Capitalized internal-use software is included as a component of property and equipment. We capitalize internal and external costs directly associated with the development of internal-use software. We also capitalize costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 6.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operations.

We recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. Asset retirement obligations may arise from our legal obligations to dispose of customer premises equipment whereby we accrue the cost to dispose of certain of our customer premises equipment at the time of acquisition. In addition, asset retirement obligations may arise from the loss of rights of way that we obtain from local municipalities or other relevant authorities. Under certain circumstances, the authorities could require us to remove our network equipment from an area if, for example, we were to discontinue using the equipment for an extended period of time or the authorities were to decide not to renew our access rights. However, because the rights of way are integral to our ability to deliver broadband communications services to our customers, we expect to conduct our business in a manner that will allow us to maintain these rights for the foreseeable future. In addition, we have no reason to believe that the authorities will not renew our rights of way and, historically, renewals have been granted. We also have obligations in lease agreements to restore the property to its original condition or remove our property at the end of the lease term.

As of December 31, 2013 and 2012, the recorded value of our asset retirement obligations was £30.0 million and £62.4 million, respectively.

Intangible Assets

Our primary intangible assets relate to goodwill and customer relationships. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Customer relationships were originally recorded at their fair values in connection with business combinations.

Goodwill is not amortized, but instead is tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment when a triggering event occurs.

For additional information regarding the useful lives of our intangible assets, see note 6.

Impairment of Property and Equipment and Intangible Assets

We review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate the goodwill for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill may not be recoverable. For impairment evaluations with respect to goodwill, we first make a qualitative assessment to determine if the goodwill may be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). We have identified one reporting unit to which all goodwill is assigned. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss.

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it is more-likely-than-not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. Interest and penalties related to income tax liabilities are included in income tax expense. For additional information on our income taxes, see note 8.

Defined Benefit Plans

We maintain employee defined benefit plans. Certain assumptions and estimates must be made in order to determine the costs and future benefits that will be associated with these plans. These assumptions include (i) the estimated long-term rates of return to be earned by plan assets, (ii) the estimated discount rates used to value the projected benefit obligations and (iii) estimated wage increases. We estimate discount rates annually based upon the yields on high-quality fixed-income investments available at the measurement date and expected to be available during the period to maturity of the benefits under the defined benefit plan. For the long-term rates of return, we use a model portfolio based on our targeted asset allocation. To the extent that net actuarial gains or losses exceed 10% of the greater of plan assets or plan liabilities, such gains or losses are amortized over the average future service period of plan participants. For additional information, see note 13.

Foreign Currency Translation and Transactions

The reporting currency of our company is the pound sterling. The functional currency of our foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries (including intercompany balances for which settlement is not anticipated in the foreseeable future) are translated at the spot rate in effect at the applicable reporting date. With the exception of certain material transactions, the amounts reported in our consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings or loss in our consolidated statements of equity. With the exception of certain material transactions, the cash flows from our operations in foreign countries are translated at the average rate for the applicable period in our consolidated statements of cash flows. The impacts of material transactions generally are recorded at the applicable spot rates in our consolidated statements of operations and cash flows. The effect of exchange rates on cash balances held in foreign currencies are separately reported in our consolidated statements of cash flows.

Transactions denominated in currencies other than our subsidiaries' functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheets related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statements of operations as unrealized (based on the applicable period end exchange rates) or realized upon settlement of the transactions.

Revenue Recognition

Service Revenue — Cable Networks. We recognize revenue from the provision of digital cable, broadband internet and fixed-line telephony services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our cable network is recognized as revenue in the period during which the installation occurs to the extent these fees are equal to or less than direct selling costs, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the average expected subscriber life.

Sale of Multiple Products and Services. We sell digital cable, broadband internet and fixed-line telephony services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual services based on the relative standalone price for each respective service.

Mobile Revenue. We recognize revenue from mobile services in the period the related services are provided. Revenue from pre-pay customers is recorded as deferred revenue prior to the commencement of services and is recognized as the services are rendered or usage rights expire. Mobile handset revenue is recognized to the extent of cash collected when the goods have been delivered and title has passed.

B2B Revenue. For periods beginning on or after June 8, 2013, we defer upfront installation and certain nonrecurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis over the term of the arrangement or the expected period of performance. For information regarding our policy prior to June 8, 2013, see note 1.

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

Subscriber Advance Payments and Deposits. Payments received in advance for the services we provide are deferred and recognized as revenue when the associated services are provided.

Sales and Other Value-added Taxes. Revenue is recorded net of applicable sales and other value-added taxes.

Share-Based Compensation

Share-based compensation expense prior to the LG/VM Transaction includes amounts for options, shares and performance shares related to the common stock of Old Virgin Media. Share-based compensation expense after the LG/VM Transaction represents amounts allocated to our company by Liberty Global.

We recognize all share-based payments from Liberty Global to employees of our subsidiaries, including grants of employee share incentive awards based on their grant-date fair values and Liberty Global's estimates of forfeitures. We recognize the fair value of outstanding options as a charge to operations over the vesting period. The cash benefits of tax deductions in excess of deferred taxes on recognized compensation expense are reported as a financing cash flow.

We use the straight-line method to recognize share-based compensation expense for Liberty Global's outstanding share awards to employees of our subsidiaries that do not contain a performance condition and the accelerated expense attribution method for our outstanding share awards that contain a performance condition and vest on a graded basis. We also recognize the equity component of deferred compensation as additional paid-in capital.

Liberty Global has calculated the expected life of options and share appreciation rights (SARs) granted by Liberty Global to employees based on historical exercise trends. The expected volatility for Liberty Global options and SARs is generally based on a combination of (i) historical volatilities of Liberty Global ordinary shares for a period equal to the expected average life of the Liberty Global awards and (ii) volatilities implied from publicly traded Liberty Global options.

For additional information regarding our share-based compensation, see note 10.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(3) <u>LG/VM Transaction</u>

Pursuant to the terms and conditions of an Agreement and Plan of Merger agreement (the LG/VM Transaction Agreement) between LGI and Old Virgin Media:

- Each share of common stock of our company was converted into the right to receive (i) 0.2582 Class A ordinary shares of Liberty Global, (ii) 0.1928 Class C ordinary shares of Liberty Global and (iii) $17.50 in cash (collectively, the LG/VM Transaction Consideration); and

- Each share of Series A common stock of LGI was converted into the right to receive one Class A ordinary share of Liberty Global, each share of Series B common stock of LGI was converted into the right to receive one Class B ordinary share of Liberty Global; and each share of Series C common stock of LGI was converted into the right to receive one Class C ordinary share of Liberty Global.

In connection with the completion of the LG/VM Transaction, Liberty Global issued 70,233,842 Class A and 52,444,170 Class C ordinary shares to holders of Virgin Media common stock and 141,234,331 Class A, 10,176,295 Class B and 105,572,797 Class C ordinary shares to holders of LGI Series A, Series B and Series C common stock, respectively. Each Class A ordinary share of Liberty Global is entitled to one vote per share, each Class B ordinary share of Liberty Global is entitled to ten votes per share and each Class C ordinary share of Liberty Global was issued without voting rights.

In connection with the execution of the LG/VM Transaction, we entered into various debt financing arrangements. For additional information, see note 7.

The LG/VM Transaction and related financing transactions were funded with a combination of (i) the net proceeds (after deducting certain transaction expenses) from the April 2021 VM Senior Secured Notes and 2023 VM Senior Notes (each as defined and described in note 7), (ii) borrowings under the VM Credit Facility (as defined and described in note 7) and (iii) our and Liberty Global's existing liquidity.

For accounting purposes, the LG/VM Transaction was treated as the acquisition of our company by Liberty Global. In this regard, the equity and cash consideration paid to acquire our company was pushed down and is reported in our consolidated financial statements as set forth below (in millions):

Class A ordinary shares (a)	£	3,446.7
Class C ordinary shares (a)		2,414.0
Cash (b)		3,064.1
Fair value of the vested portion of Virgin Media stock incentive awards (c)		174.1
Total equity and cash consideration	£	9,098.9

(a) Represents the value assigned to the 70,233,842 Class A and 52,444,170 Class C Liberty Global ordinary shares issued to our shareholders in connection with the LG/VM Transaction. These amounts are based on (i) the exchange ratios specified by the LG/VM Transaction Agreement, (ii) the closing per share price on June 7, 2013 of Series A and Series C LGI common stock of $76.24 and $71.51, respectively, and (iii) the 272,013,333 outstanding shares of our common stock at June 7, 2013.

(b) Represents the cash consideration paid in connection with the LG/VM Transaction. This amount is based on (i) the $17.50 per share cash consideration specified by the LG/VM Transaction Agreement and (ii) the 272,013,333 outstanding shares of our common stock at June 7, 2013.

(c) Represents the portion of the estimated fair value of our stock incentive awards that are attributable to services provided prior to the June 7, 2013 acquisition date. The estimated fair value is based on the attributes of our 13.03 million outstanding stock incentive awards at June 7, 2013, including the market price of our underlying common stock. Our outstanding stock incentive awards at June 7, 2013 include 9.86 million stock options that have been valued using Black Scholes option valuations. In addition, our stock incentive awards at June 7, 2013 included 3.17 million restricted stock units that included performance conditions and, in certain cases, market conditions. Those restricted stock units with market conditions have been valued using Monte Carlo simulation models.

A reconciliation of the purchase consideration pushed down to amounts recorded in the opening additional paid-in capital of our company is set forth below (in millions):

Purchase consideration	£	9,098.9
Contributed debt (a)		(3,096.5)
Other net assets (b)		144.9
Opening push-down equity	£	6,147.3

(a) Amount consists of obligations pursuant to (i) a £2,281.9 million third-party bridge loan that was subsequently repaid during June 2013 following the LG/VM Transaction and (ii) an £814.6 million related-party loan payable to a subsidiary of Liberty Global, both of which were assumed by our company as a part of the LG/VM Transaction. The proceeds from these loans were used by Liberty Global prior to the LG/VM Transaction to fund the cash portion of the purchase consideration and other related costs.

(b) In connection with the LG/VM Transaction, certain subsidiaries of Liberty Global were contributed to or merged into our company immediately following the LG/VM Transaction. The opening equity of our company after the LG/VM Transaction includes equity of these entities, which included (i) an accumulated deficit of £107.3 million on the contribution date and (ii) cash of £107.7 million on the contribution date.

Direct transaction costs associated with the LG/VM Transaction of £54.3 million, including professional fees and other related costs, have been expensed as incurred. With the exception of £0.7 million, these transaction costs were incurred prior to June 8, 2013.

The LG/VM Transaction has been accounted for using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. A summary of the purchase price and opening balance sheet pushed down to our company as of the June 7, 2013 acquisition date is presented in the following table. The opening balance sheet presented below reflects our final purchase price allocation (in millions).

Cash and cash equivalents (a)	£	447.1
Other current assets		598.4
Property and equipment, net		6,348.7
Goodwill (b)		5,793.7
Intangible assets subject to amortization (c)		2,527.0
Other assets, net		2,098.0
Current portion of debt and capital lease obligations		(762.4)
Other accrued and current liabilities (d) (e) (f)		(2,284.8)
Long-term debt and capital lease obligations		(5,456.8)
Other long-term liabilities (f)		(210.0)
Total purchase price	£	9,098.9

(a) Excludes £107.7 million of cash balances of certain subsidiaries of Liberty Global that were contributed to or merged into our company immediately following the LG/VM Transaction, as discussed above.

(b) The goodwill recognized in connection with the LG/VM Transaction is primarily attributable to (i) the ability to take advantage of Virgin Media's existing advanced broadband communications network to gain immediate access to potential customers and (ii) substantial synergies that are expected to be achieved through the integration of Virgin Media with Liberty Global's other broadband communications operations in Europe.

(c) Amount primarily includes intangible assets related to customer relationships. At June 7, 2013, the weighted average useful life of our intangible assets was approximately seven years.

(d) Amount includes a £23.0 million liability that was recorded to adjust an unfavorable capacity contract to its estimated fair value. This amount will be amortized through the March 31, 2014 expiration date of the contract as a reduction of Virgin Media's operating expenses so that the net effect of this amortization and the payments required under the contract approximate market rates. During the period from June 8, 2013 through December 31, 2013, £14.4 million of this liability was amortized as a reduction of operating expenses in our consolidated statement of operations.

(e) Amount includes the equity component of the VM Convertible Notes (as defined and described in note 7) of £1,068.5 million (on the date of the LG/VM Transaction) that is reflected as a current derivative liability. Following the LG/VM Transaction and through December 31, 2013, 94.4% of the VM Convertible Notes have been exchanged for Class A and Class C ordinary shares of Liberty Global and cash pursuant to the terms of the VM Convertible Notes Indenture (as defined in note 7). For additional information, see note 7.

(f) No amounts have been allocated to deferred revenue with respect to the ongoing performance obligations associated with our B2B service contracts, as our view is that the remaining fees to be received under these contracts approximate fair value given our estimates of the costs associated with these ongoing obligations.

(4) Derivative Instruments

We have entered into various derivative instruments to manage (i) interest rate exposure, (ii) foreign currency exposure with respect to the United States (U.S.) dollar ($) and (iii) equity exposure with respect to the dilutive effects of the VM Convertible Notes. Although we applied hedge accounting to certain of our derivative instruments prior to the LG/VM Transaction, we currently do not apply hedge accounting to our derivative instruments. Accordingly, during the Successor periods, changes in the fair values of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our consolidated statements of operations. Prior to the LG/VM Transaction, the effective portion of the net fair value adjustments associated with these derivative instruments was reflected in other comprehensive earnings (loss).

The following table provides details of the fair values of our derivative instrument assets and liabilities (in millions):

	Successor			Predecessor		
	December 31, 2013			December 31, 2012		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
Assets:						
Cross-currency and interest rate derivative contracts (b) (c)	£ 27.7	£ 138.0	£ 165.7	£ 36.2	£ 140.6	£ 176.8
Equity-related derivative instruments (d)	—	20.1	20.1	—	302.4	302.4
Total	£ 27.7	£ 158.1	£ 185.8	£ 36.2	£ 443.0	£ 479.2
Liabilities:						
Cross-currency and interest rate derivative contracts (b) (c)	£ 69.2	£ 253.7	£ 322.9	£ 29.3	£ 88.1	£ 117.4
Equity-related derivative instruments (d)	67.3	—	67.3	—	—	—
Total	£ 136.5	£ 253.7	£ 390.2	£ 29.3	£ 88.1	£ 117.4

(a) Our long-term derivative assets and liabilities are included in other assets, net, and other long-term liabilities, respectively, in our consolidated balance sheets.

(b) We consider credit risk in our fair value assessments. As of December 31, 2013 and 2012, (i) the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating £3.1 million and £4.8 million, respectively, and (ii) the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating £32.8 million and £11.5 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our debt instruments, as applicable. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of £29.7 million and (£6.8 million) during the Successor period from June 8 to December 31, 2013 and the Predecessor period from January 1 to June 7, 2013, respectively, and net gains (losses) of £24.8 million and (£4.2 million) during the years ended December 31, 2012 and 2011, respectively. The amounts included in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations were £29.7 million, £0.7 million, £6.3 million and (£8.6 million) for the Successor period from June 8 to December 31, 2013, the Predecessor period from January 1 to June 7, 2013, and the years ended December 31, 2012 and 2011, respectively. The amounts included in net unrealized gains (losses) on derivative instruments, in our consolidated statements of comprehensive earnings (loss) were nil, (£7.5 million), £18.5 million and £4.4 million for the Successor period from June 8 to December 31, 2013, the Predecessor period from January 1 to June 7, 2013, and the years ended December 31, 2012 and 2011, respectively. For further information concerning our fair value measurements, see note 5.

(c) At December 31, 2012, our current assets, long-term assets, current liabilities and long-term liabilities included derivative instruments that were accounted for using hedge accounting of £25.6 million, £127.6 million, £9.3 million and £54.5 million, respectively.

(d) The fair value of our equity-related derivative instruments relate to the Virgin Media Capped Calls, as defined and described below, and, at December 31, 2013, the derivative embedded in the VM Convertible Notes, as defined and described in note 7.

The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows (in millions):

	Successor	Predecessor (a)		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Cross-currency and interest rate derivative contracts	£ (230.7)	£ (0.3)	£ (25.2)	£ (8.3)
Equity-related derivative instruments (b)	31.1	50.0	174.1	(43.3)
Foreign currency forward contracts	(3.8)	2.1	(0.8)	0.9
Total	£ (203.4)	£ 51.8	£ 148.1	£ (50.7)

(a) The Predecessor periods include net hedge ineffectiveness gains (losses) related to derivative instruments accounted for as cash flow or fair value hedges of (£8.5 million), (£4.2 million) and £3.7 million during the period from January 1 to June 7, 2013 and the years ended December 31, 2012 and 2011, respectively. The effective portion of the net fair value adjustments associated with these derivative instruments, which are reflected in other comprehensive earnings (loss), aggregated losses of £10.8 million, £47.6 million and £46.5 million during such periods, respectively.

(b) Primarily represents activity related to the Virgin Media Capped Calls, as defined and described below, and in the Successor period, the derivative embedded in the VM Convertible Notes, as defined and described in note 7.

The net cash received or paid related to each of our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For cross-currency or interest rate derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. The classification of these cash inflows (outflows) are as follows (in millions):

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Operating activities	£ (12.3)	£ (15.8)	£ (13.4)	£ (40.8)
Investing activities	—	2.1	0.9	0.1
Financing activities	364.3	—	(26.0)	68.3
Total	£ 352.0	£ (13.7)	£ (38.5)	£ 27.6

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. We and our counterparties do not post collateral or other security, nor have we entered into master netting arrangements with any of our counterparties. At December 31, 2013, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of £155.0 million.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set-off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set-off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

The risks we would face in the event of a default by a counterparty to one of our derivative instruments might be eliminated or substantially mitigated if we were able to novate the relevant derivative contracts to a new counterparty following the default of our counterparty. While we anticipate that, in the event of the insolvency of one of our derivative counterparties, we would seek to effect such novations, no assurance can be given that we would obtain the necessary consents to do so or that we would be able to do so on terms or pricing that would be acceptable to us or that any such novation would not result in substantial costs to us. Furthermore, the underlying risks that are the subject of the relevant derivative contracts would no longer be effectively hedged due to the insolvency of our counterparty, unless and until we novate or replace the derivative contract.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and/or liquidity.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at December 31, 2013 which are held by our subsidiary, Virgin Media Investment Holdings Limited (VMIH), are as follows:

Final maturity date (a)	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
February 2022	$ 1,400.0	£ 873.6	5.01%	5.35%
June 2020	$ 1,384.6	£ 901.4	6 mo. US LIBOR + 2.75%	6 mo. LIBOR + 3.18%
October 2020	$ 1,370.4	£ 881.6	6 mo. US LIBOR + 2.75%	6 mo. LIBOR + 3.10%
January 2018	$ 1,000.0	£ 615.7	6.50%	7.05%
October 2019	$ 500.0	£ 302.3	8.38%	9.07%
April 2019	$ 291.5	£ 186.2	5.38%	5.49%
November 2016 (b)	$ 55.0	£ 27.7	6.50%	7.03%

(a) The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis.

(b) Unlike the other cross-currency swaps presented in this table, the identified cross-currency swap does not involve the exchange of notional amounts at the inception and maturity of the instruments. Accordingly, the only cash flows associated with this instrument are interest payments and receipts.

Cross-currency Interest Rate Swaps:

The terms of our outstanding cross-currency interest rate swap contracts at December 31, 2013, which are held by VMIH, are as follows:

Final maturity date (a)	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
January 2021	$ 500.0	£ 308.9	5.25%	6 mo. LIBOR + 1.94%

(a) The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis.

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at December 31, 2013, which are held by VMIH, are as follows:

Final maturity date (a)	Notional amount		Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
October 2018	£	2,155.0	6 mo. LIBOR	1.52%
January 2021	£	650.0	5.50%	6 mo. LIBOR + 1.84%
January 2021	£	650.0	6 mo. LIBOR + 1.84%	3.87%
December 2015	£	600.0	6 mo. LIBOR	2.86%
April 2018	£	300.0	6 mo. LIBOR	1.37%

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(a) The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis.

Equity-Related Derivative Instruments

Virgin Media Capped Calls. During 2010, we entered into conversion hedges (the Virgin Media Capped Calls) with respect to the VM Convertible Notes, as defined and described in note 7, in order to offset a portion of the dilutive effects associated with conversion of the VM Convertible Notes. We account for the Virgin Media Capped Calls at fair value using a binomial pricing model and changes in fair value are reported in realized and unrealized gains or losses on derivative instruments, net, in our consolidated statements of operations. The fair value of the Virgin Media Capped Calls as of December 31, 2013 was an asset of £20.1 million. The Virgin Media Capped Calls mature on dates ranging from September 30, 2016 to November 10, 2016.

As further described in note 7, during the Successor period in 2013, most of the VM Convertible Notes were exchanged for Liberty Global Class A and Class C ordinary shares and cash pursuant to the terms of the VM Convertible Notes Indenture (as defined in note 7). Accordingly, during 2013, we settled 93.8% of the notional amount of the Virgin Media Capped Calls for cash proceeds of $534.8 million (£353.4 million at the applicable rate).

(5) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these derivative instruments as of December 31, 2013 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. We expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During 2013, no such transfers were made.

All of our Level 2 inputs (interest rate futures, swap rates and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive market value assessments from the counterparties to our derivative contracts. Although we compare these assessments to our internal valuations and investigate unexpected differences, we do not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. The midpoints of applicable bid and ask ranges generally are used as inputs for our internal valuations.

The recurring fair value measurement of our equity-related derivatives are based on binomial option pricing models, which require the input of observable and unobservable variables such as exchange traded equity prices, risk-free interest rates, dividend yields and forecasted volatilities of the underlying equity securities. The valuations of our equity-related derivatives are based on a combination of Level 1 inputs (exchange traded equity prices), Level 2 inputs (interest rate futures and swap rates) and Level 3 inputs (forecasted volatilities). As changes in volatilities could have a significant impact on the overall valuations, we have determined that these valuations fall under Level 3 of the fair value hierarchy. For the December 31, 2013 valuations of our equity-related derivatives, we used estimated volatilities ranging from 25% to 27%. Based on the December 31, 2013 market price for Liberty Global ordinary shares, changes in forecasted volatilities currently would not have a significant impact on the valuation of the Virgin Media Capped Calls or the derivative embedded in the VM Convertible Notes, as defined and described in note 7.

As further described in note 4, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes applicable interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 4.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During 2013, we performed nonrecurring valuations for the LG/VM Transaction. We used a discount rate of 9.0% for our valuation of the customer relationships acquired as a result of this acquisition. For additional information, see note 3.

A summary of our derivative instrument assets and liabilities that are measured at fair value on a recurring basis is as follows:

	Successor			
		Fair value measurements at December 31, 2013 using:		
Description	**December 31, 2013**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		in millions		
Assets:				
Cross-currency and interest rate derivative contracts	£ 165.7	£ —	£ 165.7	£ —
Equity-related derivative instruments	20.1	—	—	20.1
Total assets	£ 185.8	£ —	£ 165.7	£ 20.1
Liabilities:				
Cross-currency and interest rate derivative contracts	£ 322.9	£ —	£ 322.9	£ —
Equity-related derivative instruments	67.3	—	—	67.3
Total liabilities	£ 390.2	£ —	£ 322.9	£ 67.3

	Predecessor			
		Fair value measurements at December 31, 2012 using:		
Description	**December 31, 2012**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		in millions		
Assets:				
Cross-currency and interest rate derivative contracts	£ 176.8	£ —	£ 176.8	£ —
Equity-related derivative instruments	302.4	—	—	302.4
Total assets	£ 479.2	£ —	£ 176.8	£ 302.4
Liabilities:				
Cross-currency and interest rate derivative contracts	£ 117.4	£ —	£ 117.4	£ —

A reconciliation of the beginning and ending balances of Virgin Media Capped Calls, which are measured at fair value on a recurring basis using significant unobservable, or Level 3, inputs is as follows (in millions):

Predecessor:		
Balance of net asset at January 1, 2013	£	302.4
Gains included in net earnings:		
Unrealized gains on derivative instruments, net		50.0
Foreign currency translation adjustments		12.5
Balance of net asset at June 7, 2013	£	364.9
Successor:		
Balance of net asset at June 7, 2013	£	364.9
Gains included in net loss:		
Unrealized gains on derivative instruments, net		0.8
Foreign currency translation adjustments		7.8
Cash settlements		(353.4)
Balance of net asset at December 31, 2013	£	20.1

A reconciliation of the beginning and ending balances of the derivative embedded in the VM Convertible Notes, which is measured at fair value on a recurring basis using significant unobservable, or Level 3, inputs is as follows (in millions):

Successor:		
Balance of net liability at June 7, 2013	£	1,068.5
Gains included in net loss:		
Unrealized gains on derivative instruments, net		(30.3)
Foreign currency translation adjustments		20.8
Settlements		(991.7)
Balance of net liability at December 31, 2013	£	67.3

(6) Long-lived Assets

Property and Equipment, Net

The details of our property and equipment and the related accumulated depreciation are set forth below (in millions):

	Estimated useful life at December 31, 2013	Successor December 31, 2013	Predecessor December 31, 2012
Distribution systems	4 to 30 years	£ 5,158.2	£ 7,947.4
Customer premises equipment	3 to 5 years	915.8	1,355.1
Support equipment, buildings and land	3 to 40 years	716.5	690.7
		6,790.5	9,993.2
Accumulated depreciation		(677.9)	(5,481.0)
Total property and equipment, net		£ 6,112.6	£ 4,512.2

During the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the years ended December 31, 2012 and December 31, 2011, depreciation expense related to our property and equipment was £704.7 million, £432.8 million, £966.4 million and £928.0 million, respectively.

At December 31, 2013 and 2012, the amount of property and equipment, net, recorded under capital leases was £305.9 million and £242.6 million, respectively. Most of these amounts relate to assets included in our customer premises equipment category. Depreciation of assets under capital leases of our continuing operations is included in depreciation and amortization in our consolidated statements of operations.

During the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the years ended December 31, 2012 and December 31, 2011, we recorded non-cash increases to our property and equipment related to assets acquired under capital leases of £28.3 million, £64.7 million, £88.9 million and £91.2 million, respectively. In addition, during the period from June 8 to December 31, 2013, we recorded non-cash increases related to vendor financing arrangements of £34.8 million, which amount excludes related value-added taxes of £3.0 million that were also financed by our vendors under these arrangements.

During the third quarter of 2013, we recorded a charge of £9.2 million related to the impairment of certain network assets.

Goodwill

Changes in the carrying amount of our goodwill during 2013 are set forth below (in millions):

January 1, 2013	£	2,017.5
LG/VM Transaction (note 3):		
Elimination of Predecessor goodwill		(2,017.5)
Addition		5,793.7
December 31, 2013	£	5,793.7

The carrying amount of goodwill was unchanged during 2012.

Intangible Assets Subject to Amortization, Net

The details of our intangible assets subject to amortization are set forth below (in millions):

		Successor		
		December 31, 2013		
	Estimated useful life at December 31, 2013	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	5 to 8 years	£ 2,527.0	£ (205.5)	£ 2,321.5

During the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the years ended December 31, 2012 and December 31, 2011, amortization of intangible assets with finite useful lives was £205.5 million, nil, nil and £118.4 million, respectively. Based on the amortizable intangible asset balances at December 31, 2013, we expect that amortization expense will be as follows for the next five years and thereafter. The amortization expense amounts as of December 31, 2013 are presented below (in millions):

2014	£	365.0
2015		365.0
2016		365.0
2017		365.0
2018		363.5
Thereafter		498.0
Total	£	2,321.5

(7) Debt and Capital Lease Obligations

The pound sterling equivalents of the components of our consolidated debt and capital lease obligations are as follows (in millions, except percentages):

	December 31, 2013		Estimated fair value (c)		Carrying value (d)	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	Successor December 31, 2013	Predecessor December 31, 2012	Successor December 31, 2013	Predecessor December 31, 2012
Debt:						
Parent:						
VM Convertible Notes (e)	6.50%	£ —	£ 99.1	£ 1,276.3	£ 34.7	£ 544.0
Subsidiaries:						
VM Notes	6.36%	—	5,546.6	4,660.5	5,523.3	4,406.1
VM Credit Facility	3.77%	660.0	2,649.3	750.0	2,627.5	750.0
Vendor financing (f)	3.01%	—	37.8	—	37.8	—
Total debt	5.50%	£ 660.0	£ 8,332.8	£ 6,686.8	8,223.3	5,700.1
Capital lease obligations					225.5	229.0
Total debt and capital lease obligations					8,448.8	5,929.1
Current maturities					(159.5)	(77.1)
Long-term debt and capital lease obligations					£ 8,289.3	£ 5,852.0

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(a) Represents the weighted average interest rate in effect at December 31, 2013 for all borrowings outstanding pursuant to each debt instrument including any applicable margin. The interest rates presented represent stated rates and do not include the impact of our interest rate derivative contracts, deferred financing costs, original issue premiums or discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums and discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate variable- and fixed-rate indebtedness was approximately 6.1% at December 31, 2013. For information concerning our derivative instruments, see note 4.

(b) Unused borrowing capacity represents the maximum availability under the VM Credit Facility (as defined and described below) at December 31, 2013 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2013, our availability under the VM Credit Facility was limited to £653.6 million. When the December 31, 2013 compliance reporting requirements have been completed and assuming no changes from December 31, 2013 borrowing levels, we anticipate that our availability at December 31, 2013 under the VM Credit Facility will be limited to £622.0 million. In addition to the limitations noted above, the debt instruments of our subsidiaries contain restricted payment tests that limit the amount that can be loaned or distributed to other Virgin Media subsidiaries and ultimately to Virgin Media. At December 31, 2013, the availability to be loaned or distributed by VMIH to other Virgin Media subsidiaries and ultimately to Virgin Media was limited to £305.2 million. When the relevant December 31, 2013 compliance reporting requirements have been completed and assuming no changes from December 31, 2013 borrowing levels, we anticipate that only £139.4 million of the borrowing capacity of VMIH will be available under these tests to be loaned or distributed.

(c) The estimated fair values of our debt instruments were determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on the market interest rates and estimated credit spreads of the applicable entity, to the extent available, and other relevant factors. For additional information concerning fair value hierarchies, see note 5.

(d) Amounts include the impact of premiums and discounts, where applicable.

(e) The amount reported in the estimated fair value column for the VM Convertible Notes represents the estimated fair value of the remaining VM Convertible Notes outstanding as of December 31, 2013, including both the debt and equity components.

(f) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are generally due within one year. At December 31, 2013, the amount owed pursuant to these arrangements includes £3.0 million of value-added taxes that were paid on our behalf by the vendor. Repayments of vendor financing obligations are included in repayments and repurchases of debt and capital lease obligations in our consolidated statements of cash flows.

VM Convertible Notes

In April 2008, Old Virgin Media issued $1.0 billion (£603.6 million) principal amount of 6.50% convertible senior notes (the VM Convertible Notes), pursuant to an indenture (as supplemented, the VM Convertible Notes Indenture). The VM Convertible Notes mature on November 15, 2016, unless the VM Convertible Notes are exchanged or repurchased prior thereto pursuant to the terms of the VM Convertible Notes Indenture.

As a result of the application of acquisition accounting in connection with the LG/VM Transaction, the $2,716.8 million (£1,748.7 million on the date of the LG/VM Transaction) estimated fair value of the VM Convertible Notes at June 7, 2013 was allocated between the respective debt and equity components. The portion allocated to the debt component of $1,056.8 million (£680.2 million on the date of the LG/VM Transaction) was measured based on the estimated fair value of a debt instrument that has the same terms as the VM Convertible Notes without the conversion feature. The amount allocated to the debt component resulted in a premium to the principal amount of the VM Convertible Notes. The $1,660.0 million (£1,068.5 million on the date of the LG/VM Transaction) portion allocated to the equity component at June 7, 2013 was recorded as a derivative instrument included within current liabilities in our consolidated balance sheet. The equity component is accounted for as an embedded derivative that requires bifurcation from the debt instrument due to the fact that the conversion option is indexed to Liberty Global shares.

The VM Convertible Notes are exchangeable under certain conditions for (subject to further adjustment as provided in the VM Convertible Notes Indenture and subject to our right to settle in cash or a combination of Liberty Global ordinary shares and cash) 13.4339 Class A ordinary shares of Liberty Global, 10.0312 Class C ordinary shares of Liberty Global and $910.51 (£549.59) in cash (without interest) for each $1,000 (£603.61) in principal amount of VM Convertible Notes exchanged. The circumstances under which the VM Convertible Notes are exchangeable are more fully described in the VM Convertible Notes Indenture, including, for example, based on the relationship of the value of the LG/VM Transaction Consideration to the conversion price of the VM Convertible Notes. Based on the trading prices of Liberty Global's Class A and Class C ordinary shares during a specified period, as provided for in the VM Convertible Notes Indenture, the VM Convertible Notes are currently exchangeable. Because the LG/VM Transaction constituted a "Fundamental Change" and a "Make-Whole Fundamental Change" under the VM Convertible Notes Indenture, a holder of the VM Convertible Notes who exchanged such notes at any time from June 7, 2013 through July 9, 2013 received 13.8302 Class A ordinary shares of Liberty Global, 10.3271 Class C ordinary shares of Liberty Global and $937.37 (£565.81) in cash (without interest) for each $1,000 (£603.61) in principal amount of VM Convertible Notes exchanged.

As of December 31, 2013, an aggregate of $944.2 million (£569.9 million) principal amount of VM Convertible Notes had been exchanged following the LG/VM Transaction for 13.1 million Class A ordinary shares of Liberty Global and 9.8 million Class C ordinary shares of Liberty Global and $885.1 million (£534.3 million) of cash. No gain or loss on extinguishment was recorded for these exchanges as the debt component of the VM Convertible Notes was measured at fair value shortly before the exchanges pursuant to the application of acquisition accounting in connection with the LG/VM Transaction. After giving effect to all exchanges completed, the remaining principal amount outstanding under the VM Convertible Notes was $54.8 million (£33.1 million) as of December 31, 2013. The fair value of the derivative liability at December 31, 2013 was £67.3 million.

The VM Convertible Notes are senior unsecured obligations of our company that rank equally in right of payment with all of our existing and future senior and unsecured indebtedness and ranks senior in right to all of our existing and future subordinated indebtedness. The VM Convertible Notes are effectively subordinated to all existing and future indebtedness and other obligations of our subsidiaries. The VM Convertible Notes Indenture does not contain any financial or restrictive covenants. The VM Convertible Notes are non-callable.

As discussed in note 1, the Liberty Global share and share-based amounts set forth above have not been adjusted to give effect to the 2014 Share Dividend.

VM Notes

At December 31, 2013, the following senior notes of certain of our subsidiaries were outstanding:

- $507.1 million (£306.1 million) principal amount of 8.375% senior notes (the 2019 VM Dollar Senior Notes) and £253.5 million principal amount of 8.875% senior notes (the 2019 VM Sterling Senior Notes and, together with the 2019 VM Dollar Senior Notes, the 2019 VM Senior Notes). The 2019 VM Senior Notes were issued by Virgin Media Finance PLC (Virgin Media Finance), a wholly-owned subsidiary of Virgin Media;

- $1.0 billion (£603.6 million) principal amount of 6.50% senior secured notes (the 2018 VM Dollar Senior Secured Notes) and £875.0 million principal amount of 7.0% senior secured notes (the 2018 VM Sterling Senior Secured Notes and, together with the 2018 VM Dollar Senior Secured Notes, the 2018 VM Senior Secured Notes). The 2018 VM Senior Secured Notes were issued by Virgin Media Secured Finance PLC (Virgin Media Secured Finance), a wholly-owned subsidiary of Virgin Media;

- $447.9 million (£270.4 million) principal amount of 5.25% senior secured notes (the January 2021 VM Dollar Senior Secured Notes) and £628.4 million principal amount of 5.50% senior secured notes (the January 2021 VM Sterling Senior Secured Notes and, together with the January 2021 VM Dollar Senior Secured Notes, the January 2021 VM Senior Secured Notes). The January 2021 VM Senior Secured Notes were issued by Virgin Media Secured Finance;

- $95.0 million (£57.3 million) principal amount of 5.25% senior notes (the 2022 VM 5.25% Dollar Senior Notes);

- $118.7 million (£71.6 million) principal amount of 4.875% senior notes (the 2022 VM 4.875% Dollar Senior Notes) and £44.1 million principal amount of 5.125% senior notes (the 2022 VM Sterling Senior Notes and, together with the 2022 VM 4.875% Dollar Senior Notes and the 2022 VM 5.25% Dollar Senior Notes, the 2022 VM Senior Notes). The 2022 VM Senior Notes were issued by Virgin Media Finance;

- $1.0 billion (£603.6 million) principal amount of 5.375% senior secured notes (the April 2021 VM Dollar Senior Secured Notes) and £1.1 billion principal amount of 6.0% senior secured notes (the April 2021 VM Sterling Senior Secured Notes and, together with the April 2021 VM Dollar Senior Secured Notes, the April 2021 VM Senior Secured Notes); and

- $530.0 million (£319.9 million) principal amount of 6.375% senior notes (the 2023 VM Dollar Senior Notes) and £250.0 million principal amount of 7.0% senior notes (the 2023 VM Sterling Senior Notes and, together with the 2023 VM Dollar Senior Notes, the 2023 VM Senior Notes).

The April 2021 VM Senior Secured Notes and the 2023 VM Senior Notes were originally issued by subsidiaries of Liberty Global in February 2013 in connection with the execution of the LG/VM Transaction Agreement. The net proceeds (after deducting certain transaction expenses) from the April 2021 VM Senior Secured Notes and the 2023 VM Senior Notes of £2,198.3 million (equivalent at the transaction date) were placed into segregated escrow accounts with a trustee. Such net proceeds were released in connection with the closing of the LG/VM Transaction. In addition, upon completion of the LG/VM Transaction, the April 2021 VM Senior Secured Notes and the 2023 VM Senior Notes were pushed down to Virgin Media Secured Finance and Virgin Media Finance, respectively.

The 2018 VM Senior Secured Notes, the January 2021 VM Senior Secured Notes and the April 2021 VM Senior Secured Notes are collectively referred to as the "VM Senior Secured Notes." The 2019 VM Senior Notes, the 2022 VM Senior Notes and the 2023 VM Senior Notes are collectively referred to as the "VM Senior Notes" (and together with the VM Senior Secured Notes, the VM Notes).

Under the terms of the applicable indentures, the completion of the LG/VM Transaction represented a "Change of Control" event that required Virgin Media Secured Finance and Virgin Media Finance, as applicable, to offer to repurchase the January 2021 VM Senior Secured Notes and the 2022 VM Senior Notes at a repurchase price of 101% of par. In this regard, on June 11, 2013, Virgin Media Secured Finance and Virgin Media Finance, as applicable, redeemed (i) $52.1 million (£31.4 million) of the

January 2021 VM Dollar Senior Secured Notes, (ii) £21.6 million of the January 2021 VM Sterling Senior Secured Notes, (iii) $405.0 million (£244.5 million) of the 2022 VM 5.25% Dollar Senior Notes, (iv) $781.3 million (£471.6 million) of the 2022 VM 4.875% Dollar Senior Notes and (v) £355.9 million of the 2022 VM Sterling Senior Notes. With respect to the 2019 VM Senior Notes and the 2018 VM Senior Secured Notes, Virgin Media previously had obtained consent from holders of such notes to waive its repurchase obligations under the respective indentures related to the "Change of Control" provisions. The LG/VM Transaction did not constitute a "Change of Control" event under the indentures governing the April 2021 VM Senior Secured Notes and the 2023 VM Senior Notes.

The details of the VM Notes as of December 31, 2013 are summarized in the following table:

VM Notes	Maturity	Interest rate	Outstanding principal amount: Borrowing currency	Outstanding principal amount: Pound sterling equivalent	Estimated fair value	Carrying value (a)
				in millions		
2018 VM Dollar Senior Secured Notes	January 15, 2018	6.500%	$ 1,000.0	£ 603.6	£ 626.6	£ 629.3
2018 VM Sterling Senior Secured Notes	January 15, 2018	7.000%	£ 875.0	875.0	910.0	914.8
2019 VM Dollar Senior Notes	October 15, 2019	8.375%	$ 507.1	306.1	334.4	336.3
2019 VM Sterling Senior Notes	October 15, 2019	8.875%	£ 253.5	253.5	276.9	277.5
January 2021 VM Dollar Senior Secured Notes	January 15, 2021	5.250%	$ 447.9	270.4	276.8	279.0
January 2021 VM Sterling Senior Secured Notes	January 15, 2021	5.500%	£ 628.4	628.4	634.3	638.2
April 2021 VM Dollar Senior Secured Notes	April 15, 2021	5.375%	$ 1,000.0	603.6	608.9	603.6
April 2021 VM Sterling Senior Secured Notes	April 15, 2021	6.000%	£ 1,100.0	1,100.0	1,135.1	1,100.0
2022 VM 5.25% Dollar Senior Notes	February 15, 2022	5.250%	$ 95.0	57.3	51.1	57.9
2022 VM 4.875% Dollar Senior Notes	February 15, 2022	4.875%	$ 118.7	71.6	62.8	72.3
2022 VM Sterling Senior Notes	February 15, 2022	5.125%	£ 44.1	44.1	40.9	44.5
2023 VM Dollar Senior Notes	April 15, 2023	6.375%	$ 530.0	319.9	327.7	319.9
2023 VM Sterling Senior Notes	April 15, 2023	7.000%	£ 250.0	250.0	261.1	250.0
Total				£ 5,383.5	£ 5,546.6	£ 5,523.3

(a) Amounts include the impact of premiums and discounts, where applicable, including amounts recorded in connection with the acquisition accounting for the LG/VM Transaction.

The VM Senior Notes are unsecured senior obligations of Virgin Media Finance that rank equally with all of the existing and future senior debt of Virgin Media Finance and are senior to all existing and future subordinated debt of Virgin Media Finance. The VM Senior Notes are guaranteed on a senior basis by our company and certain of our subsidiaries and on a senior subordinated basis by VMIH and Virgin Media Investments Limited (VMIL).

The VM Senior Secured Notes are senior obligations of Virgin Media Secured Finance that rank equally with all of the existing and future senior debt of Virgin Media Secured Finance and are senior to all existing and future subordinated debt of Virgin Media Secured Finance. The VM Senior Secured Notes are guaranteed on a senior basis by our company and certain of our subsidiaries (the VM Senior Secured Guarantors) and are secured by liens on substantially all of the assets of Virgin Media Secured Finance and the VM Senior Secured Guarantors (except for Virgin Media). The VM Notes contain certain customary incurrence-based covenants. For example, the ability to raise certain additional debt and make certain distributions or loans to other subsidiaries of Liberty Global is subject to a Consolidated Leverage Ratio test, as defined in the applicable indenture. In addition, the VM Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of £50.0 million or more in the aggregate of Virgin Media, Virgin Media Finance, Virgin Media Secured Finance or VMIH (as applicable under the relevant indenture), or the Restricted Subsidiaries (as defined in the applicable indenture) is an event of default under the VM Notes.

Subject to the circumstances described below, the January 2021 VM Senior Secured Notes and the 2022 VM Senior Notes are non-callable. At any time prior to maturity, Virgin Media Secured Finance or Virgin Media Finance (as applicable) may redeem some or all of the January 2021 VM Senior Secured Notes or the 2022 VM Senior Notes (as applicable) by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments to (i) January 15, 2021 using the discount rate (as specified in the applicable indenture) as of the applicable redemption date plus 25 basis points in the case of the January 2021 VM Senior Secured Notes or (ii) February 15, 2022 using the discount rate (as specified in the applicable indenture) as of the applicable redemption date plus 50 basis points in the case of the 2022 VM Senior Notes.

Subject to the circumstances described below, the 2018 VM Senior Secured Notes are non-callable until January 15, 2014, the 2019 VM Senior Notes are non-callable until October 15, 2014, the April 2021 VM Senior Secured Notes are non-callable until April 15, 2017 and the 2023 VM Senior Notes are non-callable until April 15, 2018. At any time prior to January 15, 2014 in the case of the 2018 VM Senior Secured Notes, October 15, 2014 in the case of the 2019 VM Senior Notes, April 15, 2017 in the case of the April 2021 VM Senior Secured Notes or April 15, 2018 in the case of the 2023 VM Senior Notes, Virgin Media Secured Finance and Virgin Media Finance (as applicable) may redeem some or all of the 2018 VM Senior Secured Notes, the 2019 VM Senior Notes, the April 2021 VM Senior Secured Notes or the 2023 VM Senior Notes (as applicable) by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments to January 15, 2014, October 15, 2014, April 15, 2017 or April 15, 2018 (as applicable) using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

Virgin Media Finance and Virgin Media Secured Finance (as applicable) may redeem some or all of the 2018 VM Senior Secured Notes, the 2019 VM Senior Notes, the April 2021 VM Senior Secured Notes or the 2023 VM Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined in the applicable indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on January 15, in the case of the 2018 VM Senior Secured Notes, October 15, in the case of the 2019 VM Senior Notes, or April 15, in the case of the April 2021 VM Senior Secured Notes and the 2023 VM Senior Notes, of the years set forth below:

	Redemption price							
Year	**2018 VM Dollar Senior Secured Notes**	**2018 VM Sterling Senior Secured Notes**	**2019 VM Dollar Senior Notes**	**2019 VM Sterling Senior Notes**	**April 2021 VM Dollar Senior Secured Notes**	**April 2021 VM Sterling Senior Secured Notes**	**2023 VM Dollar Senior Notes**	**2023 VM Sterling Senior Notes**
2014	103.250%	103.500%	104.188%	104.438%	N.A.	N.A.	N.A.	N.A.
2015	101.625%	101.750%	102.792%	102.958%	N.A.	N.A.	N.A.	N.A.
2016	100.000%	100.000%	101.396%	101.479%	N.A.	N.A.	N.A.	N.A.
2017	100.000%	100.000%	100.000%	100.000%	102.688%	103.000%	N.A.	N.A.
2018	N.A.	N.A.	100.000%	100.000%	101.344%	101.500%	103.188%	103.500%
2019	N.A.	N.A.	N.A.	N.A.	100.000%	100.000%	102.125%	102.333%
2020	N.A.	N.A.	N.A.	N.A.	100.000%	100.000%	101.063%	101.667%
2021 and thereafter	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	100.000%	100.000%

During March 2012, the net proceeds of the 2022 VM 5.25% Dollar Senior Notes and existing cash and cash equivalents were used to redeem a portion of the $1,350.0 million (£814.9 million) principal amount of our then existing 9.5% senior notes (the 9.5% Senior Notes). During October 2012, a portion of (i) the net proceeds of the 2022 VM 4.875% Dollar Senior Notes and (ii) a portion of the net proceeds of the 2022 VM Sterling Senior Notes were used to redeem (a) the remaining amount of the 9.5% Senior Notes, (b) €180.0 million (£149.8 million) principal amount of 9.5% senior notes, (c) $92.9 million (£56.1 million) principal amount of the 2019 VM Dollar Senior Notes and (d) £96.5 million principal amount of the 2019 VM Sterling Senior Notes. In connection with these transactions, we recognized aggregate losses on debt extinguishments of £187.8 million representing (i) premiums paid of £152.1 million, (ii) the write-off of unamortized original issue discounts of £22.6 million and (iii) the write-off of £13.1 million of deferred financing costs.

During 2011, the net proceeds of the January 2021 VM Senior Secured Notes, a new £750.0 million senior credit facility (that was repaid during 2013 as noted above) and existing cash and cash equivalents were used to redeem the existing senior credit facility and $550.0 million (£332.0 million) of our then existing principal amount of 9.125% senior notes. In connection with these transactions, we recognized losses on debt extinguishments of £47.2 million, representing the write-off of £30.7 million of deferred financing costs and premiums paid of £16.5 million.

VM Credit Facility

On June 7, 2013, VMIH, together with certain other subsidiaries of Virgin Media as borrowers and guarantors (the Virgin Media Borrowing Group) entered into a new senior secured credit facility agreement, as amended and restated on June 14, 2013 (the VM Credit Facility), pursuant to which the lenders thereunder agreed to provide the borrowers with (i) a £375.0 million term loan (VM Facility A), (ii) a $2,755.0 million (£1,662.9 million) term loan (VM Facility B), (iii) a £600.0 million term loan (VM Facility C) and (iv) a £660.0 million revolving credit facility (the VM Revolving Facility). With the exception of the VM Revolving Facility, all available amounts were borrowed under the VM Credit Facility in June 2013. In connection with the LG/VM Transaction, we repaid our previous £750.0 million senior credit facility.

The VM Credit Facility requires that certain members of the Virgin Media Borrowing Group that generate not less than 80% of such group's EBITDA (as defined in the VM Credit Facility) in any financial year, guarantee the payment of all sums payable under the VM Credit Facility and such group members are required to grant first-ranking security over all or substantially all of their assets to secure the payment of all sums payable. In addition, the holding company of each borrower must give a share pledge over its shares in such borrower.

In addition to mandatory prepayments which must be made for certain disposal proceeds (subject to certain de minimis thresholds), the lenders may cancel their commitments and declare the loans due and payable after 30 business days following the occurrence of a change of control in respect of VMIH, subject to certain exceptions.

The VM Credit Facility contains certain customary events of default, the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the lenders to (i) cancel the total commitments, (ii) accelerate all outstanding loans and terminate their commitments thereunder and/or (iii) declare that all or part of the loans be payable on demand. The VM Credit Facility contains certain representations and warranties customary for facilities of this type, which are subject to exceptions, baskets and materiality qualifications.

The VM Credit Facility restricts the ability of certain members of the Virgin Media Borrowing Group to, among other things, (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions and (iii) create certain security interests over their assets, in each case, subject to carve-outs from such limitations.

The VM Credit Facility requires the borrowers to observe certain affirmative undertakings or covenants, which covenants are subject to materiality and other customary and agreed exceptions. In addition, the VM Credit Facility also requires compliance with various financial covenants such as Senior Net Debt to Annualized EBITDA and Total Net Debt to Annualized EBITDA, each capitalized term as defined in the VM Credit Facility.

In addition to customary default provisions, the VM Credit Facility provides that any event of default with respect to indebtedness of £50.0 million or more in the aggregate of Virgin Media Finance, and its subsidiaries is an event of default under the VM Credit Facility.

The VM Credit Facility permits certain members of the Virgin Media Borrowing Group to make certain distributions and restricted payments to its parent company (and indirectly to Liberty Global) through loans, advances or dividends subject to compliance with applicable covenants.

The details of our borrowings under the VM Credit Facility as of December 31, 2013 are summarized in the following table:

Facility	Final maturity date	Interest rate	Facility amount (in borrowing currency)	Unused borrowing capacity (a)	Carrying value (b)
				in millions	
A	June 7, 2019	LIBOR +3.25%	£ 375.0	£ —	£ 375.0
B	June 7, 2020	LIBOR +2.75% (c)	$ 2,755.0	—	1,655.3
C	June 7, 2020	LIBOR +3.75% (c)	£ 600.0	—	597.2
Revolving Facility	June 7, 2019	LIBOR +3.25%	£ 660.0	660.0	—
Total				£ 660.0	£ 2,627.5

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(a) At December 31, 2013 our availability under the VM Credit Facility was limited to £653.6 million. When the relevant December 31, 2013 compliance reporting requirements have been completed and assuming no changes from December 31, 2013 borrowing levels, we anticipate that our availability will be limited to £622.0 million. The VM Revolving Facility has a commitment fee on unused and uncanceled balances of 1.3% per year.

(b) The carrying values of VM Facilities B and C include the impact of discounts.

(c) VM Facilities B and C have a LIBOR floor of 0.75%.

MergerCo Bridge Facility Agreement

On June 5, 2013, a subsidiary of Liberty Global entered into a short-term unsecured bridge credit facility agreement as the borrower in an aggregate principal amount of approximately $3,545.0 million (£2,281.9 million at the applicable rate) (the MergerCo Bridge Facility Agreement), with amounts borrowed applied towards paying the consideration for the LG/VM Transaction together with any related fees, costs and expenses. This facility was assumed by our company on June 7, 2013 as a part of the LG/VM Transaction.

Amounts borrowed under the MergerCo Bridge Facility Agreement were repaid on June 12, 2013 using proceeds from the issuance of the April 2021 VM Senior Secured Notes and the 2023 VM Senior Notes. There was no margin or interest payable under the MergerCo Bridge Facility Agreement. However, the lender was paid a commitment fee. The MergerCo Bridge Facility Agreement was an unsecured credit facility.

Maturities of Debt and Capital Lease Obligations

The pound sterling equivalents of the maturities of our debt and capital lease obligations as of December 31, 2013 are presented below:

	Debt	Capital lease obligations	Total
		in millions	
Year ending December 31:			
2014	£ 70.9	£ 96.7	£ 167.6
2015	—	68.1	68.1
2016	—	38.2	38.2
2017	—	10.3	10.3
2018	1,478.6	2.8	1,481.4
Thereafter	6,542.9	145.5	6,688.4
Total debt maturities	8,092.4	361.6	8,454.0
Unamortized premium, net of discount	130.9	—	130.9
Amounts representing interest	—	(136.1)	(136.1)
Total debt	£ 8,223.3	£ 225.5	£ 8,448.8
Current portion	£ 72.5	£ 87.0	£ 159.5
Noncurrent portion	£ 8,150.8	£ 138.5	£ 8,289.3

Non-cash Refinancing Transactions

During 2013, 2012 and 2011, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating £750.0 million, nil and £750.0 million, respectively.

(8) Income Taxes

Virgin Media files tax returns in the U.S. and the U.K. The income taxes of Virgin Media and its subsidiaries are presented in our financial statements based on a separate return basis for each tax-paying entity or group.

The components of our earnings (loss) from continuing operations before income taxes are as follows (in millions):

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
U.S.	£ (56.6)	£ (68.8)	£ 45.4	£ (122.4)
U.K.	(233.9)	186.8	216.0	215.5
Total	£ (290.5)	£ 118.0	£ 261.4	£ 93.1

Income tax benefit (expense) consists of:

	Current	Deferred	Total
		in millions	
Period from June 8 to December 31, 2013:			
U.S. (a)	£ (0.3)	£ (1.9)	£ (2.2)
U.K.	—	(195.3)	(195.3)
Total	£ (0.3)	£ (197.2)	£ (197.5)
Period from January 1 to June 7, 2013:			
U.S. (a)	£ (0.9)	£ 12.8	£ 11.9
U.K.	—	(30.0)	(30.0)
Total	£ (0.9)	£ (17.2)	£ (18.1)
Year ended December 31, 2012 (b):			
U.S. (a)	£ (0.6)	£ 103.4	£ 102.8
U.K.	0.1	2,549.1	2,549.2
Total	£ (0.5)	£ 2,652.5	£ 2,652.0
Year ended December 31, 2011:			
U.S. (a)	£ (1.0)	£ 3.2	£ 2.2
U.K.	5.1	(23.3)	(18.2)
Total	£ 4.1	£ (20.1)	£ (16.0)

(a) Includes federal and state income taxes. Our U.S. state income taxes were not material during any of the years presented.

(b) As retrospectively revised - see note 2.

Income tax benefit (expense) attributable to our earnings (loss) from continuing operations before income taxes differs from the amounts computed using the U.S. federal income tax rate of 35%, as a result of the following (in millions):

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012 (a)	Year ended December 31, 2011
Computed "expected" tax benefit (expense)	£ 101.7	£ (41.3)	£ (91.5)	£ (32.6)
Enacted tax law and rate changes (b)	(227.1)	—	—	—
Change in valuation allowances (c)	(28.8)	(29.8)	2,675.7	78.1
Non-deductible or non-taxable interest and other expenses	8.9	31.9	52.8	(31.8)
Basis and other differences in the treatment of items associated with investments in subsidiaries	(38.6)	—	(7.2)	(23.4)
International rate differences (d)	(13.1)	22.0	22.8	(5.7)
Other, net	(0.5)	(0.9)	(0.6)	(0.6)
Total	£ (197.5)	£ (18.1)	£ 2,652.0	£ (16.0)

(a) As retrospectively revised - see note 2.

(b) During the first quarter of 2013, it was announced that the U.K. corporate income tax rate will change to 21% in April 2014 and 20% in April 2015. This change in law was enacted in July 2013, and accordingly, the amount presented for 2013 reflects the impact of these future rate changes.

(c) The 2012 amount primarily relates to the reversal of valuation allowances on certain of our U.K. deferred tax assets as these tax assets were deemed realizable in the period. The reversal of the valuation allowance is attributable to the accumulation of positive evidence on the realizability of these deferred tax assets, including (i) pre-tax income generated for the each of the two years ended December 31, 2012, (ii) capital allowances and net operating losses that do not expire, (iii) improved financial performance and (iv) our then forecasted projections of future taxable income, which, as of the fourth quarter of 2012, outweighed the negative evidence, which was primarily a history of taxable losses in periods prior to 2011.

(d) Amounts reflect statutory rates in the U.K., which are lower than the U.S. federal income tax rate.

The current and non-current components of our deferred tax assets (liabilities) are as follows (in millions):

	Successor	Predecessor
	December 31, 2013	December 31, 2012 (a)
Current deferred tax assets (b)	£ 29.1	£ 58.1
Non-current deferred tax assets	1,407.4	2,641.7
Non-current deferred tax liabilities (b)	(81.5)	—
Net deferred tax asset	£ 1,355.0	£ 2,699.8

(a) As retrospectively revised - see note 2.

(b) Our current deferred tax assets are included in other current assets and our non-current deferred tax liabilities are included in other long-term liabilities in our consolidated balance sheets.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in millions):

	Successor	Predecessor
	December 31, 2013	December 31, 2012 (a)
Deferred tax assets:		
Net operating loss	£ 660.6	£ 702.4
Capital loss carryforwards	2,422.6	2,786.1
Debt	152.8	—
Property and equipment, net	1,931.6	2,176.0
Other future deductible amounts	52.2	78.8
Deferred tax assets	5,219.8	5,743.3
Valuation allowance	(2,866.6)	(2,932.9)
Deferred tax assets, net of valuation allowance	2,353.2	2,810.4
Deferred tax liabilities:		
Property and equipment, net	(427.2)	(83.2)
Intangible assets	(559.2)	—
Other future taxable amounts	(11.8)	(27.4)
Deferred tax liabilities	(998.2)	(110.6)
Net deferred tax asset	£ 1,355.0	£ 2,699.8

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(a) As retrospectively revised - see note 2.

Our deferred income tax valuation allowance increased £36.5 million during the Predecessor period from January 1 to June 7, 2013 and decreased £102.8 million during the Successor period from June 8 to December 31, 2013. The increase during the Predecessor period from January 1 to June 7, 2013 reflects the effect of (i) the net tax expense related to our continuing operations of £29.8 million and (ii) other individually insignificant items. The decrease during the Successor period from June 8 to December 31, 2013 reflects the net effect of (i) changes in our corporate income tax rate, (ii) acquisition accounting associated with the LG/VM Transaction, (iii) the net tax expense related to our continuing operations of £28.8 million and (iv) other individually insignificant items.

At December 31, 2013, we had property and equipment on which future U.K. tax deductions can be claimed of £13.4 billion. The maximum amount of these “capital allowances” that can be claimed in any one year is 18% of the remaining balance, after additions, disposals and prior claims. The tax effects of these capital allowances are included in the 2013 deferred tax assets related to property and equipment, net, in the above table.

At December 31, 2013, our excess tax benefits aggregated £12.5 million. These excess tax benefits, which represent tax deductions in excess of the financial reporting expense for share-based compensation, will not be recognized for financial reporting purposes until such time as these tax benefits can be realized as a reduction of income taxes payable. The tax effect of these excess tax benefits are not included in the above table.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2013 are as follows:

Country	Net operating loss (a)	Related tax asset	Expiration date
	in millions		
U.K.	£ 1,473.0	£ 294.6	Indefinite
U.S.	1,030.9	366.0	2019-2033
Total	£ 2,503.9	£ 660.6	

(a) The U.S. amount is calculated by dividing the related tax asset by the assumed blended rate for our combined federal and state net operating losses of 35.5%.

Our tax loss carryforwards within each jurisdiction (both capital and ordinary losses) are limited. Certain tax jurisdictions limit the ability to offset taxable income of a separate company or different tax group with the tax losses associated with another separate company or group.

We intend to indefinitely reinvest earnings from certain non-U.S. subsidiaries except to the extent the earnings are subject to current income taxes. At December 31, 2013, income and withholding taxes for which a net deferred tax liability might otherwise be required have not been provided on an estimated £4.3 billion of cumulative temporary differences (including, for this purpose, any difference between the aggregate tax basis in stock of a consolidated subsidiary and the corresponding amount of the subsidiary's net equity determined for financial reporting purposes) on non-U.S. subsidiaries. The determination of the additional withholding tax that would arise upon a reversal of temporary differences is subject to offset by available foreign tax credits, subject to certain limitations, and it is impractical to estimate the amount of withholding tax that might be payable.

In general, a U.K. or U.S. corporation may claim a foreign tax credit against its income tax expense for foreign income taxes paid or accrued. A U.S. corporation may also claim a credit for foreign income taxes paid or accrued on the earnings of a foreign corporation paid to the U.S. corporation as a dividend.

Our ability to claim a foreign tax credit for dividends received from our foreign subsidiaries or foreign taxes paid or accrued is subject to various significant limitations under U.S. tax laws including a limited carry back and carry forward period. Limitations on the ability to claim a foreign tax credit and the inability to offset losses in one jurisdiction against income earned in another jurisdiction could result in a high effective tax rate on our earnings. Since substantially all of our revenue is generated outside the U.S., these risks are greater for us than for companies that generate most of their revenue in the U.S.

Through our subsidiaries, we maintain a significant presence in the U.K. The U.K. maintains a highly complex tax regime that differs significantly from the system of income taxation used in the U.S. We have accounted for the effect of foreign taxes based on what we believe is reasonably expected to apply to us and our subsidiaries based on tax laws currently in effect and reasonable interpretations of these laws.

We comply with taxation legislation and are subject to audit by tax authorities in all jurisdictions in which we operate. Although we expect that the tax amounts presented are reasonable, there is no assurance that the final determination of tax audits or tax disputes will not be different from what is reflected in our recorded income tax provisions.

We and our subsidiaries file consolidated and standalone income tax returns in the U.S. and U.K. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

Tax returns filed by our company or our subsidiaries for years prior to 2008 are no longer subject to examination by tax authorities.

The changes in our unrecognized tax benefits are summarized below (in millions):

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Balance at beginning of period	£ 8.3	£ 7.9	£ 10.2	£ 9.9
Reductions for tax positions of prior years	(0.6)	—	(0.3)	—
Additions based on tax positions related to the current year	—	0.4	—	0.3
Lapse of statute of limitations	—	—	(1.7)	—
Foreign currency translation	—	—	(0.3)	—
Balance at end of period	£ 7.7	£ 8.3	£ 7.9	£ 10.2

No assurance can be given that any of these tax benefits will be recognized or realized.

As of December 31, 2013, our unrecognized tax benefits did not include any tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

We do not expect that any changes in our unrecognized tax benefits during 2014 will have a material impact on our unrecognized tax benefits. No assurance can be given as to the nature or impact of any changes in our unrecognized tax positions during 2014.

(9) Equity

On June 7, 2013, as a result of the LG/VM Transaction, all of Old Virgin Media's issued share capital was cancelled with the holders becoming entitled to receive the LG/VM Transaction Consideration of $17.50 and 0.2582 Class A ordinary shares in Liberty Global and 0.1928 Class C ordinary shares in Liberty Global. Virgin Media has 111 shares of common stock outstanding.

During the 2013 Successor period, we received capital contributions of £2,343.2 million comprising (i) a cash contribution of £2,290.6 million (equivalent at the transaction date) that was used to repay amounts outstanding under the MergerCo Bridge Facility Agreement, (ii) a non-cash contribution of £40.6 million (equivalent at the transaction date) related to certain deferred financing costs and (iii) a non-cash contribution of £12.0 million (equivalent at the transaction date) relating to the transfer of shares of Old Virgin Media held in a trust to a trust consolidated by Liberty Global in exchange for a note. For additional information, see note 11.

In addition, during the fourth quarter of 2013, we received cash consideration of £987.4 million from Lynx Europe 2 Limited (Lynx Europe 2), our immediate parent, in exchange for 11 additional shares of our common stock. The proceeds from the issuance of these shares were used to repay a demand note owed to Liberty Global for the Liberty Global ordinary shares that were used, together with cash consideration, to settle the exchanged VM Convertible Notes. For additional information, see note 7 .

During 2012 and 2011, Old Virgin Media's board of directors authorized various stock repurchase programs. Under these plans, we received authorization to acquire up to the specified amount of Old Virgin Media common stock from time to time through open market or privately negotiated transactions. These stock repurchase programs were cancelled during 2013 as a result of the LG/VM Transaction. During the 2013 Predecessor period, we did not issue or repurchase any common stock.

The following table provides details of our common stock repurchases during 2012 and 2011:

Shares purchased pursuant to repurchase programs during:	**Shares purchased**	**Average price paid per share (a)**	**Total cost (a)**
			in millions
2012	20,478,287	$ 25.39	$ 519.9
2011	40,851,840	$ 25.03	$ 1,022.5

(a) Includes direct acquisition costs and the effects of derivative instruments, where applicable. The pound sterling equivalent (at the applicable exchange rates) of the total cost of the shares repurchased during 2012 and 2011 are £330.2 million and £635.0 million, respectively.

During the period from January 1 to June 7, 2013, and the years ended December 31, 2012 and 2011, we paid the following dividends:

Board declaration date	**Per share**	**Record date**	**Payment date**	**Total amount**
				in millions
Year ended December 31, 2011:				
March 4, 2011	$ 0.04	March 14, 2011	March 24, 2011	£ 8.0
May 16, 2011	$ 0.04	June 13, 2011	June 23, 2011	£ 7.8
August 31, 2011	$ 0.04	September 12, 2011	September 22, 2011	£ 7.9
November 15, 2011	$ 0.04	December 12, 2011	December 22, 2011	£ 7.4
Year ended December 31, 2012:				
February 17, 2012	$ 0.04	March 12, 2012	March 22, 2012	£ 7.0
May 23, 2012	$ 0.04	June 12, 2012	June 22, 2012	£ 7.1
August 21, 2012	$ 0.04	September 11, 2012	September 21, 2012	£ 6.6
November 16, 2012	$ 0.04	December 11, 2012	December 21, 2012	£ 6.6
Period from January 1 to June 7, 2013:				
February 5, 2013	$ 0.04	March 12, 2013	March 22, 2013	£ 7.1
April 29, 2013	$ 0.04	May 9, 2013	May 20, 2013	£ 7.1

(10) Share-based Compensation

Our share-based compensation expense after the LG/VM Transaction represents amounts allocated to our company by Liberty Global. The amounts allocated by Liberty Global to our company represent share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries. Share-based compensation expense allocated to our company by Liberty Global is reflected as an increase to shareholder's equity and is offset by any amounts recharged to us by Liberty Global, as further described in note 11. Share-based compensation expense prior to the LG/VM Transaction includes amounts for options, shares and performance shares related to the common stock of Old Virgin Media. Incentive awards are denominated in U.S. dollars. As discussed in note 1, the Liberty Global share and share-based amounts set forth below have not been adjusted to give effect to the 2014 Share Dividend.

The following table summarizes our share-based compensation expense, which is included in SG&A expense in our consolidated statements of operations (in millions):

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Performance-based incentive awards	£ 3.0	£ 10.0	£ 7.2	£ 10.7
Other share-based incentive awards	82.5	12.1	18.6	16.3
Total (a)	£ 85.5	£ 22.1	£ 25.8	£ 27.0

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(a) In connection with the LG/VM Transaction, the Virgin Media Replacement Awards (as defined and described below) were remeasured as of June 7, 2013, resulting in an aggregate estimated fair value attributable to the post-transaction period of £123.8 million. During the 2013 period following the LG/VM Transaction, £51.1 million of the June 7, 2013 estimated fair value of the Virgin Media Replacement Awards was charged to expense in recognition of the Virgin Media Replacement Awards that were fully vested on June 7, 2013 or for which vesting was accelerated pursuant to the terms of the LG/VM Transaction Agreement on or prior to December 31, 2013. The remaining June 7, 2013 estimated fair value will be amortized over the remaining service periods of the unvested Virgin Media Replacement Awards, subject to forfeitures and the satisfaction of performance conditions.

The following table provides certain information related to share-based compensation not yet recognized for share incentive awards held by Virgin Media employees related to Liberty Global ordinary shares as of December 31, 2013:

	Liberty Global ordinary shares (a)	Liberty Global performance-based awards
Total compensation expense not yet recognized (in millions)	£ 39.4	£ 10.3
Weighted average period remaining for expense recognition (in years)	1.8	2.1

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(a) Amounts relate to awards granted or assumed by Liberty Global under (i) the Virgin Media Inc. 2010 Stock Incentive Plan (as amended and restated effective June 7, 2013) (the VM Incentive Plan), (ii) certain other incentive plans of our company pursuant to which awards may no longer be granted, and (iii) certain other incentive plans of Liberty Global as further described below.

The following table summarizes certain information related to the incentive awards granted or remeasured and exercised by employees of our subsidiaries with respect to Liberty Global ordinary shares during the Successor period and Old Virgin Media common stock during the Predecessor period:

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Assumptions used to estimate fair value of options, SARs and performance-based share appreciation rights (PSARs) granted:				
Risk-free interest rate	0.78% - 1.19%	0.40% - 1.42%	0.31% - 1.27%	0.13% - 2.97%
Expected life (a)	0.4 - 4.6 years	3.0 - 7.3 years	2.9 - 6.9 years	0.8 - 7.7 years
Expected volatility (a)	23.6% - 32.6%	31.1% - 50.9%	36.5% - 60.2%	34.3% - 69.5%
Expected dividend yield	none	0.41% - 0.50%	0.65% - 0.69%	0.52% - 0.68%
Weighted average grant-date fair value per share awards granted:				
Options	$ 45.64	$ 29.13	$ 9.95	$ 10.44
SARs	$ 15.57	$ —	$ —	$ —
PSARs	$ 16.67	$ —	$ —	$ —
Restricted share units (RSUs)	$ 73.81	$ 39.39	$ 24.44	$ 19.81
Performance-based share units (PSUs)	$ 68.08	$ 39.66	$ 24.46	$ 20.67
Total intrinsic value of options exercised (in millions)	£ 97.1	£ 57.0	£ 27.2	£ 31.1
Cash received by Liberty Global during the Successor period and Old Virgin Media during the Predecessor period from exercise of options (in millions)	£ 47.8	£ 26.7	£ 18.1	£ 31.9
Income tax benefit related to share-based compensation (in millions)	£ 13.8	£ 5.9	£ 5.2	£ 2.9

(a) The 2013 ranges shown for these assumptions exclude the awards for certain former employees of Virgin Media who were expected to exercise their awards immediately or soon after the LG/VM Transaction. For these awards, the assumptions used for expected life and volatility were essentially nil.

Share Incentive Plans — Liberty Global Ordinary Shares

Incentive Plans

As of December 31, 2013, Liberty Global was authorized to grant incentive awards under the Liberty Global Incentive Plan and the VM Incentive Plan. Generally, the compensation committee of Liberty Global's board of directors may grant non-qualified share options, SARs, restricted shares, RSUs, cash awards, performance awards or any combination of the foregoing under any of the incentive plans (collectively, awards). Ordinary shares issuable pursuant to awards made under these incentive plans will be made available from either authorized but unissued shares or shares that have been issued but reacquired by Liberty Global. Awards may be granted at or above fair value in any class of ordinary shares. As of December 31, 2013, the Liberty Global Incentive Plan and the VM Incentive Plan had 238,907 and 12,017,912 ordinary shares available for grant, respectively.

In connection with the LG/VM Transaction, Liberty Global assumed the VM Incentive Plan. Awards under the VM Incentive Plan issued prior to June 7, 2013 have a ten-year term and become fully exercisable within five years of continued employment. Certain performance-based awards that were granted during the first quarter of 2013 were canceled upon completion of the LG/

VM Transaction. These canceled awards were subsequently replaced by PSUs that were granted under the VM Incentive Plan on June 24, 2013. For the remaining performance-based awards that were outstanding prior to June 7, 2013, the performance objectives lapsed upon the completion of the LG/VM Transaction and such awards will vest on the third anniversary of the grant date.

Awards (other than performance-based awards) under the Liberty Global Incentive Plan issued after June 2005 and under the VM Incentive Plan after June 7, 2013 generally (i) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (ii) expire seven years after the grant date. Restricted shares and RSUs vest on the date of the first annual meeting of Liberty Global shareholders following the grant date. These shares may be awarded at or above fair value in any class of ordinary shares.

Subsequent to December 31, 2013, Liberty Global's shareholders approved the Liberty Global 2014 Incentive Plan. Generally, the compensation committee of Liberty Global's board of directors may grant non-qualified share options, SARs, restricted shares, RSUs, cash awards, performance awards or any combination of the foregoing under this incentive plan. Ordinary shares issuable pursuant to awards made under the Liberty Global 2014 Incentive Plan will be made available from either authorized but unissued shares or shares that have been issued but reacquired by Liberty Global. Awards may be granted at or above fair value in any series of ordinary shares. The maximum number of Liberty Global shares with respect to which awards may be issued under the Liberty Global 2014 Incentive Plan is 50 million (of which no more than 25 million shares may consist of Class B ordinary shares), subject to anti-dilution and other adjustment provisions in the respective plan. As the Liberty Global 2014 Incentive Plan has now been approved by Liberty Global's shareholders, no further awards will be granted under the Liberty Global Incentive Plan or the VM Incentive Plan.

Performance Awards

The following is a summary of the material terms and conditions with respect to Liberty Global's performance-based awards for certain executive officers and key employees, which awards were granted under the Liberty Global Incentive Plan and the VM Incentive Plan.

Liberty Global PSUs. In March 2010, Liberty Global's compensation committee determined to modify the equity incentive award component of Liberty Global's executive officers' and other key employees' compensation packages, whereby a target annual equity value would be set for each executive or key employee, of which approximately two-thirds would be delivered in the form of an annual award of PSUs and approximately one-third in the form of an annual award of SARs. Each PSU represents the right to receive one Class A or Class C ordinary share, as applicable, subject to performance and vesting. Generally, the performance period for the PSUs covers a two-year period and the performance target is based on the achievement of a specified compound annual growth rate (CAGR) in a consolidated operating cash flow metric (as defined in the applicable underlying agreement), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability (OCF CAGR), and the participant's annual performance ratings during the two-year performance period. A performance range of 75% to 125% of the target OCF CAGR generally results in award recipients earning 50% to 150% of their respective PSUs, subject to reduction or forfeiture based on individual performance. The PSUs generally vest 50% on each of March 31 and September 30 of the year following the end of the performance period. During the Successor period, Liberty Global granted PSUs to certain of our executive officers and key employees.

Liberty Global Challenge Performance Awards. Effective June 24, 2013, Liberty Global's compensation committee approved a challenge performance award plan for certain executive officers and key employees (the Challenge Performance Awards), which consisted solely of PSARs for Liberty Global's senior executive officers and a combination of PSARs and PSUs for other executive officers and key employees. Each PSU represents the right to receive one Class A ordinary share or one Class C ordinary share of Liberty Global, as applicable, subject to performance and vesting. The performance criteria for the Challenge Performance Awards will be based on the participant's performance and achievement of individual goals in each of the years 2013, 2014 and 2015. Subject to forfeitures and the satisfaction of performance conditions, 100% of each participant's Challenge Performance Awards will vest on June 24, 2016. The PSARs have a term of seven years and base prices equal to the respective market closing prices of the applicable class on the grant date. During the Successor period, Liberty Global granted PSARs to certain of our executive officers.

Virgin Media Incentive Awards

Equity awards were granted to certain of our employees prior to the LG/VM Transaction under certain incentive plans maintained and administered by our company and no new grants will be made under these incentive plans. The equity awards granted include stock options, restricted shares, RSUs and performance awards. In accordance with the terms of the LG/VM Transaction, Liberty Global issued Liberty Global share-based incentive awards (Virgin Media Replacement Awards) to employees and former directors of our company in exchange for corresponding Old Virgin Media awards.

The following tables summarize the share-based award activity during the twelve months ended December 31, 2013:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Options — Old Virgin Media				
Outstanding at January 1, 2013	11,842,974	$ 18.75		
Granted	1,070,934	$ 37.87		
Cancelled	(318,263)	$ 21.93		
Exercised	(2,732,654)	$ 16.43		
Outstanding at June 7, 2013	9,862,991	$ 21.36		
Options — Liberty Global Class A ordinary shares				
Issued in exchange for Old Virgin Media options on June 7, 2013	3,934,574	$ 31.16		
Cancelled	(144,329)	$ 52.78		
Exercised	(1,753,245)	$ 27.96		
Transfers	(16,390)	$ 43.38		
Outstanding at December 31, 2013 (a)	2,020,610	$ 32.30	6.9	$ 114.6
Exercisable at December 31, 2013	981,259	$ 26.64	5.7	$ 61.2
Options — Liberty Global Class C ordinary shares				
Issued in exchange for Old Virgin Media options on June 7, 2013	2,935,250	$ 27.16		
Cancelled	(107,690)	$ 48.77		
Exercised	(1,341,102)	$ 24.52		
Transfers	(12,235)	$ 42.35		
Outstanding at December 31, 2013 (a)	1,474,223	$ 27.86	7.1	$ 83.2
Exercisable at December 31, 2013	699,443	$ 21.50	6.0	$ 43.9

(a) The pound sterling equivalent amounts for aggregate intrinsic value for outstanding Liberty Global Class A ordinary share options and outstanding Liberty Global Class C ordinary share options are £69.2 million and £50.2 million, respectively.

	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
PSARs — Liberty Global Class A Ordinary shares				
Outstanding at June 7, 2013	—	$ —		
Granted	353,750	$ 71.16		
Forfeited	(86,252)	$ 69.70		
Outstanding at December 31, 2013 (a)	267,498	$ 71.63	6.5	$ 4.6
Exercisable at December 31, 2013	—	$ —	—	$ —
PSARs — Liberty Global Class C Ordinary shares				
Outstanding at June 7, 2013	—	$ —		
Granted	353,750	$ 66.96		
Forfeited	(86,252)	$ 65.56		
Outstanding at December 31, 2013 (a)	267,498	$ 67.41	6.5	$ 4.5
Exercisable at December 31, 2013	—	$ —	—	$ —

(a) The pound sterling equivalent amounts for aggregate intrinsic value for outstanding Liberty Global Class A PSARs and outstanding Liberty Global Class C PSARs are £2.8 million and £2.7 million, respectively.

	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
PSUs — Old Virgin Media			
Outstanding at January 1, 2013	2,408,426	$ 22.40	
Granted	632,762	$ 39.66	
Forfeited	(251,936)	$ 22.59	
Released from restrictions	(14,964)	$ 24.08	
Outstanding at June 7, 2013 (a)	2,774,288	$ 26.31	
PSUs — Liberty Global Class A ordinary shares			
Outstanding at June 7, 2013	—	$ —	
Granted	164,412	$ 69.90	
Forfeited	(75,273)	$ 69.70	
Released from restrictions	(6,580)	$ 40.75	
Transfers	27,012	$ 55.78	
Outstanding at December 31, 2013	109,571	$ 68.31	1.7
PSUs — Liberty Global Class C ordinary shares			
Outstanding at June 7, 2013	—	$ —	
Granted	134,258	$ 65.81	
Forfeited	(58,607)	$ 65.56	
Released from restrictions	(6,580)	$ 39.21	
Transfers	27,012	$ 53.00	
Outstanding at December 31, 2013	96,083	$ 64.19	1.7

(a) In connection with the LG/VM Transaction, 419,717 of these PSUs were cancelled and the remaining 2,354,571 PSUs were exchanged for 790,087 Liberty Global Class A RSUs and 589,595 Liberty Global Class C RSUs.

	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
RSUs — Old Virgin Media			
Outstanding at January 1, 2013	1,781,742	$ 15.64	
Granted	50,101	$ 39.39	
Forfeited	(578,801)	$ 15.34	
Released from restrictions	(858,701)	$ 14.10	
Outstanding at June 7, 2013 (a)	394,341	$ 22.43	
RSUs — Liberty Global Class A ordinary shares			
Issued in exchange for Old Virgin Media PSUs and RSUs on June 7, 2013	900,408	$ 76.24	
Granted	8,334	$ 69.70	
Forfeited	(31,038)	$ 76.24	
Released from restrictions	(411,356)	$ 76.21	
Transfers	(13,261)	$ 78.92	
Outstanding at December 31, 2013	453,087	$ 76.06	7.8
RSUs — Liberty Global Class C ordinary shares			
Issued in exchange for Old Virgin Media PSUs and RSUs on June 7, 2013	671,923	$ 71.51	
Granted	8,334	$ 65.56	
Forfeited	(23,159)	$ 71.51	
Released from restrictions	(307,078)	$ 71.48	
Transfers	(9,457)	$ 75.00	
Outstanding at December 31, 2013	340,563	$ 71.30	7.8

(a) In connection with the LG/VM Transaction, 394,341 RSUs were exchanged for 110,321 Liberty Global Class A RSUs and 82,328 Liberty Global Class C RSUs.

	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
SARs — Liberty Global Class A ordinary shares				
Outstanding at June 7, 2013	—	$ —		
Granted	17,632	$ 80.67		
Transfers	78,199	$ 49.97		
Outstanding at December 31, 2013	95,831	$ 55.62	5.2	$ 3.2
Exercisable at December 31, 2013	36,859	$ 40.38	4.2	$ 1.8
SARs — Liberty Global Class C ordinary shares				
Outstanding at June 7, 2013	—	$ —		
Granted	17,632	$ 76.52		
Transfers	78,199	$ 47.47		
Outstanding at December 31, 2013	95,831	$ 52.81	5.2	$ 3.0
Exercisable at December 31, 2013	36,859	$ 38.74	4.2	$ 1.7

(11) Related-Party Transactions

Our related-party transactions are as follows (in millions):

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Allocated share-based compensation expense	£ (85.5)	£ —	£ —	£ —
Interest expense	(5.8)	—	—	—
Interest income	107.0	—	—	—
Included in net earnings (loss)	£ 15.7	£ —	£ —	£ —

Allocated share-based compensation expense. As further described in note 10, Liberty Global allocates share-based compensation expense to our company.

Interest expense. Related-party interest expense relates to a related-party note with LGI in connection with the LG/VM Transaction, which bore interest at a rate of 7.5%. During the Successor period, repayments were made on the note aggregating £832.3 million and, as of December 31, 2013, the note was fully repaid.

Interest income. These amounts relate to related-party notes as further described below.

The following table provides details of our related-party balances (in millions):

	Successor	Predecessor
	December 31, 2013	December 31, 2012
Receivables (a)	£ 88.1	£ —
Long-term notes receivable (b)	2,373.5	—
Total	£ 2,461.6	£ —
Other payables (c) (d)	£ 87.6	£ —

(a) Represents (i) employee withholding taxes collected by LGI on our behalf of £43.3 million (equivalent), (ii) accrued interest on Virgin Media Finco Limited's notes receivable from Lynx Europe 2 of £40.2 million (equivalent) and (iii) certain receivables from other Liberty Global subsidiaries arising in the normal course of business. The accrued interest is payable semi-annually on April 15 and October 15 and may be cash settled or, if mutually agreed, loan settled. The withholding taxes and other receivables are settled periodically.

(b) Represents:

(i) notes receivable from Lynx Europe 2 that are owed to our subsidiary, Virgin Media Finco Limited. At December 31, 2013, these notes, which mature on April 15, 2023, had an aggregate principal balance of £2,297.3 million and bore interest at a rate of 8.5%. During the fourth quarter of 2013, a portion of these notes (£947.3 million) was redenominated from U.S. dollars to pound sterling. The net increase during the period from June 8 to December 31, 2013 primarily relates to a cash loan of £2,290.6 million (equivalent at the transaction date) and a non-cash loan relating to deferred financing costs of £40.6 million (equivalent at the transaction date) that were paid by us on behalf of Lynx Europe 2 and reflected as an increase to the loan balance. Lynx Europe 2 subsequently contributed the amount related to the deferred financing costs to us. These increases were somewhat offset by declines from foreign exchange rate movements. The cash loan funded a transaction that occurred shortly after the LG/VM

Transaction date, whereby a subsidiary of Liberty Global contributed cash to Virgin Media that was subsequently used to repay amounts outstanding under the MergerCo Bridge Facility Agreement;

(ii) a note receivable from Lynx Europe 2 that is owed to us. At December 31, 2013, this note, which matures on or before April 15, 2023, had a principal balance of $107.5 million (£64.9 million) and bore interest at a rate of 7.875%; and

(iii) a note receivable with Liberty Global. At December 31, 2013, this note, which matures on April 6, 2018, had a principal balance of £11.3 million and bore interest at a rate of 1.22%. This note receivable originated as a result of a non-cash transaction on the date of the LG/VM Transaction that resulted in a corresponding increase to our additional paid-in capital. This non-cash transaction involved the transfer of shares of Old Virgin Media held in a trust to a trust consolidated by Liberty Global in exchange for this note.

(c) Represents (i) £66.0 million (equivalent) arising from capital charges from LGI, as described in note (d) below, (ii) £16.3 million (equivalent) related to deferred financing costs paid by LGI on our behalf and (iii) certain payables to other Liberty Global subsidiaries arising in the normal course of business. The payables related to the capital charges and deferred financing costs are settled periodically. None of these payables are currently interest bearing. In addition, we repaid a $1,615.5 million (£987.4 million at the transaction date) demand note to Liberty Global during the fourth quarter of 2013. This note, which did not bear interest, arose from the settlement of the VM Convertible Notes with Liberty Global ordinary shares following the LG/VM Transaction.

(d) During 2013, we recorded a capital charge of $109.4 million (£69.5 million at the applicable rate) in our consolidated statement of equity in connection with the exercise of Liberty Global SARs and options and the vesting of Liberty Global restricted share awards held by employees of our subsidiaries. These capital charges, which we and LGI have agreed will not exceed the cumulative amount of share-based compensation allocated to our company by LGI following the LG/VM Transaction, are based on the fair value of the underlying Liberty Global shares on the exercise or vesting date, as applicable.

Subsequent events

Subsequent to December 31, 2013, we loaned £115.0 million to Liberty Global Incorporated Limited and €327.3 million (£272.4 million) to LGE Holdco V BV, both of which are subsidiaries of Liberty Global. The loan receivable from Liberty Global Incorporated Limited bears interest at 4.1% and matures on January 30, 2017 and the loan receivable from LGE Holdco V BV bears interest at 5.93% and matures on March 6, 2019.

(12) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2013 is set forth in the table below:

	Employee severance and termination	Office closures	Contract termination and other	Total
		in millions		
Predecessor:				
Restructuring liability as of January 1, 2013	£ —	£ 16.3	£ —	£ 16.3
Restructuring charges	—	0.5	—	0.5
Cash paid	—	(1.8)	—	(1.8)
Restructuring liability as of June 7, 2013	£ —	£ 15.0	£ —	£ 15.0
Successor:				
Restructuring liability as of June 7, 2013	£ —	£ 15.0	£ —	£ 15.0
Restructuring charges (a)	29.1	(0.2)	3.8	32.7
Cash paid	(23.7)	(7.7)	(1.9)	(33.3)
Other	(0.1)	0.4	(1.7)	(1.4)
Restructuring liability as of December 31, 2013 (b)	£ 5.3	£ 7.5	£ 0.2	£ 13.0

(a) Our restructuring costs relate to certain organizational and staffing changes that we implemented during the Successor period, primarily in connection with our ongoing integration with Liberty Global. As the integration process continues, we expect that we will record additional restructuring charges in 2014.

(b) Our December 31, 2013 restructuring liability is included in our current liabilities.

A summary of changes in our restructuring liabilities during 2012 is set forth in the table below:

	Employee severance and termination	Office closures	Contract termination and other	Total
		in millions		
Predecessor:				
Restructuring liability as of January 1, 2012	£ 2.0	£ 30.0	£ 2.9	£ 34.9
Restructuring charges	0.1	(4.6)	—	(4.5)
Cash paid	(2.1)	(9.1)	(2.9)	(14.1)
Restructuring liability as of December 31, 2012	£ —	£ 16.3	£ —	£ 16.3
Current portion	£ —	£ 14.6	£ —	£ 14.6
Noncurrent portion	—	1.7	—	1.7
Total	£ —	£ 16.3	£ —	£ 16.3

(13) Defined Benefit Plans

We operate two defined benefit plans in the U.K. Annual service cost for these employee benefit plans is determined using the projected unit credit actuarial method. The trustees of the plans that maintain funded plans have established investment policies for plan assets. The investment strategies are long-term in nature and designed to meet the following objectives:

- Ensure that funds are available to pay benefits as they become due;
- Maximize the total returns on plan assets subject to prudent risk taking; and
- Preserve or improve the funded status of the trusts over time.

We review the asset allocation within their respective portfolios on a regular basis. Generally, the portfolios will be rebalanced to a target allocation when an individual asset class approaches its minimum or maximum targeted level.

The following is a summary of the funded status of our defined benefit plans (in millions):

	Successor	Predecessor	
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012
Projected benefit obligation at beginning of period (a)	£ 442.0	£ 431.1	£ 424.6
Service cost	1.0	0.7	1.8
Interest cost	11.1	7.8	20.1
Actuarial loss (gain)	1.8	(0.8)	(0.6)
Participants' contributions	0.2	0.1	0.3
Benefits paid	(9.1)	(5.2)	(15.1)
Projected benefit obligation at end of period	£ 447.0	£ 433.7	£ 431.1
Accumulated benefit obligation at end of period	£ 443.6		£ 342.7
Fair value of plan assets at beginning of period (a)	£ 403.0	£ 384.6	£ 381.0
Actual earnings of plan assets	12.3	8.6	0.7
Group contributions	13.7	9.3	17.7
Participants' contributions	0.2	0.1	0.3
Benefits paid	(9.1)	(5.2)	(15.1)
Fair value of plan assets at end of period	£ 420.1	£ 397.4	£ 384.6
Net liability (b)	£ 26.9	£ 36.3	£ 46.5

(a) The opening projected benefit obligation and the opening fair value of plan assets for the Successor period includes purchase accounting adjustments made in connection with the LG/VM Transaction of £8.3 million and £5.6 million, respectively. For more information regarding the LG/VM Transaction, see note 3.

(b) The net liability related to our defined benefit plans is included in other long-term liabilities in our consolidated balance sheets.

The change in the amount of net actuarial gain (loss) not yet recognized as a component of net periodic pension costs in our consolidated statements of operations is as follows:

	Before-tax amount	Tax benefit	Net-of-tax amount
		in millions	
Predecessor:			
Balance at January 1, 2011	£ (73.5)	£ 6.6	£ (66.9)
Net actuarial loss	(20.6)	—	(20.6)
Balance at December 31, 2011	(94.1)	6.6	(87.5)
Net actuarial loss	(14.3)	3.3	(11.0)
Balance at December 31, 2012	(108.4)	9.9	(98.5)
Net actuarial gain	0.8	(0.2)	0.6
Balance at June 7, 2013	£ (107.6)	£ 9.7	£ (97.9)
Successor:			
Balance at June 8, 2013	£ —	£ —	£ —
Net actuarial loss	(2.0)	0.4	(1.6)
Balance at December 31, 2013	£ (2.0)	£ 0.4	£ (1.6)

We do not expect to record any actuarial gains or losses in our 2014 consolidated statement of operations.

The measurement dates used to determine our defined benefit plan assumptions were December 31, 2013, June 7, 2013 and December 31, 2012. The actuarial assumptions used to compute the net periodic pension cost are based on information available as of the beginning of the period, specifically market interest rates, past experience and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. In computing future costs and obligations, the subsidiaries must make assumptions about such items as employee mortality and turnover, expected salary and wage increases, discount rate, expected long-term rate of return on plan assets and expected future cost increases.

The expected rates of return on the assets of the plans are the long-term rates of return the subsidiaries expect to earn on their trust assets. The rates of return are determined by the investment composition of the plan assets and the long-term risk and return forecast for each asset category. The forecasts for each asset class are generated using historical information as well as an analysis of current and expected market conditions. The expected risk and return characteristics for each asset class are reviewed annually and revised, as necessary, to reflect changes in the financial markets. To compute the expected return on plan assets, the subsidiaries apply an expected rate of return to the fair value of the plan assets.

The weighted average assumptions used in determining benefit obligations and net periodic pension cost are as follows:

	December 31,		
	2013	2012	2011
Expected rate of salary increase	3.9%	3.5%	4.0%
Discount rate	4.5%	4.8%	5.5%
Expected rate of return on plan assets	6.1%	5.4%	6.3%

The components of net periodic pension cost recorded in our consolidated statements of operations are as follows (in millions):

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Service cost	£ 1.0	£ 0.7	£ 1.8	£ 1.7
Interest cost	11.1	7.8	20.1	21.1
Expected return on plan assets	(12.5)	(8.6)	(18.3)	(21.9)
Other	—	0.8	2.6	0.6
Net periodic pension cost	£ (0.4)	£ 0.7	£ 6.2	£ 1.5

The asset allocation by asset category and by fair value hierarchy level (as further described in note 5) of our plan assets is as follows:

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
	in millions			
Equity securities	£ 138.9	£ 138.9	£ —	£ —
Debt securities	101.5	101.5	—	—
Insurance contract (a)	92.6	—	—	92.6
Hedge funds	80.3	71.1	9.2	—
Real estate	4.7	—	—	4.7
Other	2.1	2.1	—	—
Total	£ 420.1	£ 313.6	£ 9.2	£ 97.3

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
	in millions			
Equity securities	£ 168.4	£ 168.4	£ —	£ —
Debt securities	100.7	100.7	—	—
Insurance contract (a)	90.6	—	—	90.6
Hedge funds	9.1	—	9.1	—
Real estate	5.2	—	—	5.2
Other	10.6	10.6	—	—
Total	£ 384.6	£ 279.7	£ 9.1	£ 95.8

(a) Relates to the purchase of an insurance contract authorized by the trustee of one of our defined benefit plans. The insurance contract 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.

A reconciliation of the beginning and ending balances of our plan assets measured at fair value using Level 3 inputs is as follows (in millions):

Predecessor:		
Balance at January 1, 2013	£	95.8
Actual return on plan assets:		
Gains relating to assets still held at year-end		0.8
Purchases of investments		0.5
Balance at June 7, 2013	£	97.1
Successor:		
Balance at June 7, 2013	£	97.1
Actual return on plan assets:		
Losses relating to assets still held at year-end		(0.4)
Purchases of investments		0.6
Balance at December 31, 2013	£	97.3

The trustees of the defined benefit pension plans have in place weighted average target asset allocations of 27% equities, 21% bonds, 29% insurance contracts, 17% diversified growth funds and 6% other at December 31, 2013. As markets move relative to each other, the asset allocation may move away from the target investment strategy. Rebalancing of the assets may be carried out from time to time by the trustees.

Contributions to the respective defined benefit plans in 2014 are currently expected to aggregate £21.3 million.

As of December 31, 2013, the benefits that we currently expect to pay during the next ten years with respect to our defined benefit plans are as follows (in millions):

2014	£	14.9
2015	£	14.6
2016	£	15.6
2017	£	17.0
2018	£	18.1
2019 through 2023	£	105.1

(14) Accumulated Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) included in our consolidated balance sheets and statements of equity reflect the aggregate impact of foreign currency translation adjustments, unrealized gains and losses on cash flow hedges and pension related adjustments. The changes in the components of accumulated other comprehensive earnings (loss), net of taxes, are summarized as follows:

	Foreign currency translation adjustments	Unrealized losses on cash flow hedges	Pension related adjustments	Total accumulated other comprehensive earnings (loss)
	in millions			
Predecessor:				
Balance at January 1, 2011	£ 162.6	£ (9.2)	£ (66.9)	£ 86.5
Other comprehensive loss	(12.7)	(23.2)	(20.6)	(56.5)
Balance at December 31, 2011	149.9	(32.4)	(87.5)	30.0
Other comprehensive loss	11.3	(36.1)	(11.0)	(35.8)
Balance at December 31, 2012	161.2	(68.5)	(98.5)	(5.8)
Other comprehensive loss	(9.8)	(7.6)	0.6	(16.8)
Balance at June 7, 2013	£ 151.4	£ (76.1)	£ (97.9)	£ (22.6)
Successor:				
Balance at June 8, 2013 (a)	£ —	£ —	£ —	£ —
Other comprehensive earnings	147.2	—	(1.6)	145.6
Balance at December 31, 2013	£ 147.2	£ —	£ (1.6)	£ 145.6

(a) As a result of the application of acquisition accounting in connection with the LG/VM Transaction, the accumulated other comprehensive loss balance was eliminated. For more information regarding the LG/VM Transaction, see note 3.

The components of other comprehensive earnings (loss), net of taxes, are reflected in our consolidated statements of comprehensive earnings (loss). The following table summarizes the tax effects related to each component of other comprehensive earnings (loss), net of amounts reclassified to our consolidated statements of operations:

	Pre-tax amount	Tax benefit	Net-of-tax amount
		in millions	
Successor:			
Period from June 8, 2013 to December 31, 2013:			
Foreign currency translation adjustments	£ 147.2	£ —	£ 147.2
Pension related adjustments	(2.0)	0.4	(1.6)
Other comprehensive earnings	£ 145.2	£ 0.4	£ 145.6
Predecessor:			
Period from January 1, 2013 to June 7, 2013:			
Foreign currency translation adjustments	£ (9.8)	£ —	£ (9.8)
Net unrealized gains on cash flow hedges	63.6	3.2	66.8
Reclassification of cash flow hedge gains to net income	(74.4)	—	(74.4)
Pension related adjustments	0.8	(0.2)	0.6
Other comprehensive loss	£ (19.8)	£ 3.0	£ (16.8)
Year ended December 31, 2012:			
Foreign currency translation adjustments	£ 11.3	£ —	£ 11.3
Net unrealized losses on cash flow hedges	(141.9)	11.6	(130.3)
Reclassification of cash flow hedge losses to net income	94.2	—	94.2
Pension related adjustments	(14.3)	3.3	(11.0)
Other comprehensive loss	£ (50.7)	£ 14.9	£ (35.8)
Year ended December 31, 2011:			
Foreign currency translation adjustments	£ (12.7)	£ —	£ (12.7)
Net unrealized losses on cash flow hedges	(24.2)	—	(24.2)
Reclassification of cash flow hedge losses to net income	(22.3)	23.3	1.0
Pension related adjustments	(20.6)	—	(20.6)
Other comprehensive loss	£ (79.8)	£ 23.3	£ (56.5)

(15) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancelable operating leases, programming contracts, purchases of customer premises equipment and other items. The pound sterling equivalents of such commitments as of December 31, 2013 are presented below:

	Payments due during:						
	2014	2015	2016	2017	2018	Thereafter	Total
				in millions			
Programming obligations	£ 188.7	£ 163.0	£ 115.5	£ 47.7	£ 16.0	£ —	£ 530.9
Network and connectivity commitments	106.8	98.1	78.9	76.5	18.9	5.0	384.2
Purchase commitments	234.7	27.7	—	—	—	—	262.4
Operating leases	37.6	32.2	25.5	18.9	13.1	51.7	179.0
Other commitments	89.5	66.8	36.6	26.4	9.8	—	229.1
Total	£ 657.3	£ 387.8	£ 256.5	£ 169.5	£ 57.8	£ 56.7	£ 1,585.6

Network and connectivity commitments include only the fixed minimum commitments associated with our mobile virtual network operator (MVNO) agreement. As such, the commitments shown in the above table may be significantly less than the actual amounts we ultimately pay in these periods.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium film or sports services. The amounts reflected in the table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013, and the years ended December 31, 2012 and 2011, the programming costs incurred aggregated £307.9 million, £232.3 million, £505.9 million and £481.2 million, respectively. The ultimate amount payable in excess of the contractual minimums of our content contracts is dependent upon the number of subscribers to our service.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar arrangements, pursuant to which we expect to make payments in future periods. For information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during 2013, 2012 and 2011, see note 4. For information concerning our defined benefit plans, see note 13.

Rental expense under non-cancelable operating lease arrangements amounted to £24.9 million, £18.2 million, £49.8 million and £47.1 million during the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013, and the years ended December 31, 2012 and 2011, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

We have established a defined contribution benefit plan for our subsidiaries' employees. The aggregate expense for matching contributions under the various defined contribution employee benefit plans was £11.2 million, £7.7 million, £13.7 million and £13.6 million during the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013, and the years ended December 31, 2012 and 2011, respectively.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide indemnifications to our lenders, our vendors and certain other parties and performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

Legal and Regulatory Proceedings and Other Contingencies

VAT Matters. Our application of the VAT with respect to certain revenue generating activities has been challenged by the U.K. tax authorities. We have estimated our maximum exposure in the event of an unfavorable outcome to be £36.1 million as of December 31, 2013. No portion of this exposure has been accrued by our company as the likelihood of loss is not considered to be probable. An initial hearing on these matters took place during 2013 but was adjourned with no conclusion. Further hearings are expected to take place in September 2014.

Other Regulatory Issues. Digital cable distribution, broadband internet, fixed-line telephony and mobile businesses are subject to significant regulation and supervision by various regulatory bodies in the jurisdictions in which we operate, and other U.K. and European Union (EU) authorities. Adverse regulatory developments could subject our businesses to a number of risks. Regulation could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

We have security accreditations across a range of B2B products and services in order to increase our offerings to public sector organizations in the U.K. These accreditations are granted subject to periodic reviews of our policies and procedures by U.K. governmental authorities. We are currently undergoing a review of one of our most significant accreditations. If we were to fail to maintain an accreditation or to obtain a new one when required, it could impact our ability to provide certain offerings to the public sector.

Other. In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT, wage, property and other tax issues and (iii) disputes over interconnection, programming, and copyright fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

(16) Segment Reporting

During the third quarter of 2013, we determined that our business now comprises a single operating segment. Prior to the third quarter of 2013, we had disclosed two reportable segments, consisting of the consumer segment and the business segment. This change in segment reporting reflects changes in how our new chief operating decision maker reviews the results of our business. Following the LG/VM Transaction, segment information for all periods presented has been restated to reflect this change.

We operate in one geographical area, the U.K., within which we provide digital cable, broadband internet, fixed-line telephony and mobile services to residential and/or business customers.

Our revenue by major category is set forth below (in millions):

	Successor	Predecessor		
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Subscription revenue:				
Digital cable	£ 553.1	£ 423.6	£ 886.9	£ 819.9
Broadband internet	494.0	377.8	800.3	729.0
Fixed-line telephony	546.1	433.2	998.3	1,029.5
Cable subscription revenue (a)	1,593.2	1,234.6	2,685.5	2,578.4
Mobile (b)	252.8	187.5	437.9	428.9
Total subscription revenue	1,846.0	1,422.1	3,123.4	3,007.3
B2B revenue	330.1	275.0	670.3	637.5
Other revenue (c)	134.1	113.1	306.8	347.0
Total revenue	£ 2,310.2	£ 1,810.2	£ 4,100.5	£ 3,991.8

(a) Cable subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, mobile services revenue and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service.

(b) Mobile subscription revenue excludes £45.8 million, £38.9 million, £106.5 million and £125.9 million, respectively, of mobile interconnect revenue. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

(c) Other revenue includes, among other items, interconnect revenue, revenue from our ADSL subscribers that are not serviced over our network (non-cable), mobile handset sales and installation revenue.

(17) Condensed Consolidating Financial Information - Senior Notes

We present the following condensed consolidating financial information as of December 31, 2013 and December 31, 2012 and for the Successor period from June 8 to December 31, 2013, the Predecessor period from January 1 to June 7, 2013, the year ended December 31, 2012, and the year ended December 31, 2011 as required by the applicable underlying indentures.

As of December 31, 2013, Virgin Media Finance is the issuer of the following senior notes:

- $507.1 million (£306.1 million) aggregate principal amount of 2019 VM Dollar Senior Notes;
- £253.5 million aggregate principal amount of 2019 VM Sterling Senior Notes;
- $530.0 million (£319.9 million) aggregate principal amount of 2023 VM Dollar Senior Notes;
- £250.0 million aggregate principal amount of 2023 VM Sterling Senior Notes;
- $95.0 million (£57.3 million) aggregate principal amount of 2022 VM 5.25% Dollar Senior Notes;
- $118.7 million (£71.6 million) aggregate principal amount of 2022 VM 4.875% Dollar Senior Notes; and
- £44.1 million aggregate principal amount of 2022 VM Sterling Senior Notes.

Virgin Media and certain of its subsidiaries, namely Virgin Media Group LLC (Virgin Media Group), Virgin Media Holdings Inc. (Virgin Media Holdings), Virgin Media (UK) Group, Inc. (Virgin Media (UK) Group) and Virgin Media Communications Limited (Virgin Media Communications), have guaranteed the senior notes on a senior basis. Each of VMIH and VMIL are conditional guarantors and have guaranteed the senior notes on a senior subordinated basis.

Balance sheets	Successor Company	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Eliminations	Total
	Successor							
	December 31, 2013							
	in millions							
ASSETS								
Current assets:								
Cash and cash equivalents	£ 313.3	£ 0.1	£ 0.2	£ 0.3	£ —	£ 29.1	£ —	£ 343.0
Related-party receivables	0.2	—	—	—	—	87.9	—	88.1
Other current assets	0.1	—	—	27.7	—	532.6	(0.1)	560.3
Total current assets	313.6	0.1	0.2	28.0	—	649.6	(0.1)	991.4
Property and equipment, net	—	—	—	—	—	6,112.6	—	6,112.6
Goodwill	—	—	—	—	—	5,793.7	—	5,793.7
Intangible assets subject to amortization, net	—	—	—	—	—	2,321.5	—	2,321.5
Investments in, and loans to, parent and subsidiary companies	8,787.5	9,345.4	8,616.4	11,895.1	12,152.3	(7,491.0)	(43,305.7)	—
Deferred income taxes	—	—	—	—	—	1,407.4	—	1,407.4
Related-party notes receivable	76.2	—	—	—	—	2,297.3	—	2,373.5
Other assets, net	79.8	11.3	—	137.9	—	82.1	—	311.1
Other assets, net – intercompany	—	—	—	45.3	—	—	(45.3)	—
Total assets	£ 9,257.1	£9,356.8	£ 8,616.6	£12,106.3	£12,152.3	£ 11,173.2	£ (43,351.1)	£ 19,311.2
LIABILITIES AND EQUITY								
Current liabilities:								
Intercompany and related-party payables	£ 126.1	£ 2.7	£ 5.3	£ 67.8	£ —	£ 613.0	£ (727.3)	£ 87.6
Other current liabilities	102.8	21.4	—	107.7	—	1,217.2	(0.1)	1,449.0
Total current liabilities	228.9	24.1	5.3	175.5	—	1,830.2	(727.4)	1,536.6
Long-term debt and capital lease obligations	—	1,358.4	—	—	—	6,930.9	—	8,289.3
Other long-term liabilities	—	—	—	253.7	—	203.4	—	457.1
Other long-term liabilities – intercompany	—	15.7	—	—	—	29.6	(45.3)	—
Total liabilities	228.9	1,398.2	5.3	429.2	—	8,994.1	(772.7)	10,283.0
Equity	9,028.2	7,958.6	8,611.3	11,677.1	12,152.3	2,179.1	(42,578.4)	9,028.2
Total liabilities and equity	£ 9,257.1	£9,356.8	£ 8,616.6	£12,106.3	£12,152.3	£ 11,173.2	£ (43,351.1)	£ 19,311.2

	Predecessor (a)							
	December 31, 2012							
Balance sheets	**Predecessor Company**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Eliminations**	**Total**
	in millions							
ASSETS								
Current assets:								
Cash and cash equivalents	£ 10.3	£ 1.0	£ 0.1	£ 0.1	£ —	£ 194.8	£ —	£ 206.3
Other current assets	0.2	—	—	31.4	—	599.9	—	631.5
Total current assets	10.5	1.0	0.1	31.5	—	794.7	—	837.8
Property and equipment, net	—	—	—	—	—	4,512.2	—	4,512.2
Goodwill	—	—	(15.0)	—	—	2,032.5	—	2,017.5
Investments in, and loans to, parent and subsidiary companies	3,474.9	3,144.9	1,973.7	4,424.4	5,306.3	(2,417.5)	(15,906.7)	—
Deferred income taxes	—	—	—	—	—	2,641.7	—	2,641.7
Other assets, net	308.3	19.8	—	144.1	—	83.5	—	555.7
Total assets	£ 3,793.7	£ 3,165.7	£ 1,958.8	£ 4,600.0	£ 5,306.3	£ 7,647.1	£ (15,906.7)	£ 10,564.9
LIABILITIES AND EQUITY								
Current liabilities	£ 31.1	£ 27.0	£ 5.3	£ 78.3	£ —	£ 1,746.3	£ (650.6)	£ 1,237.4
Long-term debt and capital lease obligations	544.0	1,824.4	—	—	—	3,483.6	—	5,852.0
Other long-term liabilities	0.2	—	—	88.1	—	168.8	—	257.1
Total liabilities	575.3	1,851.4	5.3	166.4	—	5,398.7	(650.6)	7,346.5
Equity	3,218.4	1,314.3	1,953.5	4,433.6	5,306.3	2,248.4	(15,256.1)	3,218.4
Total liabilities and equity	£ 3,793.7	£ 3,165.7	£ 1,958.8	£ 4,600.0	£ 5,306.3	£ 7,647.1	£ (15,906.7)	£ 10,564.9

(a) As retrospectively revised - see note 2.

	Successor							
	Period from June 8 to December 31, 2013							
Statements of operations	**Successor Company**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Eliminations**	**Total**
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 2,310.2	£ —	£ 2,310.2
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	1,051.7	—	1,051.7
SG&A (including share-based compensation)	1.6	—	—	—	—	378.5	—	380.1
Depreciation and amortization	—	—	—	—	—	910.2	—	910.2
Impairment, restructuring and other operating items, net	0.6	—	—	—	—	35.9	—	36.5
	2.2	—	—	—	—	2,376.3	—	2,378.5
Operating loss	(2.2)	—	—	—	—	(66.1)	—	(68.3)
Non-operating income (expense):								
Interest expense:								
Third-party	(9.1)	(50.4)	—	(4.9)	—	(199.2)	—	(263.6)
Related-party	(99.3)	(3.7)	(6.3)	(226.5)	—	(546.3)	876.3	(5.8)
Interest income – related-party and intercompany	0.2	48.3	7.9	186.5	—	740.4	(876.3)	107.0
Gain (loss) on debt modification and extinguishment, net	—	(0.3)	—	—	—	0.9	—	0.6
Realized and unrealized gains (losses) on derivative instruments, net	27.0	—	—	(230.4)	—	—	—	(203.4)
Realized and unrealized gains (losses) on derivative instruments, net – intercompany	—	(15.7)	—	45.2	—	(29.5)	—	—
Foreign currency transaction gains (losses), net	27.0	17.8	(3.0)	65.7	—	12.5	22.6	142.6
Other income, net	0.2	—	—	0.1	—	0.1	—	0.4
	(54.0)	(4.0)	(1.4)	(164.3)	—	(21.1)	22.6	(222.2)
Loss before income taxes	(56.2)	(4.0)	(1.4)	(164.3)	—	(87.2)	22.6	(290.5)
Income tax expense	—	—	—	—	—	(197.5)	—	(197.5)
Loss after income taxes	(56.2)	(4.0)	(1.4)	(164.3)	—	(284.7)	22.6	(488.0)
Equity in net loss of subsidiaries	(431.8)	(414.6)	(430.4)	(272.9)	(297.3)	—	1,847.0	—
Net loss	£ (488.0)	£ (418.6)	£ (431.8)	£ (437.2)	£ (297.3)	£ (284.7)	£ 1,869.6	£ (488.0)
Total comprehensive loss	£ (342.4)	£ (432.3)	£ (441.6)	£ (450.9)	£ (311.0)	£ (298.4)	£ 1,934.2	£ (342.4)

	Predecessor							
	Period from January 1 to June 7, 2013							
Statements of operations	**Predecessor Company**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Eliminations**	**Total**
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 1,810.2	£ —	£ 1,810.2
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	845.4	—	845.4
SG&A (including share-based compensation)	8.4	—	—	—	—	247.7	—	256.1
Depreciation and amortization	—	—	—	—	—	432.8	—	432.8
Impairment, restructuring and other operating items, net	53.8	—	—	—	—	(2.6)	—	51.2
	62.2	—	—	—	—	1,523.3	—	1,585.5
Operating income (loss)	(62.2)	—	—	—	—	286.9	—	224.7
Non-operating income (expense):								
Interest expense – third-party	(55.9)	(54.1)	(4.8)	(127.2)	—	(371.3)	456.6	(156.7)
Interest income – intercompany	—	53.6	6.0	62.7	—	334.3	(456.6)	—
Loss on debt modification and extinguishment, net	(0.1)	—	—	—	—	—	—	(0.1)
Realized and unrealized gains on derivative instruments, net	50.0	—	—	1.8	—	—	—	51.8
Foreign currency transaction gains (losses), net	(0.1)	2.6	5.6	23.7	—	(3.9)	(30.0)	(2.1)
Other income, net	—	—	—	0.2	—	0.2	—	0.4
	(6.1)	2.1	6.8	(38.8)	—	(40.7)	(30.0)	(106.7)
Earnings (loss) before income taxes	(68.3)	2.1	6.8	(38.8)	—	246.2	(30.0)	118.0
Income tax expense	—	—	—	(0.7)	—	(17.4)	—	(18.1)
Earnings (loss) after income taxes	(68.3)	2.1	6.8	(39.5)	—	228.8	(30.0)	99.9
Equity in net earnings of subsidiaries	168.2	140.2	161.2	209.7	222.9	—	(902.2)	—
Net earnings	£ 99.9	£ 142.3	£ 168.0	£ 170.2	£ 222.9	£ 228.8	£ (932.2)	£ 99.9
Total comprehensive earnings	£ 83.1	£ 135.3	£ 161.0	£ 163.2	£ 223.5	£ 229.4	£ (912.4)	£ 83.1

	Predecessor (a)							
	Year ended December 31, 2012							
Statements of operations	**Predecessor Company**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Eliminations**	**Total**
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 4,100.5	£ —	£ 4,100.5
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	1,872.9	—	1,872.9
SG&A (including share-based compensation)	15.3	—	—	—	—	558.9	—	574.2
Depreciation and amortization	—	—	—	—	—	966.4	—	966.4
Impairment, restructuring and other operating items, net	—	—	—	—	—	(11.8)	—	(11.8)
	15.3	—	—	—	—	3,386.4	—	3,401.7
Operating income (loss)	(15.3)	—	—	—	—	714.1	—	698.8
Non-operating income (expense):								
Interest expense – third-party	(112.4)	(155.2)	(10.9)	(344.4)	—	(938.9)	1,163.6	(398.2)
Interest income – intercompany	—	167.2	15.5	185.8	—	795.1	(1,163.6)	—
Loss on debt modification and extinguishment, net	—	(187.8)	—	—	—	—	—	(187.8)
Realized and unrealized gains (losses) on derivative instruments, net	174.2	—	—	(26.1)	—	—	—	148.1
Foreign currency transaction losses, net	(0.1)	(7.8)	(2.8)	(24.5)	—	(4.5)	33.4	(6.3)
Other income, net	—	—	—	0.4	—	6.4	—	6.8
	61.7	(183.6)	1.8	(208.8)	—	(141.9)	33.4	(437.4)
Earnings (loss) before income taxes	46.4	(183.6)	1.8	(208.8)	—	572.2	33.4	261.4
Income tax benefit (expense)	—	—	0.1	(0.6)	—	2,652.5	—	2,652.0
Earnings (loss) after income taxes	46.4	(183.6)	1.9	(209.4)	—	3,224.7	33.4	2,913.4
Equity in net earnings of subsidiaries	2,867.0	2,963.2	2,865.0	3,139.2	3,137.2	—	(14,971.6)	—
Net earnings	£ 2,913.4	£ 2,779.6	£ 2,866.9	£ 2,929.8	£ 3,137.2	£ 3,224.7	£ (14,938.2)	£ 2,913.4
Total comprehensive earnings	£ 2,877.6	£ 2,732.5	£ 2,822.0	£ 2,882.6	£ 3,137.8	£ 3,225.3	£ (14,800.2)	£ 2,877.6

(a) As retrospectively revised - see note 2.

	Predecessor							
	Year ended December 31, 2011							
Statements of operations	**Predecessor Company**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Eliminations**	**Total**
	in millions							
Revenue	£ —	£ —	£ —	£ —	£ —	£ 3,991.8	£ —	£ 3,991.8
Operating costs and expenses:								
Operating (other than depreciation and amortization)	—	—	—	—	—	1,866.6	—	1,866.6
SG&A (including share-based compensation)	13.2	—	—	—	—	522.1	—	535.3
Depreciation and amortization	—	—	—	—	—	1,046.4	—	1,046.4
Impairment, restructuring and other operating items, net	—	—	—	—	—	6.8	—	6.8
	13.2	—	—	—	—	3,441.9	—	3,455.1
Operating income (loss)	(13.2)	—	—	—	—	549.9	—	536.7
Non-operating income (expense):								
Interest expense – third-party	(66.2)	(188.8)	(35.7)	(382.0)	—	(1,034.8)	1,267.1	(440.4)
Interest income – intercompany	3.6	190.4	39.4	178.2	—	855.5	(1,267.1)	—
Loss on debt modification and extinguishment, net	—	(18.3)	—	—	—	(28.9)	—	(47.2)
Realized and unrealized losses on derivative instruments, net	(43.4)	—	—	(7.3)	—	—	—	(50.7)
Foreign currency transaction gains (losses), net	(0.4)	0.2	(4.2)	(0.4)	—	2.4	—	(2.4)
Other income, net	0.1	—	—	0.7	—	96.3	—	97.1
	(106.3)	(16.5)	(0.5)	(210.8)	—	(109.5)	—	(443.6)
Earnings (loss) from continuing operations before income taxes	(119.5)	(16.5)	(0.5)	(210.8)	—	440.4	—	93.1
Income tax benefit (expense)	—	—	(0.3)	(23.3)	—	7.6	—	(16.0)
Earnings (loss) from continuing operations after income taxes	(119.5)	(16.5)	(0.8)	(234.1)	—	448.0	—	77.1
Loss on discontinued operation, net of tax	—	—	—	—	—	(1.2)	—	(1.2)
Equity in net earnings of subsidiaries	195.4	187.7	196.3	422.0	496.7	—	(1,498.1)	—
Net earnings	£ 75.9	£ 171.2	£ 195.5	£ 187.9	£ 496.7	£ 446.8	£ (1,498.1)	£ 75.9
Total comprehensive earnings	£ 19.4	£ 127.5	£ 151.2	£ 144.2	£ 499.5	£ 449.6	£ (1,372.0)	£ 19.4

Statements of cash flows	Successor Company	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Total
	Successor						
	Period from June 8 to December 31, 2013						
	in millions						
Cash flows from operating activities:							
Net cash provided (used) by operating activities	£ (98.4)	£ (12.4)	£ 0.1	£ (77.2)	£ —	£ 750.4	£ 562.5
Cash flows from investing activities:							
Loan to related-party	(65.7)	—	—	—	—	(2,290.6)	(2,356.3)
Capital expenditures	—	—	—	—	—	(418.9)	(418.9)
Other investing activities, net	—	—	—	—	—	1.8	1.8
Net cash used by investing activities	(65.7)	—	—	—	—	(2,707.7)	(2,773.4)
Cash flows from financing activities:							
Repayments and repurchases of debt and capital lease obligations	(2,832.7)	(1,116.8)	—	—	—	(101.3)	(4,050.8)
Borrowings of debt	—	—	—	—	—	1,983.4	1,983.4
Repayments of related-party notes	(1,819.6)	—	—	—	—	—	(1,819.6)
Capital contribution from parent	3,278.0	—	—	—	—	—	3,278.0
Release of restricted cash from escrow	—	586.0	—	—	—	1,727.6	2,313.6
Investments from (loans to) parent and subsidiary companies	1,508.9	537.1	—	32.3	—	(2,078.3)	—
Net cash received related to derivative instruments	343.2	—	—	21.1	—	—	364.3
Payment of financing costs and debt premiums	(30.9)	(16.6)	—	(0.6)	—	(16.2)	(64.3)
Other financing activities, net	(0.1)	—	—	—	—	—	(0.1)
Net cash provided (used) by financing activities	446.8	(10.3)	—	52.8	—	1,515.2	2,004.5
Effect of exchange rates on cash and cash equivalents	3.2	(1.5)	—	0.5	—	(7.6)	(5.4)
Net increase (decrease) in cash and cash equivalents	285.9	(24.2)	0.1	(23.9)	—	(449.7)	(211.8)
Cash and cash equivalents:							
Beginning of period	27.4	24.3	0.1	24.2	—	478.8	554.8
End of period	£ 313.3	£ 0.1	£ 0.2	£ 0.3	£ —	£ 29.1	£ 343.0

	Predecessor						
	Period from January 1 to June 7, 2013						
Statements of cash flows	Predecessor Company	Virgin Media Finance	Other guarantors	VMIH	VMIL	All other subsidiaries	Total
	in millions						
Cash flows from operating activities:							
Net cash provided (used) by operating activities	£ (106.9)	£ 3.3	£ 3.8	£ (55.1)	£ —	£ 743.0	£ 588.1
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	—	(313.4)	(313.4)
Other investing activities, net	—	—	—	—	—	4.1	4.1
Net cash used by investing activities	—	—	—	—	—	(309.3)	(309.3)
Cash flows from financing activities:							
Repayments and repurchases of debt and capital lease obligations	(1.5)	—	—	—	—	(45.0)	(46.5)
Investments from (loans to) parent and subsidiary companies	94.3	(3.1)	(3.8)	78.8	—	(166.2)	—
Payment of financing costs and debt premiums	(0.6)	(0.2)	—	—	—	(0.3)	(1.1)
Other financing activities, net	8.7	—	—	—	—	—	8.7
Net cash provided (used) by financing activities	100.9	(3.3)	(3.8)	78.8	—	(211.5)	(38.9)
Effect of exchange rates on cash and cash equivalents	0.9	—	—	0.4	—	(0.4)	0.9
Net increase (decrease) in cash and cash equivalents	(5.1)	—	—	24.1	—	221.8	240.8
Cash and cash equivalents:							
Beginning of period	10.3	1.0	0.1	0.1	—	194.8	206.3
End of period	£ 5.2	£ 1.0	£ 0.1	£ 24.2	£ —	£ 416.6	£ 447.1

	Predecessor (a)						
	Year ended December 31, 2012						
Statements of cash flows	**Predecessor Company**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Total**
	in millions						
Cash flows from operating activities:							
Net cash provided (used) by operating activities	£ (91.5)	£ 16.7	£ (3.0)	£ (187.5)	£ —	£ 1,464.2	£ 1,198.9
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	—	(782.5)	(782.5)
Other investing activities, net	—	—	—	—	—	(0.5)	(0.5)
Net cash used by investing activities	—	—	—	—	—	(783.0)	(783.0)
Cash flows from financing activities:							
Repayments and repurchases of debt and capital lease obligations	—	(1,141.9)	—	(175.0)	—	(98.0)	(1,414.9)
Borrowings of debt	—	1,279.7	—	175.0	—	—	1,454.7
Investments from (loans to) parent and subsidiary companies	436.5	14.8	2.8	214.3	—	(668.4)	—
Net cash paid related to derivative instruments	—	—	—	(26.0)	—	—	(26.0)
Payment of financing costs and debt premiums	—	(165.0)	—	—	—	(0.1)	(165.1)
Repurchase of common stock	(330.2)	—	—	—	—	—	(330.2)
Other financing activities, net	(19.1)	—	—	—	—	—	(19.1)
Net cash provided (used) by financing activities	87.2	(12.4)	2.8	188.3	—	(766.5)	(500.6)
Effect of exchange rates on cash and cash equivalents	(1.6)	(5.2)	—	(0.8)	—	(1.8)	(9.4)
Net decrease in cash and cash equivalents	(5.9)	(0.9)	(0.2)	—	—	(87.1)	(94.1)
Cash and cash equivalents:							
Beginning of period	16.2	1.9	0.3	0.1	—	281.9	300.4
End of period	£ 10.3	£ 1.0	£ 0.1	£ 0.1	£ —	£ 194.8	£ 206.3

(a) As retrospectively revised - see note 2.

	Predecessor						
	Year ended December 31, 2011						
Statements of cash flows	**Predecessor Company**	**Virgin Media Finance**	**Other guarantors**	**VMIH**	**VMIL**	**All other subsidiaries**	**Total**
				in millions			
Cash flows from operating activities:							
Net cash provided (used) by operating activities	£ (56.1)	£ (4.5)	£ (4.7)	£ (207.9)	£ —	£ 1,421.6	£ 1,148.4
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	—	(656.7)	(656.7)
Sale of equity investments, net	—	—	—	—	—	243.4	243.4
Loan repayment from equity investment	—	—	—	—	—	108.2	108.2
Other investing activities, net	—	—	—	—	—	(9.6)	(9.6)
Net cash used by investing activities	—	—	—	—	—	(314.7)	(314.7)
Cash flows from financing activities:							
Repayments and repurchases of debt and capital lease obligations	—	(340.4)	—	—	—	(1,054.6)	(1,395.0)
Borrowings of debt	—	—	—	—	—	1,001.5	1,001.5
Investments from (loans to) parent and subsidiary companies	621.6	360.5	4.6	144.5	—	(1,131.2)	—
Net cash received related to derivative instruments	—	—	—	68.3	—	—	68.3
Payment of financing costs and debt premiums	—	(15.5)	—	(10.4)	—	(14.1)	(40.0)
Repurchase of common stock	(635.0)	—	—	—	—	—	(635.0)
Other financing activities, net	(13.6)	—	—	—	—	—	(13.6)
Net cash provided (used) by financing activities	(27.0)	4.6	4.6	202.4	—	(1,198.4)	(1,013.8)
Effect of exchange rates on cash and cash equivalents	(2.0)	—	—	1.1	—	1.9	1.0
Net increase (decrease) in cash and cash equivalents	(85.1)	0.1	(0.1)	(4.4)	—	(89.6)	(179.1)
Cash and cash equivalents:							
Beginning of period	101.3	1.8	0.4	4.5	—	371.5	479.5
End of period	£ 16.2	£ 1.9	£ 0.3	£ 0.1	£ —	£ 281.9	£ 300.4

(18) Condensed Consolidating Financial Information - Senior Secured Notes

We present the following condensed consolidating financial information as of December 31, 2013 and December 31, 2012 and for the Successor period from June 8 to December 31, 2013, the Predecessor period from January 1 to June 7, 2013, the year ended December 31, 2012, and the year ended December 31, 2011 as required by the applicable underlying indentures.

As of December 31, 2013, Virgin Media Secured Finance is the issuer of the following senior secured notes:

- £875.0 million aggregate principal amount of 2018 VM Sterling Senior Secured Notes;
- $1.0 billion (£603.6 million) aggregate principal amount of 2018 VM Dollar Senior Secured Notes;
- £628.4 million aggregate principal amount of January 2021 VM Sterling Senior Secured Notes;
- $447.9 million (£270.4 million) aggregate principal amount of January 2021 VM Dollar Senior Secured Notes;
- £1.1 billion aggregate principal amount of April 2021 VM Sterling Senior Secured Notes; and
- $1.0 billion (£603.6 million) aggregate principal amount of April 2021 VM Dollar Senior Secured Notes.

Our senior secured notes are issued by Virgin Media Secured Finance and are guaranteed on a senior basis by Virgin Media, Virgin Media Group, Virgin Media Holdings, Virgin Media (UK) Group and Virgin Media Communications and on a senior subordinated basis by VMIH and VMIL. They also rank pari passu with and, subject to certain exceptions, share in the same guarantees and security which has been granted in favor of our VM Credit Facility.

	Successor					
	December 31, 2013					
Balance sheets	**Successor Company**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
	in millions					
ASSETS						
Current assets:						
Cash and cash equivalents	£ 313.3	£ 0.1	£ 21.4	£ 8.2	£ —	£ 343.0
Related-party receivables	0.2	—	47.8	40.1	—	88.1
Other current assets	0.1	0.1	559.7	0.5	(0.1)	560.3
Total current assets	313.6	0.2	628.9	48.8	(0.1)	991.4
Property and equipment, net	—	—	5,037.3	1,075.3	—	6,112.6
Goodwill	—	—	5,793.7	—	—	5,793.7
Intangible assets subject to amortization, net	—	—	2,185.6	135.9	—	2,321.5
Investments in, and loans to, parent and subsidiary companies	8,787.5	4,257.8	(5,507.1)	7,937.7	(15,475.9)	—
Deferred income taxes	—	—	1,407.4	—	—	1,407.4
Related-party notes receivable	76.2	—	—	2,297.3	—	2,373.5
Other assets, net	79.8	31.6	199.7	—	—	311.1
Other assets, net intercompany	—	—	45.3	—	(45.3)	—
Total assets	£ 9,257.1	£ 4,289.6	£ 9,790.8	£ 11,495.0	£ (15,521.3)	£ 19,311.2
LIABILITIES AND EQUITY						
Current liabilities:						
Intercompany and related-party payables	£ 126.1	£ 1.4	£ 158.7	£ 528.8	£ (727.4)	£ 87.6
Other current liabilities	102.8	47.6	1,294.1	4.6	(0.1)	1,449.0
Total current liabilities	228.9	49.0	1,452.8	533.4	(727.5)	1,536.6
Long-term debt and capital lease obligations	—	4,164.9	4,124.4	—	—	8,289.3
Other long-term liabilities	—	—	446.8	10.3	—	457.1
Other long-term liabilities intercompany	—	29.6	15.7	—	(45.3)	—
Total liabilities	228.9	4,243.5	6,039.7	543.7	(772.8)	10,283.0
Equity	9,028.2	46.1	3,751.1	10,951.3	(14,748.5)	9,028.2
Total liabilities and equity	£ 9,257.1	£ 4,289.6	£ 9,790.8	£ 11,495.0	£ (15,521.3)	£ 19,311.2

	Predecessor (a)					
	December 31, 2012					
Balance sheets	**Predecessor Company**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
	in millions					
ASSETS						
Current assets:						
Cash and cash equivalents	£ 10.3	£ —	£ 191.9	£ 4.1	£ —	£ 206.3
Other current assets	0.2	—	630.4	0.9	—	631.5
Total current assets	10.5	—	822.3	5.0	—	837.8
Property and equipment, net	—	—	3,917.9	594.3	—	4,512.2
Goodwill	—	—	1,869.2	148.3	—	2,017.5
Investments in, and loans to, parent and subsidiary companies	3,474.9	2,589.7	(1,203.8)	4,053.9	(8,914.7)	—
Deferred income taxes	—	—	2,641.7	—	—	2,641.7
Other assets, net	308.3	24.6	222.8	—	—	555.7
Total assets	£ 3,793.7	£ 2,614.3	£ 8,270.1	£ 4,801.5	£ (8,914.7)	£ 10,564.9
LIABILITIES AND EQUITY						
Current liabilities	£ 31.1	£ 28.4	£ 1,342.8	£ 485.7	£ (650.6)	£ 1,237.4
Long-term debt and capital lease obligations	544.0	2,581.8	2,726.2	—	—	5,852.0
Other long-term liabilities	0.2	—	242.2	14.7	—	257.1
Total liabilities	575.3	2,610.2	4,311.2	500.4	(650.6)	7,346.5
Equity	3,218.4	4.1	3,958.9	4,301.1	(8,264.1)	3,218.4
Total liabilities and equity	£ 3,793.7	£ 2,614.3	£ 8,270.1	£ 4,801.5	£ (8,914.7)	£ 10,564.9

(a) As retrospectively revised - see note 2.

Statements of operations	Successor — Period from June 8 to December 31, 2013 — Successor Company	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	in millions					
Revenue	£ —	£ —	£ 2,167.3	£ 142.9	£ —	£ 2,310.2
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	981.7	70.0	—	1,051.7
SG&A (including share-based compensation)	1.6	—	360.2	18.3	—	380.1
Depreciation and amortization	—	—	813.1	97.1	—	910.2
Impairment, restructuring and other operating items, net	0.6	—	33.9	2.0	—	36.5
	2.2	—	2,188.9	187.4	—	2,378.5
Operating loss	(2.2)	—	(21.6)	(44.5)	—	(68.3)
Non-operating income (expense):						
Interest expense:						
Third-party	(9.1)	(133.7)	(120.8)	—	—	(263.6)
Related-party	(99.3)	—	(410.7)	(394.3)	898.5	(5.8)
Interest income – related-party and intercompany	0.2	170.9	435.4	399.0	(898.5)	107.0
Gain (loss) on debt modification and extinguishment, net	—	1.0	(0.4)	—	—	0.6
Realized and unrealized gains (losses) on derivative instruments, net	27.0	—	(230.4)	—	—	(203.4)
Realized and unrealized gains (losses) on intercompany derivative instruments, net	—	(29.6)	29.6	—	—	—
Foreign currency transaction gains, net	27.0	34.4	48.6	10.0	22.6	142.6
Other income, net	0.2	—	0.2	—	—	0.4
	(54.0)	43.0	(248.5)	14.7	22.6	(222.2)
Earnings (loss) before income taxes	(56.2)	43.0	(270.1)	(29.8)	22.6	(290.5)
Income tax expense	—	—	(197.5)	—	—	(197.5)
Earnings (loss) after income taxes	(56.2)	43.0	(467.6)	(29.8)	22.6	(488.0)
Equity in net earnings (loss) of subsidiaries	(431.8)	—	106.8	(401.9)	726.9	—
Net earnings (loss)	£ (488.0)	£ 43.0	£ (360.8)	£ (431.7)	£ 749.5	£ (488.0)
Total comprehensive earnings (loss)	£ (342.4)	£ 43.0	£ (374.5)	£ (439.9)	£ 771.4	£ (342.4)

Statements of operations	Predecessor Company	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	Predecessor					
	Period from January 1 to June 7, 2013					
	in millions					
Revenue	£ —	£ —	£ 1,703.5	£ 106.7	£ —	£ 1,810.2
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	807.4	38.0	—	845.4
SG&A (including share-based compensation)	8.4	—	229.8	17.9	—	256.1
Depreciation and amortization	—	—	396.1	36.7	—	432.8
Impairment, restructuring and other operating items, net	53.8	—	(2.7)	0.1	—	51.2
	62.2	—	1,430.6	92.7	—	1,585.5
Operating income (loss)	(62.2)	—	272.9	14.0	—	224.7
Non-operating income (expense):						
Interest expense – third-party	(55.9)	(71.6)	(341.9)	(155.6)	468.3	(156.7)
Interest income – intercompany	—	70.7	230.7	166.9	(468.3)	—
Loss on debt modification and extinguishment, net	(0.1)	—	—	—	—	(0.1)
Realized and unrealized gains on derivative instruments, net	50.0	—	1.8	—	—	51.8
Foreign currency transaction gains (losses), net	(0.1)	—	27.5	0.5	(30.0)	(2.1)
Other income, net	—	—	0.4	—	—	0.4
	(6.1)	(0.9)	(81.5)	11.8	(30.0)	(106.7)
Earnings (loss) before income taxes	(68.3)	(0.9)	191.4	25.8	(30.0)	118.0
Income tax expense	—	—	(18.1)	—	—	(18.1)
Earnings (loss) after income taxes	(68.3)	(0.9)	173.3	25.8	(30.0)	99.9
Equity in net earnings of subsidiaries	168.2	—	0.3	142.4	(310.9)	—
Net earnings (loss)	£ 99.9	£ (0.9)	£ 173.6	£ 168.2	£ (340.9)	£ 99.9
Total comprehensive earnings (loss)	£ 83.1	£ (0.9)	£ 166.6	£ 161.2	£ (326.9)	£ 83.1

Statements of operations	Predecessor (a)					
	Year ended December 31, 2012					
	Predecessor Company	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	in millions					
Revenue	£ —	£ —	£ 3,854.8	£ 245.7	£ —	£ 4,100.5
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	1,774.0	98.9	—	1,872.9
SG&A (including share-based compensation)	15.3	—	529.1	29.8	—	574.2
Depreciation and amortization	—	—	876.7	89.7	—	966.4
Impairment, restructuring and other operating items, net	—	—	(14.3)	2.5	—	(11.8)
	15.3	—	3,165.5	220.9	—	3,401.7
Operating income (loss)	(15.3)	—	689.3	24.8	—	698.8
Non-operating income (expense):						
Interest expense – third-party	(112.4)	(162.0)	(928.0)	(393.6)	1,197.8	(398.2)
Interest income – intercompany	—	163.5	606.3	428.0	(1,197.8)	—
Loss on debt modification and extinguishment, net	—	—	(187.8)	—	—	(187.8)
Realized and unrealized gains (losses) on derivative instruments, net	174.2	—	(26.1)	—	—	148.1
Foreign currency transaction gains (losses), net	(0.1)	—	(46.6)	7.0	33.4	(6.3)
Other income, net	—	—	6.8	—	—	6.8
	61.7	1.5	(575.4)	41.4	33.4	(437.4)
Earnings before income taxes	46.4	1.5	113.9	66.2	33.4	261.4
Income tax benefit	—	—	2,651.9	0.1	—	2,652.0
Earnings after income taxes	46.4	1.5	2,765.8	66.3	33.4	2,913.4
Equity in net earnings of subsidiaries	2,867.0	—	70.4	2,800.8	(5,738.2)	—
Net earnings	£ 2,913.4	£ 1.5	£ 2,836.2	£ 2,867.1	£ (5,704.8)	£ 2,913.4
Total comprehensive earnings	£ 2,877.6	£ 1.5	£ 2,789.0	£ 2,821.9	£ (5,612.4)	£ 2,877.6

(a) As retrospectively revised - see note 2.

Statements of operations	Predecessor Company	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Eliminations	Total
	Predecessor					
	Year ended December 31, 2011					
	in millions					
Revenue	£ —	£ —	£ 3,534.5	£ 457.3	£ —	£ 3,991.8
Operating costs and expenses:						
Operating (other than depreciation and amortization)	—	—	1,538.2	328.4	—	1,866.6
SG&A (including share-based compensation)	13.2	—	490.8	31.3	—	535.3
Depreciation and amortization	—	—	922.1	124.3	—	1,046.4
Impairment, restructuring and other operating items, net	—	—	4.9	1.9	—	6.8
	13.2	—	2,956.0	485.9	—	3,455.1
Operating income (loss)	(13.2)	—	578.5	(28.6)	—	536.7
Non-operating income (expense):						
Interest expense – third-party	(66.2)	(152.3)	(1,050.1)	(443.5)	1,271.7	(440.4)
Interest income – intercompany	3.6	153.8	687.1	427.2	(1,271.7)	—
Loss on debt modification and extinguishment, net	—	—	(47.2)	—	—	(47.2)
Realized and unrealized losses on derivative instruments, net	(43.4)	—	(7.3)	—	—	(50.7)
Foreign currency transaction gains (losses), net	(0.4)	—	22.7	(24.7)	—	(2.4)
Other income, net	0.1	—	78.0	19.0	—	97.1
	(106.3)	1.5	(316.8)	(22.0)	—	(443.6)
Earnings (loss) before income taxes	(119.5)	1.5	261.7	(50.6)	—	93.1
Income tax benefit (expense)	—	—	(18.9)	2.9	—	(16.0)
Earnings (loss) after income taxes	(119.5)	1.5	242.8	(47.7)	—	77.1
Loss of discontinued operation, net of tax	—	—	—	(1.2)	—	(1.2)
Equity in net earnings (loss) of subsidiaries	195.4	—	(34.9)	244.3	(404.8)	—
Net earnings	£ 75.9	£ 1.5	£ 207.9	£ 195.4	£ (404.8)	£ 75.9
Total comprehensive earnings	£ 19.4	£ 1.5	£ 164.2	£ 151.1	£ (316.8)	£ 19.4

Statements of cash flows	Successor				
	Period from June 8 to December 31, 2013				
	Successor Company	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Total
			in millions		
Cash flows from operating activities:					
Net cash provided (used) by operating activities	£ (98.4)	£ (6.1)	£ 606.0	£ 61.0	£ 562.5
Cash flows from investing activities:					
Loan to related-party	(65.7)	—	—	(2,290.6)	(2,356.3)
Capital expenditures	—	—	(393.0)	(25.9)	(418.9)
Other investing activities, net	—	—	1.8	—	1.8
Net cash used by investing activities	(65.7)	—	(391.2)	(2,316.5)	(2,773.4)
Cash flows from financing activities:					
Repayments and repurchases of debt and capital lease obligations	(2,832.7)	(56.0)	(1,162.1)	—	(4,050.8)
Borrowings of debt	—	—	1,983.4	—	1,983.4
Investments from (loans to) parent and subsidiary companies	1,508.9	(1,707.7)	(2,064.6)	2,263.4	—
Repayments of related-party notes	(1,819.6)	—	—	—	(1,819.6)
Release of restricted cash from escrow	—	1,727.6	586.0	—	2,313.6
Capital contribution from parent	3,278.0	—	—	—	3,278.0
Net cash received related to derivative instruments	343.2	—	21.1	—	364.3
Payment of financing costs and debt premiums	(30.9)	(16.2)	(17.2)	—	(64.3)
Other financing activities, net	(0.1)	—	—	—	(0.1)
Net cash provided (used) by financing activities	446.8	(52.3)	(653.4)	2,263.4	2,004.5
Effect of exchange rates on cash and cash equivalents	3.2	(3.7)	0.3	(5.2)	(5.4)
Net increase (decrease) in cash and cash equivalents	285.9	(62.1)	(438.3)	2.7	(211.8)
Cash and cash equivalents:					
Beginning of period	27.4	62.2	459.7	5.5	554.8
End of period	£ 313.3	£ 0.1	£ 21.4	£ 8.2	£ 343.0

	Predecessor				
	Period from January 1 to June 7, 2013				
Statements of cash flows	**Predecessor Company**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Total**
			in millions		
Cash flows from operating activities:					
Net cash provided (used) by operating activities	£ (106.9)	£ 1.5	£ 595.6	£ 97.9	£ 588.1
Cash flows from investing activities:					
Capital expenditures	—	—	(282.5)	(30.9)	(313.4)
Other investing activities, net	—	—	3.7	0.4	4.1
Net cash used by investing activities	—	—	(278.8)	(30.5)	(309.3)
Cash flows from financing activities:					
Repayments and repurchases of debt and capital lease obligations	(1.5)	—	(45.0)	—	(46.5)
Investments from (loans to) parent and subsidiary companies	94.3	(1.6)	(27.1)	(65.6)	—
Payment of financing costs and debt premiums	(0.6)	(0.3)	(0.2)	—	(1.1)
Other financing activities, net	8.7	—	—	—	8.7
Net cash provided (used) by financing activities	100.9	(1.9)	(72.3)	(65.6)	(38.9)
Effect of exchange rates on cash and cash equivalents	0.9	0.4	—	(0.4)	0.9
Net increase (decrease) in cash and cash equivalents	(5.1)	—	244.5	1.4	240.8
Cash and cash equivalents:					
Beginning of period	10.3	—	191.9	4.1	206.3
End of period	£ 5.2	£ —	£ 436.4	£ 5.5	£ 447.1

	Predecessor (a)				
	Year ended December 31, 2012				
Statements of cash flows	**Predecessor Company**	**Virgin Media Secured Finance**	**Guarantors**	**Non-Guarantors**	**Total**
			in millions		
Cash flows from operating activities:					
Net cash provided (used) by operating activities	£ (91.5)	£ 1.5	£ 1,167.9	£ 121.0	£ 1,198.9
Cash flows from investing activities:					
Capital expenditures	—	—	(678.0)	(104.5)	(782.5)
Other investing activities, net	—	—	2.6	(3.1)	(0.5)
Net cash used by investing activities	—	—	(675.4)	(107.6)	(783.0)
Cash flows from financing activities:					
Repayments and repurchases of debt and capital lease obligations	—	—	(1,414.9)	—	(1,414.9)
Borrowings of debt	—	—	1,454.7	—	1,454.7
Investments from (loans to) parent and subsidiary companies	436.5	(1.3)	(405.5)	(29.7)	—
Net cash paid related to derivative instruments	—	—	(26.0)	—	(26.0)
Payment of financing costs and debt premiums	—	(0.2)	(164.9)	—	(165.1)
Repurchase of common stock	(330.2)	—	—	—	(330.2)
Other financing activities, net	(19.1)	—	—	—	(19.1)
Net cash provided (used) by financing activities	87.2	(1.5)	(556.6)	(29.7)	(500.6)
Effect of exchange rates on cash and cash equivalents	(1.6)	—	(7.8)	—	(9.4)
Net decrease in cash and cash equivalents	(5.9)	—	(71.9)	(16.3)	(94.1)
Cash and cash equivalents:					
Beginning of period	16.2	—	263.8	20.4	300.4
End of period	£ 10.3	£ —	£ 191.9	£ 4.1	£ 206.3

(a) As retrospectively revised - see note 2.

Statements of cash flows	Predecessor Company	Virgin Media Secured Finance	Guarantors	Non-Guarantors	Total
	Predecessor				
	Year ended December 31, 2011				
			in millions		
Cash flows from operating activities:					
Net cash provided (used) by operating activities	£ (56.1)	£ —	£ 1,129.7	£ 74.8	£ 1,148.4
Cash flows from investing activities:					
Capital expenditures	—	—	(617.0)	(39.7)	(656.7)
Sale of equity investments, net	—	—	—	243.4	243.4
Loan repayment from equity investment	—	—	—	108.2	108.2
Other investing activities, net	—	—	2.3	(11.9)	(9.6)
Net cash provided (used) by investing activities	—	—	(614.7)	300.0	(314.7)
Cash flows from financing activities:					
Repayments and repurchases of debt and capital lease obligations	—	—	(1,395.0)	—	(1,395.0)
Borrowings of debt	—	951.5	50.0	—	1,001.5
Investments from (loans to) parent and subsidiary companies	621.6	(941.0)	695.1	(375.7)	—
Net cash received related to derivative instruments	—	—	68.3	—	68.3
Payment of financing costs and debt premiums	—	(10.5)	(29.5)	—	(40.0)
Repurchase of common stock	(635.0)	—	—	—	(635.0)
Other financing activities, net	(13.6)	—	—	—	(13.6)
Net cash used by financing activities	(27.0)	—	(611.1)	(375.7)	(1,013.8)
Effect of exchange rates on cash and cash equivalents	(2.0)	—	3.0	—	1.0
Net decrease in cash and cash equivalents	(85.1)	—	(93.1)	(0.9)	(179.1)
Cash and cash equivalents:					
Beginning of period	101.3	—	356.9	21.3	479.5
End of period	£ 16.2	£ —	£ 263.8	£ 20.4	£ 300.4

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read in conjunction with our consolidated financial statements. This discussion is organized as follows:

- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2013, 2012 and 2011.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity, consolidated statements of cash flows and contractual commitments.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that contain uncertainties and require significant judgment in their application.
- *Quantitative and Qualitative Disclosures about Market Risk.* This section provides discussion and analysis of the foreign currency, interest rate and other market risk that our company faces.

The capitalized terms used below have been defined in the notes to our consolidated financial statements. In the following text, the terms, "we," "our," "our company" and "us" may refer, as the context requires, to Virgin Media (or Old Virgin Media) or collectively to Virgin Media (or Old Virgin Media) and its subsidiaries.

Unless otherwise indicated, convenience translations into pound sterling are calculated, and operation data (including subscriber statistics) are presented, as of December 31, 2013.

Overview

We are a subsidiary of Liberty Global that provides digital cable, broadband internet, fixed-line telephony and mobile services in the U.K. to both residential and B2B customers. We are one of the U.K.'s largest providers of residential digital cable, broadband internet and fixed-line telephony services in terms of the number of customers. We believe our advanced, deep-fiber cable access network enables us to offer faster and higher quality broadband services than our digital subscriber line, or DSL competitors. As a result, we provide our customers with a leading next generation broadband service and one of the most advanced interactive TV services available in the U.K. market.

Our residential broadband subscribers generally access the internet at various download speeds ranging up to 152 Mbps, as of February 2014, depending on the tier of service selected. We determine pricing for each different tier of broadband internet service through analysis of speed, market conditions and other factors.

Our digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view programming (including digital cable-on-demand), digital cable recorders, high definition and 3D programming and access to over-the-top content.

We provide mobile services to our customers using a third-party network through an MVNO arrangement.

In addition, we provide broadband internet, fixed-line and mobile telephony and other connectivity services to businesses, public sector organizations and service providers.

We strive to achieve organic revenue and customer growth by developing and marketing bundled entertainment and information and communications services, and extending and upgrading the quality of our network where appropriate. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet, fixed-line telephony and mobile services with existing customers through product bundling and upselling.

As of December 31, 2013, our network passed 12,520,100 homes and served 12,261,700 revenue generating units (RGUs), consisting of 4,375,700 broadband internet subscribers, 4,136,400 fixed-line telephony subscribers, and 3,749,600 digital cable subscribers. We also served 2,990,200 mobile subscribers.

We added 19,500 RGUs on an organic basis during 2013, as compared to 248,300 RGUs that we added on an organic basis during 2012. The organic RGU growth during 2013 is attributable to the growth of our broadband internet services, which added 103,500 RGUs partially offset by declines in (i) fixed-line telephony services, which declined by 42,700 RGUs, and (ii) digital cable services, which declined by 41,300 RGUs.

We lost 7,400 mobile subscribers during 2013, as compared to growth of 200 mobile subscribers during 2012. The organic loss during 2013 is attributable to a decrease in our prepaid mobile subscribers, which declined by 209,100 subscribers, partially offset by the growth in our postpaid mobile subscribers, which added 201,700 subscribers.

In addition to competition, our operations are subject to macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S. and certain European countries, combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company.

The digital cable, broadband internet and fixed-line telephony businesses in which we operate are capital intensive. Significant additions to our property and equipment are required to add customers to our network and to upgrade our broadband communications network and customer premises equipment to enhance our service offerings and improve the customer experience, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies, the expansion of existing technologies such as fiber-to-the-home, -cabinet, -building or -node and advanced DSL technologies, or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our networks and customer premises equipment in the impacted markets. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned additions to our property and equipment, our growth could be limited and our competitive position could be harmed. For information regarding our property and equipment additions, see *Liquidity and Capital Resources — Consolidated Statements of Cash Flows* below.

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. Our suppliers often conduct business worldwide and their ability to meet our needs are subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services, and accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows.

On July 12, 2010, we completed the sale of our television channel business known as Virgin Media TV. Virgin Media TV's operations comprised our former Content segment. Our consolidated financial statements reflect Virgin Media TV as a discontinued operation.

LG/VM Transaction

Virgin Media became a wholly-owned subsidiary of Liberty Global as a result of the LG/VM Transaction, pursuant to which Liberty Global became the publicly-held parent company of the successors by merger of Old Virgin Media and LGI. For further information, see note 3 to our consolidated financial statements.

As a result of Liberty Global's push-down of its investment basis in Virgin Media arising from the LG/VM Transaction, a new basis of accounting was created on June 7, 2013. In the following discussion, the results of operations and cash flows of Old Virgin Media for the periods ended on or prior to June 7, 2013 and the financial position of Old Virgin Media as of balance sheet dates prior to June 7, 2013 are referred to herein as "Predecessor" consolidated financial information and the results of operations and cash flows of Virgin Media for periods beginning on June 8, 2013 and the financial position of Virgin Media as of June 7, 2013 and subsequent balance sheet dates are referred to herein as "Successor" consolidated financial information.

The Predecessor and Successor consolidated financial information presented within the consolidated financial statements and accompanying notes is not comparable primarily due to the fact that the Successor consolidated financial information reflects:

- the application of acquisition accounting as of June 7, 2013, as further described in note 3 to our consolidated financial statements, of which the most significant implications are (i) increased depreciation expense, (ii) increased amortization expense and (iii) increased share-based compensation expense;

- conforming accounting policy changes, primarily to align to Liberty Global's accounting policy for the recognition of installation fees received on B2B contracts, as further described in note 1 to our consolidated financial statements; and

- additional interest expense associated with debt financing arrangements entered into in connection with the LG/VM Transaction and subsequently pushed down to our balance sheet, as further described in note 7 to our consolidated financial statements.

Combined Results

In order to provide a more meaningful basis for comparing the results of operations for the year ended December 31, 2013 to the corresponding prior year period, we have presented financial information for the year ended December 31, 2013 that reflects the combination of the results for the 2013 Predecessor and Successor periods. The combination of Predecessor and Successor periods is not permitted by GAAP and has not been prepared with a view towards complying with Article 11 of Regulation S-X (in millions):

	Successor	Predecessor	Combined	Predecessor	Increase (decrease)	
Consolidated Statements of Operations	**Period from June 8 to December 31, 2013**	**Period from January 1 to June 7, 2013**	**Year ended December 31, 2013**	**Year ended December 31, 2012**	**£**	**%**
Revenue	£ 2,310.2	£ 1,810.2	£ 4,120.4	£ 4,100.5	£ 19.9	0.5
Operating costs and expenses:						
Operating (other than depreciation and amortization)	1,051.7	845.4	1,897.1	1,872.9	24.2	1.3
SG&A	380.1	256.1	636.2	574.2	62.0	10.8
Depreciation and amortization	910.2	432.8	1,343.0	966.4	376.6	39.0
Impairment, restructuring and other operating items, net	36.5	51.2	87.7	(11.8)	99.5	N.M.
	2,378.5	1,585.5	3,964.0	3,401.7	562.3	16.5
Operating income (loss)	(68.3)	224.7	156.4	698.8	(542.4)	(77.6)
Non-operating income (expense):						
Interest expense:						
Third-party	(263.6)	(156.7)	(420.3)	(398.2)	(22.1)	5.5
Related-party	(5.8)	—	(5.8)	—	(5.8)	N.M.
Interest income – related-party	107.0	—	107.0	—	107.0	N.M.
Gain (loss) on debt modification and extinguishment, net	0.6	(0.1)	0.5	(187.8)	188.3	N.M.
Realized and unrealized gains (losses) on derivative instruments, net	(203.4)	51.8	(151.6)	148.1	(299.7)	N.M.
Foreign currency transaction gains (losses), net	142.6	(2.1)	140.5	(6.3)	146.8	N.M.
Other income, net	0.4	0.4	0.8	6.8	(6.0)	N.M.
	(222.2)	(106.7)	(328.9)	(437.4)	108.5	N.M.
Earnings (loss) before income taxes	(290.5)	118.0	(172.5)	261.4	(433.9)	N.M.
Income tax benefit (expense)	(197.5)	(18.1)	(215.6)	2,652.0	(2,867.6)	N.M.
Net earnings (loss)	£ (488.0)	£ 99.9	£ (388.1)	£ 2,913.4	£ (3,301.5)	N.M.

N.M. — Not Meaningful.

Results of Operations

This section provides an analysis of our results of operations for the years ended December 31, 2013, 2012 and 2011.

Discussion and Analysis

2013 compared to 2012

Revenue

Revenue includes amounts received from residential subscribers for ongoing services as well as revenue earned from B2B services, interconnect fees and other categories of non-subscription revenue. We use the term "subscription revenue" in the following discussion to refer to amounts received from cable and mobile residential subscribers for ongoing services, excluding installation fees, mobile handset sales revenue and late fees. In the following table, mobile subscription revenue excludes the related interconnect revenue.

Our revenue by major category is set forth below:

	Year ended December 31,		Increase (decrease)	
	2013	2012	£	%
		in millions		
Subscription revenue:				
Digital cable	£ 976.7	£ 886.9	£ 89.8	10.1
Broadband internet	871.8	800.3	71.5	8.9
Fixed-line telephony	979.3	998.3	(19.0)	(1.9)
Cable subscription revenue	2,827.8	2,685.5	142.3	5.3
Mobile	440.3	437.9	2.4	0.5
Total subscription revenue	3,268.1	3,123.4	144.7	4.6
B2B revenue	605.1	670.3	(65.2)	(9.7)
Other revenue (a)	247.2	306.8	(59.6)	(19.4)
Total revenue	£ 4,120.4	£ 4,100.5	£ 19.9	0.5

(a) Other revenue includes, among other items, interconnect revenue, non-cable services, mobile handset sales and installation revenue.

The details of our revenue increase for 2013, as compared to 2012, are as follows (in millions):

Increase in cable subscription revenue due to change in:	
Average number of RGUs (a)	£ 33.1
Average monthly subscription revenue per RGU (ARPU) (b)	109.2
Total increase in cable subscription revenue	142.3
Increase in mobile revenue (c)	2.4
Total increase in subscription revenue	144.7
Decrease in B2B revenue	(65.2)
Decrease in other revenue (d)	(59.6)
Total	£ 19.9

(a) The increase in our cable subscription revenue related to a change in the average number of RGUs is primarily attributable to increases in the average numbers of broadband internet RGUs.

(b) The increase in our cable subscription revenue related to a change in ARPU is due to the net effect of (i) a net increase resulting from the following factors: (a) higher ARPU due to February 2013 price increases for certain broadband internet, digital cable and telephony services and an October 2013 price increase for certain broadband internet services, (b) lower ARPU due to the impact of higher discounts, (c) lower ARPU due to lower usage of fixed-line telephony, (d) higher ARPU due to the net impact of an increase in the proportion of subscribers receiving (1) higher-priced tiers of broadband internet services and (2) lower-priced tiers of digital cable services and (e) higher ARPU due to increased penetration of TiVo-enabled set-top boxes and (ii) an adverse change in RGU mix attributable to lower proportions of digital cable RGUs. In addition, fixed-line telephony revenue includes an increase of £23.7 million due to the net non-operational and operational impacts of a new product proposition that was initiated in August 2012. This positive net impact is not expected to contribute materially to our revenue growth in periods subsequent to the August 2013 anniversary date of the new product proposition.

(c) The increase in mobile subscription revenue is due to the net effect of (i) an increase in the number of customers taking postpaid mobile services, (ii) a decrease in the number of prepaid mobile customers, (iii) a reduction in chargeable usage as subscribers move to unlimited usage bundles, (iv) a July 2013 price increase and (v) a decrease due to higher proportions of our postpaid customers taking lower-priced subscriber identification module (SIM)-only contracts. In addition, mobile subscription revenue is (a) positively impacted by the £5.1 million net impact of certain nonrecurring adjustments during 2013 and (b) negatively impacted by a non-recurring adjustment of £2.8 million during 2012.

(d) The decrease in other revenue is primarily due to (i) a decline in interconnect revenue as the result of lower mobile, short message service (SMS) and fixed-line telephony termination rates, (ii) lower cable installation activities and (iii) a decline in our non-cable subscriber base.

Our B2B revenue by category is set forth below:

	Year ended December 31, 2013	Year ended December 31, 2012	Increase (decrease) £	Increase (decrease) %
	in millions			
Data (a)	£ 399.9	£ 393.1	£ 6.8	1.7
Voice (b)	149.8	162.1	(12.3)	(7.6)
Other (c)	55.4	115.1	(59.7)	(51.9)
Total B2B revenue	£ 605.1	£ 670.3	£ (65.2)	(9.7)

(a) Data revenue increased by £6.8 million or 1.7% during 2013, as compared to 2012, primarily due to the net impact of (i) higher contract acquisitions leading to increased rental revenue, (ii) price reductions on the renewal of certain contracts and (iii) a £2.7 million reduction during 2013 as a result of nonrecurring adjustments to certain revenue-related accrual balances.

(b) Voice revenue decreased by £12.3 million or 7.6% during 2013, as compared to 2012, primarily due to the net effect of (i) lower termination rates, (ii) lower pricing and (iii) the favorable impact during 2013 of a reduction in revenue of £2.8 million during the third quarter of 2012 as a result of a regulatory ruling.

(c) Other revenue includes (i) equipment sales, (ii) certain nonrecurring contract termination and modification fees and (iii) installation revenue in periods prior to our adoption of Liberty Global's accounting policy for installation fees. Previously, we generally treated installation fees received from B2B customers as a separate deliverable and recognized revenue upon completion of the installation activity in an amount that was based on the relative standalone selling price methodology. Our current accounting policy is generally to defer upfront installation fees on B2B contracts where we maintain ownership of the installed equipment and recognize the associated revenue on a straight line basis over the life of the underlying service contract as a component of our data and voice B2B revenue, as applicable. Accordingly, no portion of any upfront or nonrecurring B2B fees are included in this category following the adoption of Liberty Global's accounting policy. For additional information, see note 1 to our consolidated financial statements. Other revenue decreased by £59.7 million or 51.9% during 2013, as compared to 2012, primarily due to the net effect of (i) a £31.9 million decrease associated with the adoption of Liberty Global's accounting policy for installation fees on B2B contracts, (ii) a decrease due to nonrecurring contract termination and modification fees and other non-recurring items aggregating £19.2 million that were recognized during 2012 and (iii) an increase in low margin equipment sales.

Operating expenses

Operating expenses include programming, network operations, interconnect, customer operations, customer care and other costs related to our operations. Programming costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (i) higher costs associated with the expansion of our digital cable content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (ii) rate increases. In addition, we are subject to inflationary pressures with respect to our labor and other costs. Any cost increases that we are not able to pass on to our subscribers through service rate increases would result in increased pressure on our operating margins.

Our total operating expenses increased £24.2 million or 1.3% during 2013, as compared to 2012. This increase includes the following factors:

- An increase in programming and related costs of £33.8 million or 6.7%, due primarily to the impact of (i) growth in digital services and (ii) rate increases for live sports content and, to a lesser degree, other premium content;

- A decrease in interconnect and access costs of £22.1 million or 5.9%, due primarily to the net effect of (i) lower mobile and fixed-line telephony termination rates, (ii) an increase due to the net negative impact of (a) higher costs due to the net releases of accruals associated with favorable settlements of operational contingencies of £2.0 million during the second quarter of 2013 and £6.0 million during the fourth quarter of 2012 and (b) the release of accruals associated with the reassessment of operational contingencies of £1.0 million and £5.6 million in the first and third quarters of 2012, respectively, and (iii) a decline in B2B and residential telephony call volumes. As further described in note 3 to our consolidated financial statements, interconnect and access costs also include amortization of an unfavorable capacity contract to adjust the contract to its estimated fair value, which will continue through March 31, 2014, the expiration date of the contract;

- A decrease in other direct costs of £17.5 million, due primarily to the net effect of (i) lower B2B circuit rental costs primarily associated with the migration of the traffic of one of our customers to our network and (ii) a decline in DSL usage as a result of a decline in our non-cable operations;

- An increase in equipment costs of £12.7 million or 9.1%, due primarily to (i) an increase in mobile handset costs as a result of our growing postpaid customer base and the introduction of higher value handsets and (ii) increased B2B local area network equipment sales;

- An increase in facilities costs of £10.4 million or 33.3%, primarily due to the impact of property tax refunds of £9.6 million received during 2012;

- A decrease in network-related costs of £5.0 million or 2.4%, due primarily to the net effect of (i) adjustments made to our capitalization policy in the fourth quarter of 2012 to begin capitalizing certain upgrade activities that had not previously been capitalized, which had an impact of reducing costs during 2013 by £9.4 million, (ii) a £2.0 million decrease associated with the adoption of Liberty Global's accounting policies during the Successor period and (iii) individually insignificant increases in other network-related costs including higher maintenance costs;

- An increase in personnel costs of £3.6 million or 1.5%, due primarily to the net effect of (i) an increase in staffing levels and (ii) an increase in capitalized costs due to the impact of (a) an increase in the level of capitalizable activities and (b) an increase due to adjustments associated with the adoption of Liberty Global's accounting policies during the Successor period; and

- A net increase resulting from individually insignificant changes in other operating expense categories.

SG&A expenses

SG&A expenses include human resources, information technology, general services, management, finance, legal and sales and marketing costs, share-based compensation and other general expenses. We do not include share-based compensation in the following discussion and analysis of our SG&A expenses as share-based compensation expense is discussed separately below. As noted above, we are subject to inflationary pressures with respect to our labor and other costs.

Our total SG&A expenses (exclusive of share-based compensation) decreased £19.8 million or 3.6% during 2013, as compared to 2012. This decrease includes the following factors:

- A decrease in marketing and advertising costs of £16.4 million or 7.9%, primarily due to lower advertising and promotional activities;
- A decrease in staff-related costs of £5.0 million or 2.4%, primarily due to the net impact of (i) an increase in staffing levels, (ii) lower achievement levels for certain of our 2013 bonus plans, (iii) a decrease in employee severance costs that are not classified as restructuring expenses and (iv) a net decrease in defined benefit and contribution plan costs; and
- An increase in outsourced labor and professional fees associated with integration activities in connection with the LG/VM Transaction of £4.2 million.

Share-based compensation expense (included in SG&A expenses)

Our share-based compensation expense after the LG/VM Transaction represents amounts allocated to our company by Liberty Global. The amounts allocated by Liberty Global to our company represent share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries. Share-based compensation expense allocated to our company by Liberty Global is reflected as an increase to equity and is offset by any amounts recharged to us by Liberty Global, as further described in note 11 to our consolidated financial statements. Share-based compensation expense prior to the LG/VM Transaction includes amounts for options, shares and performance shares related to the common stock of Old Virgin Media. A summary of the share-based compensation expense that is included in our SG&A expenses is set forth below:

	Year ended December 31,	
	2013	2012
	in millions	
Performance-based incentive awards	£ 13.0	£ 7.2
Other share-based incentive awards	94.6	18.6
Total (a)	£ 107.6	£ 25.8

(a) In connection with the LG/VM Transaction, the Virgin Media Replacement Awards were remeasured as of June 7, 2013, resulting in an aggregate estimated fair value attributable to the post-transaction period of £123.8 million. During the 2013 period following the LG/VM Transaction, £51.1 million of the June 7, 2013 estimated fair value of the Virgin Media Replacement Awards was charged to expense in recognition of the Virgin Media Replacement Awards that were fully vested on June 7, 2013 or for which vesting was accelerated pursuant to the terms of the LG/VM Transaction Agreement on or prior to December 31, 2013. The remaining June 7, 2013 estimated fair value will be amortized over the remaining service periods of the unvested Virgin Media Replacement Awards, subject to forfeitures and the satisfaction of performance conditions. In addition, £3.5 million was charged to share-based compensation expense with respect to awards issued subsequent to June 7, 2013 or issued by Liberty Global prior to June 7, 2013 for individuals who are now Virgin Media employees.

For additional information concerning our share-based compensation, see note 10 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased £376.6 million or 39.0% during 2013, as compared to 2012, due primarily to the impacts of higher cost bases of our intangible assets and property and equipment as a result of the push-down of acquisition accounting in connection with the LG/VM Transaction and, to a lesser extent, increases associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating charges (credits) of £87.7 million and (£11.8 million) during 2013 and 2012, respectively. The 2013 amount includes (i) severance and other costs of £33.2 million, substantially all of which were recorded in connection with certain organizational and staffing changes that we implemented in connection with our ongoing integration with Liberty Global, (ii) direct acquisition costs associated with the LG/VM Transaction of £54.3 million, (iii) a £9.2 million charge related to the impairment of certain network assets and (iv) a £8.5 million gain related to the disposal of certain assets. The 2012 amount includes a net gain of £12.5 million related to the termination of a capital lease during the second quarter of 2012. We expect to incur additional restructuring costs during 2014 as the integration process with Liberty Global continues.

Interest expense – third-party

Our third-party interest expense increased £22.1 million or 5.5% during 2013, as compared to 2012, due primarily to the net effect of (i) higher average outstanding third-party debt balances and (ii) lower weighted average interest rates.

For additional information regarding our outstanding third-party indebtedness, see note 7 to our consolidated financial statements.

Interest expense – related-party

Our related-party interest expense increased £5.8 million during 2013, as compared to 2012, due to interest expense incurred on a related-party note payable to LGI that we entered into in connection with the LG/VM Transaction. This note was repaid in full during 2013. For additional information regarding our related-party indebtedness, see note 11 to our consolidated financial statements.

Interest income – related-party

Our related-party interest income increased £107.0 million during 2013, as compared to 2012, primarily due to interest income earned on related-party notes receivable from Lynx Europe 2 that we entered into following the LG/VM Transaction. For additional information, see note 11 to our consolidated financial statements.

Gain (loss) on debt modification and extinguishment, net

We recognized gains (losses) on debt modification and extinguishment, net, of £0.5 million and (£187.8 million) during 2013 and 2012, respectively. The loss during 2012 relates to the redemption of (i) $1,350.0 million (£814.9 million) principal amount of the 9.5% Senior Notes, (ii) $92.9 million (£56.1 million) principal amount of the 2019 VM Dollar Senior Notes, (iii) €180.0 million (£149.8 million) principal amount of the 9.5% Senior Notes and (iv) £96.5 million principal amount of the 2019 VM Sterling Senior Notes. In connection with these transactions, we recognized losses on debt extinguishment of £187.8 million representing (i) premiums paid of £152.1 million, (ii) the write-off of unamortized original issue discounts of £22.6 million and (iii) the write-off of £13.1 million of deferred financing costs.

Realized and unrealized gains (losses) on derivative instruments, net

Our realized and unrealized gains or losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Year ended December 31,	
	2013	2012
	in millions	
Cross-currency and interest rate derivative contracts (a)	£ (231.0)	£ (25.2)
Equity-related derivative instruments (b)	81.1	174.1
Foreign currency forward contracts	(1.7)	(0.8)
Total	£ (151.6)	£ 148.1

(a) The loss during 2013 is primarily attributable to the net effect of (i) losses associated with an increase in the value of the pound sterling relative to the U.S. dollar and (ii) gains associated with increases in market interest rates in the pound sterling market. In addition, the loss during 2013 includes a net gain of £30.4 million resulting from changes in our credit risk valuation adjustments. The loss during 2012 is primarily attributable to (i) losses associated with decreases in market interest rates in the pound sterling market and (ii) losses associated with an increase in the value of the pound sterling relative to the U.S. dollar. In addition, the loss during 2012 includes a net gain of £6.3 million resulting from changes in our credit risk valuation adjustments.

(b) These amounts primarily represent activity related to the Virgin Media Capped Calls and, in the Successor period, the derivative embedded in the VM Convertible Notes. The fair values of our equity-related derivative instruments are primarily impacted by the trading prices of the underlying security.

For additional information concerning our derivative instruments, see notes 4 and 5 to our consolidated financial statements.

Foreign currency transaction gains (losses), net

Our foreign currency transaction gains or losses primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity. Unrealized foreign currency transaction gains or losses are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled. The details of our foreign currency transaction gains (losses), net, are as follows:

	Year ended December 31,	
	2013	2012
	in millions	
U.S. dollar denominated debt issued by our company	£ 155.4	£ (0.1)
Related-party payables and receivables denominated in a currency other than the entity's functional currency (a)	(38.5)	—
Cash and restricted cash denominated in a currency other than the entity's functional currency	21.5	(7.7)
Other	2.1	1.5
Total	£ 140.5	£ (6.3)

(a) Amount primarily relates to our U.S. dollar-denominated notes receivable from Lynx Europe 2. Accordingly, this amount is a function of movements of the U.S. dollar against the pound sterling. During the fourth quarter of 2013, the U.S. dollar-denominated notes receivable from Lynx Europe 2 were redenominated to pound sterling and as a result, we no longer record foreign currency transaction gains (losses) related to these notes.

Other income, net

Our other income, net, decreased £6.0 million during 2013, as compared to 2012, due primarily to the reversal of a £5.5 million provision during the second quarter of 2012 that was originally recorded in connection with a contingency associated with certain of our legacy debt.

Income tax benefit (expense)

We recognized income tax expense of £215.6 million and income tax benefit of £2,652.0 million during 2013 and 2012, respectively.

The income tax expense during 2013 differs from the expected income tax benefit of £60.4 million (based on the U.S. federal income tax rate of 35%) due primarily to the negative impacts of (i) a reduction in net deferred tax assets in the U.K. due to enacted changes in tax law, (ii) a net increase in valuation allowances and (iii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries. The negative impact of these items was partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest and other items.

The income tax benefit during 2012 differs from the expected income tax expense of £91.5 million (based on the U.S. federal income tax rate of 35%) due primarily to the positive impacts of (i) a net decrease in valuation allowances of £2,675.7 million primarily related to the reversal of valuation allowances on certain of our U.K. deferred tax assets as these tax assets were deemed realizable in the period and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items. The reversal of the valuation allowance is attributable to the accumulation of positive evidence on the realizability of these deferred tax assets, including (i) pre-tax income generated for the each of the two years ended December 31, 2012, (ii) capital allowances and net operating losses that do not expire, (iii) improved financial performance and (iv) our then forecasted projections of future taxable income, which, as of the fourth quarter of 2012, outweighed the negative evidence, which was primarily a history of taxable losses in periods prior to 2011.

For additional information concerning our income taxes, see note 8 to our consolidated financial statements.

Net earnings (loss)

During 2013 and 2012, we reported net earnings (loss) of (£388.1 million) and £2,913.4 million, respectively, including (i) operating income of £156.4 million and £698.8 million, respectively, (ii) non-operating expense of £328.9 million and £437.4 million, respectively, and (iii) income tax benefit (expense) of (£215.6 million) and £2,652.0 million, respectively.

Gains or losses associated with items such as (i) changes in the fair values of derivative instruments and (ii) movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent reliable sources of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve earnings from continuing operations is largely dependent on our ability to increase our aggregate operating cash flow to a level that more than offsets the aggregate amount of our (a) share-based compensation expense, (b) depreciation and amortization, (c) impairment, restructuring and other operating items, net, (d) interest expense, (e) other net non-operating expenses and (f) income tax expenses. Operating cash flow is defined as revenue less operating and SG&A expenses (excluding share-based compensation, depreciation and amortization and impairment, restructuring and other operating items).

Due largely to the fact that Liberty Global generally seeks to cause our company to maintain our debt at levels that result in a consolidated debt balance that is between four and five times our consolidated operating cash flow, as discussed under *Liquidity and Capital Resources - Capitalization* below, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information with respect to certain trends that may affect our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our consolidated statements of operations, see the above discussion.

2012 compared to 2011

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase (decrease)	
	2012	2011	£	%
	in millions			
Subscription revenue:				
Digital cable	£ 886.9	£ 819.9	£ 67.0	8.2
Broadband internet	800.3	729.0	71.3	9.8
Fixed-line telephony	998.3	1,029.5	(31.2)	(3.0)
Cable subscription revenue	2,685.5	2,578.4	107.1	4.2
Mobile	437.9	428.9	9.0	2.1
Total subscription revenue	3,123.4	3,007.3	116.1	3.9
B2B revenue	670.3	637.5	32.8	5.1
Other revenue (a)	306.8	347.0	(40.2)	(11.6)
Total revenue	£ 4,100.5	£ 3,991.8	£ 108.7	2.7

(a) Other revenue includes interconnect revenue, non-cable services, mobile handset sales and installation revenue.

The details of our revenue increase for 2012, as compared to 2011, are as follows (in millions):

Increase in cable subscription revenue due to change in:		
Average number of RGUs (a)	£	28.4
ARPU (b)		78.7
Total increase in cable subscription revenue		107.1
Increase in mobile revenue (c)		9.0
Total increase in subscription revenue		116.1
Increase in B2B revenue		32.8
Decrease in other revenue (d)		(40.2)
Total	£	108.7

(a) The increase in our cable subscription revenue related to a change in the average number of RGUs is primarily attributable to increases in the average numbers of broadband internet, digital cable and fixed-line telephony RGUs.

(b) The increase in our cable subscription revenue related to a change in ARPU is due to the net effect of (i) a net increase resulting from the following factors: (a) higher ARPU due to April 2012 price increases for certain broadband internet, digital cable and telephony services, (b) lower ARPU due to lower usage of fixed-line telephony and (c) higher ARPU due to the launch of TiVo-enabled set-top boxes and (ii) an adverse change in RGU mix attributable to lower proportions of digital cable and telephony RGUs.

(c) The increase in mobile subscription revenue is due to the net effect of (i) an increase in the number of customers taking postpaid mobile services, (ii) a decrease in the number of prepaid mobile customers, (iii) a reduction in chargeable usage as subscribers move to unlimited usage bundles and (iv) a decrease due to higher proportions of our postpaid customers taking lower-priced SIM-only contracts. In addition, mobile subscription revenue was positively impacted by a nonrecurring adjustment of £2.8 million during 2012.

(d) The decrease in other revenue is primarily due to (i) a decline in interconnect revenue as the result of (a) lower mobile and data termination rates and (b) lower fixed-line telephony termination rates, (ii) a decline in our non-cable internet subscriber base and (iii) lower cable installation activities.

Our B2B revenue by category is set forth below:

	Year ended December 31,		Increase (decrease)	
	2012	2011	£	%
		in millions		
Data (a)	£ 393.1	£ 373.0	£ 20.1	5.4
Voice (b)	162.1	171.9	(9.8)	(5.7)
Other (c)	115.1	92.6	22.5	24.3
Total B2B revenue	£ 670.3	£ 637.5	£ 32.8	5.1

(a) Data revenue increased by £20.1 million or 5.4% during 2012, as compared to 2011, primarily due to higher contract acquisitions leading to an increase in rental revenue.

(b) Voice revenue decreased by £9.8 million or 5.7% during 2012, as compared to 2011, primarily due to (i) a decrease in fixed-line telephony call volume, (ii) lower pricing and (iii) a nonrecurring reduction in revenue of £2.8 million during the third quarter of 2012 as a result of a regulatory ruling.

(c) Other revenue increased by £22.5 million or 24.3% during 2012, as compared to 2011, primarily due to the net effect of (i) an increase in installation fees, (ii) an increase due to nonrecurring contract termination and modification fees and other non-recurring items aggregating £19.2 million that were recognized during 2012 and (iii) a decrease in low margin equipment sales.

Operating expenses

Our total operating expenses increased £6.3 million or 0.3% during 2012, as compared to 2011. This increase includes the following factors:

- A decrease in interconnect and access costs of £43.1 million or 10.3%, due primarily to the net effect of (i) lower mobile and fixed-line telephony termination rates, (ii) a decline in B2B and residential telephony call volumes and (iii) a net decrease due to the impact of (a) the release of accruals associated with the settlement and reassessment of operational contingencies of £12.6 million during 2012 and (b) the release of an accrual associated with the reassessment of an operational contingency of £6.1 million in 2011;

- An increase of £38.9 million in other direct costs primarily due to higher B2B circuit rental costs largely due to the acquisition of a new customer;

- A decrease in outsourced labor and professional fees of £29.0 million or 28.9%, due primarily to decreased call center costs mainly from the insourcing of certain customer care functions;

- An increase in programming and related costs of £24.6 million or 5.1%, due primarily to the impact of (i) growth in digital videos services and (ii) an increase of £3.8 million due to the impact of an accrual release during 2011 in connection with the settlement of an operational contingency;

- An increase in personnel costs of £12.1 million or 5.4%, due primarily to (i) an increase in staffing levels and (ii) a decrease in capitalized costs due to the net effect of (a) a decrease in the level of capitalizable activities and (b) adjustments made to our capitalization policy in the fourth quarter of 2012 to begin capitalizing certain upgrade activities that had not previously been capitalized;

- An increase in network-related costs of £10.8 million or 6.5%, due largely to the net impact of (i) the negative impact of a £6.5 million favorable settlement of an operational contingency during 2011, (ii) a £3.5 million decrease due to adjustments made to our capitalization policy in the fourth quarter of 2012 to begin capitalizing certain upgrade activities that had not previously been capitalized and (iii) higher maintenance costs;

- A decrease in bad debt and collection expenses of £6.5 million or 11.3% due to improved collection experience; and

- An increase in facilities costs of £1.3 million or 2.2%, primarily due to the net impact of (i) the negative impact of an accrual release of £15.1 million during 2011 and (ii) property tax refunds of £9.6 million received during 2012.

SG&A expenses

Our total SG&A expenses (exclusive of share-based compensation) increased £40.1 million or 7.9% during 2012, as compared to 2011. This increase includes the following factors:

- An increase in marketing and advertising costs of £32.0 million or 18.2%, primarily due to higher advertising and promotional activities;

- An increase in facilities related expense of £7.1 million, primarily due to the negative impact of an accrual release of £6.5 million during 2011; and

- An increase in outsourced labor and professional fees of £6.5 million, primarily due to an increase in consulting costs.

Share-based compensation expense (included in SG&A expenses)

Share-based compensation expense prior to the LG/VM Transaction includes amounts for options, shares and performance shares related to the common stock of Old Virgin Media. A summary of the share-based compensation expense that is included in our SG&A expenses is set forth below:

	Year ended December 31,	
	2012	2011
	in millions	
Performance-based incentive awards	£ 7.2	£ 10.7
Other share-based incentive awards	18.6	16.3
Total	£ 25.8	£ 27.0

For additional information concerning our share-based compensation, see note 10 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense decreased £80.0 million or 7.6% during 2012, as compared to 2011, due primarily to the net impact of (i) a decrease in amortization expense as a result of intangible assets becoming fully amortized in 2011 and (ii) an increase associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating charges (credits) of (£11.8 million) and £6.8 million during 2012 and 2011, respectively. The 2012 amount includes a net gain of £12.5 million related to the termination of a capital lease during the second quarter of 2012. The 2011 amount primarily relates to employee termination and contract and lease exit costs.

Interest expense – third-party

Our third-party interest expense decreased £42.2 million or 9.6% during 2012, as compared to 2011, due primarily to (i) lower average outstanding third-party debt balances, (ii) lower weighted average interest rates and (iii) a decrease in interest expense due to the effect of interest rate swaps and cross-currency interest rate swaps that were designated as accounting hedges. As described in note 4 to our consolidated financial statements, we applied hedge accounting to certain of our derivative instruments prior to the LG/VM Transaction.

For additional information regarding our outstanding third-party indebtedness, see note 7 to our consolidated financial statements.

Gain (loss) on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of £187.8 million and £47.2 million during 2012 and 2011.

The loss during 2012 relates to the redemption of (i) $1,350.0 million (£814.9 million) principal amount of the 9.5% Senior Notes, (ii) $92.9 million (£56.1 million) principal amount of the 2019 VM Dollar Senior Notes, (iii) €180.0 million (£149.8 million) principal amount of the 9.5% Senior Notes and (iv) £96.5 million principal amount of the 2019 VM Sterling Senior Notes. In connection with these transactions, we recognized losses on debt extinguishment of £187.8 million representing (i) premiums paid of £152.1 million, (ii) the write-off of unamortized original issue discounts of £22.6 million and (iii) the write-off of £13.1 million of deferred financing costs.

The loss during 2011 relates to the redemption of an existing senior credit facility and $550.0 million (£332.0 million) principal amount of 9.125% senior notes. In connection with these transactions, we recognized losses on debt extinguishment of £47.2 million representing the write-off of £30.7 million of deferred financing costs and premiums paid of £16.5 million.

Realized and unrealized gains (losses) on derivative instruments, net

Our realized and unrealized gains or losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Year ended December 31,	
	2012	2011
	in millions	
Equity-related derivative instruments (a)	£ 174.1	£ (43.3)
Cross-currency and interest rate derivative contracts (b)	(25.2)	(8.3)
Foreign currency forward contracts	(0.8)	0.9
Total	£ 148.1	£ (50.7)

(a) These amounts represent activity related to the Virgin Media Capped Calls. The fair values of our equity-related derivative instruments are primarily impacted by the trading prices of the underlying security.

(b) The loss during 2012 is primarily attributable to (i) losses associated with decreases in market interest rates in the pound sterling market and (ii) losses associated with an increase in the value of the pound sterling relative to the U.S. dollar. In addition, the loss during 2012 includes a net gain of £6.3 million resulting from changes in our credit risk valuation adjustments. The loss during 2011 is primarily attributable to the net effect of (i) a gain associated with the reclassification from accumulated other comprehensive income to earnings of £31.1 million in conjunction with the discontinuation of hedge accounting on our derivative instruments previously designated as cash flow hedges, (ii) losses associated with decreases in market interest rates in the pound sterling market, (iii) losses associated with settlements of derivative instruments that were note designated as hedges for accounting purposes and (iv) gains associated with a decrease in the value of the pound sterling relative to the U.S. dollar. In addition, the loss during 2011 includes a net loss of £8.6 million resulting from changes in our credit risk valuation adjustments.

For additional information concerning our derivative instruments, see notes 4 and 5 to our consolidated financial statements.

Foreign currency transaction gains (losses), net

Our foreign currency transaction gains or losses primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity. Unrealized foreign currency transaction gains or losses are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled. The details of our foreign currency transaction losses, net, are as follows:

	Year ended December 31,	
	2012	2011
	in millions	
Cash and restricted cash denominated in a currency other than the entity's functional currency	£ (7.7)	£ 2.9
U.S. dollar denominated debt issued by our company	(0.1)	(2.3)
Other	1.5	(3.0)
Total	£ (6.3)	£ (2.4)

Other income, net

Our other income, net, decreased £90.3 million during 2012, as compared to 2011, due primarily to a refund received in 2011 related to an agreement with the U.K. tax authorities regarding the VAT treatment of certain of our revenue generating activities.

Income tax benefit (expense)

We recognized income tax benefit of £2,652.0 million and income tax expense of £16.0 million during 2012 and 2011, respectively.

The income tax benefit during 2012 differs from the expected income tax expense of £91.5 million (based on the U.S. federal income tax rate of 35%) due primarily to the positive impacts of (i) a net decrease in valuation allowances of £2,675.7 million primarily related to the reversal of valuation allowances on certain of our U.K. deferred tax assets as these tax assets were deemed realizable in the period and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items. The reversal of the valuation allowance is attributable to the accumulation of positive evidence on the realizability of these deferred tax assets, including (i) pre-tax income generated for the each of the two years ended December 31, 2012, (ii) capital allowances and net operating losses that do not expire, (iii) improved financial performance and (iv) our then forecasted projections of future taxable income, which, as of the fourth quarter of 2012, outweighed the negative evidence, which was primarily a history of taxable losses in periods prior to 2011.

The income tax expense during 2011 differs from the expected income tax expense of £32.6 million (based on the U.S. federal income tax rate of 35%) due primarily to the positive impact of a net decrease in valuation allowances. The positive impact of this item was partially offset by the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other items and (ii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries.

For additional information concerning our income taxes, see note 8 to our consolidated financial statements.

Earnings (loss) from continuing operations

During 2012 and 2011, we reported earnings from continuing operations of £2,913.4 million and £77.1 million, respectively, including (i) operating income of £698.8 million and £536.7 million, respectively, (ii) non-operating expense of £437.4 million and £443.6 million, respectively, and (iii) income tax benefit (expense) of £2,652.0 million and (£16.0 million), respectively.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash and cash equivalents

Although our consolidated subsidiaries have generated cash from operating activities, the terms of the instruments governing the indebtedness of certain of these subsidiaries may restrict our ability to access the assets of these subsidiaries. At December 31, 2013, we had cash and cash equivalents of £343.0 million, of which £29.7 million was held by our subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax and legal considerations and other factors.

Liquidity of Virgin Media

Our sources of liquidity at the parent level include (i) our cash and cash equivalents, (ii) funding from Lynx Europe 2, our immediate parent, (and ultimately from Liberty Global or other Liberty Global subsidiaries) in the form of loans or contributions, as applicable, and (iii) subject to the restrictions noted above, proceeds in the form of distributions or loans from our operating subsidiaries. For information regarding limitations imposed by our subsidiaries' debt instruments, see note 7 to our consolidated financial statements.

The ongoing cash needs of Virgin Media include corporate general and administrative expenses and interest expense on the VM Convertible Notes. From time to time, Virgin Media may also require cash in connection with (a) the repayment of outstanding debt and related-party obligations, (b) the satisfaction of contingent liabilities or (c) acquisitions and other investment opportunities. No assurance can be given that funding from Lynx Europe 2 (and ultimately from Liberty Global or other Liberty Global subsidiaries), our subsidiaries or external sources would be available on favorable terms, or at all.

Liquidity of our Operating Subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of our operating subsidiaries are cash provided by operations and, in the case of VMIH, any borrowing availability under the VM Revolving Facility. For details of the borrowing availability of the VM Revolving Facility, see note 7 to our consolidated financial statements.

The liquidity of our operating subsidiaries generally is used to fund property and equipment additions, debt service requirements and other liquidity requirements that may arise from time to time. For a discussion of our consolidated cash flows, see the discussion under *Consolidated Statements of Cash Flows* below. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to Virgin Media, Liberty Global or other Liberty Global subsidiaries. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Our most significant financial obligations are our debt obligations, as described in note 7 to our consolidated financial statements. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Capitalization

Liberty Global seeks to maintain its debt at levels that provide for attractive equity returns without assuming undue risk. In this regard, Liberty Global generally seeks to cause our company to maintain our debt at levels that result in a consolidated debt balance (measured using debt figures at swapped foreign currency exchange rates, consistent with the covenant calculation requirements of our debt agreements) that is between four and five times our consolidated operating cash flow, although it should be noted that the timing of financing transactions may temporarily cause this ratio to exceed the targeted range. The ratio of our December 31, 2013 Senior Net Debt to annualized operating cash flow (last two quarters annualized) for purposes of the applicable maintenance tests was 3.91x. In addition, the ratio of our December 31, 2013 Total Net Debt to annualized operating cash flow (last two quarters annualized) for purposes of the applicable maintenance tests was 4.63x, with each ratio defined and calculated in accordance with the VM Credit Facility.

As further discussed in note 4 to our consolidated financial statements, we use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase the operating cash flow of our operating subsidiaries and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in the various debt instruments of our subsidiaries. In this regard, if our operating cash flow were to decline, we could be required to repay or limit our borrowings under the VM Credit Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. We do not anticipate any instances of non-compliance with respect to any of our subsidiaries' debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At December 31, 2013, our outstanding consolidated third-party debt and capital lease obligations aggregated £8,448.8 million, including £159.5 million that is classified as current in our consolidated balance sheet and £8,185.5 million that is not due until 2018 or thereafter.

We believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

With the exception of the VM Convertible Notes, all of our consolidated debt and capital lease obligations have been borrowed or incurred by our subsidiaries at December 31, 2013. For additional information concerning our debt and capital lease obligations, see note 7 to our consolidated financial statements.

Consolidated Statements of Cash Flows

General. All of the cash flows discussed below are those of our continuing operations.

Summary. The 2013 and 2012 consolidated statements of cash flows are summarized as follows (in millions):

	Successor	Predecessor	Combined	Predecessor	
	Period from June 8 to December 31, 2013	Period from January 1 to June 7, 2013	Year ended December 31, 2013 (a)	Year ended December 31, 2012	Change
Net cash provided by operating activities	£ 562.5	£ 588.1	£ 1,150.6	£ 1,198.9	£ (48.3)
Net cash used by investing activities	(2,773.4)	(309.3)	(3,082.7)	(783.0)	(2,299.7)
Net cash provided (used) by financing activities	2,004.5	(38.9)	1,965.6	(500.6)	2,466.2
Effect of exchange rate changes on cash	(5.4)	0.9	(4.5)	(9.4)	4.9
Net increase (decrease) in cash and cash equivalents	£ (211.8)	£ 240.8	£ 29.0	£ (94.1)	£ 123.1

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(a) In order to provide a more meaningful basis for comparing the consolidated statements of cash flows for the year ended December 31, 2013 to the corresponding prior year period, we have presented financial information for the year ended December 31, 2013 that reflects the combination of the results for the 2013 Predecessor and Successor periods. The combination of Predecessor and Successor periods is not permitted by GAAP and has not been prepared with a view towards complying with Article 11 of Regulation S-X.

Operating Activities. The decrease in net cash provided by our operating activities is primarily attributable to (i) a decrease in cash provided due to higher cash payments for interest and (ii) a decrease in cash provided due to higher cash payments related to derivative instruments.

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to the net effect of (i) an increase in cash used to fund a loan to a subsidiary of Liberty Global of £2,356.3 million and (ii) a decrease in cash used due to lower capital expenditures of £50.2 million.

The capital expenditures that we report in our consolidated statements of cash flows do not include amounts that are financed under vendor financing or capital lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the principal is repaid. In the following discussion, we refer to (i) our capital expenditures as reported in our consolidated statements of cash flows, which exclude amounts financed under vendor financing or capital lease arrangements, and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under vendor financing or capital lease arrangements. A reconciliation of our consolidated property and equipment additions to our consolidated capital expenditures as reported in the consolidated statements of cash flows is set forth below:

	Year ended December 31,	
	2013	2012
	in millions	
Property and equipment additions	£ 867.6	£ 883.4
Assets acquired under capital leases	(93.0)	(88.9)
Assets acquired under capital-related vendor financing arrangements	(34.8)	—
Changes in current liabilities related to capital expenditures	(7.5)	(12.0)
Capital expenditures	£ 732.3	£ 782.5

The decrease in our property and equipment additions is primarily due to the net impact of (i) a decrease in expenditures for the purchase and installation of customer premises equipment, (ii) an increase in expenditures for new build and upgrade projects to expand services and (iii) an increase in expenditures for support capital, such as information technology upgrades and general support systems. During 2013 and 2012, our property and equipment additions represented 21.1% and 21.5% of our revenue, respectively. For 2014, we expect our consolidated property and equipment additions to range from 19% to 21% of our total revenue.

Financing Activities. The change in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) an increase in cash from a capital contribution of £3,278.0 million, (ii) an increase in cash due to the release of restricted cash in connection with the LG/VM Transaction of £2,313.6 million, (iii) a decrease in cash related to higher net repayments of third-party debt of £2,153.7 million, (iv) a decrease in cash related to higher net repayments of related-party debt of £1,819.6 million, (v) an increase in cash related to higher payments received on our derivative instruments of £390.3 million and (vi) an increase in cash due to lower repurchases of common stock of £330.2 million.

Summary. The 2012 and 2011 consolidated statements of cash flows are summarized as follows:

	Year ended December 31,		
	2012	2011	Change
		in millions	
Net cash provided by operating activities	£ 1,198.9	£ 1,158.8	£ 40.1
Net cash used by investing activities	(783.0)	(314.7)	(468.3)
Net cash used by financing activities	(500.6)	(1,013.8)	513.2
Effect of exchange rate changes on cash	(9.4)	1.0	(10.4)
Net decrease in cash and cash equivalents	£ (94.1)	£ (168.7)	£ 74.6

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase in cash provided due to lower cash payments for interest, (ii) an increase in cash provided due to lower cash payments related to derivative instruments and (iii) a decrease in the cash provided by our operating cash flow and related working capital charges, as an increase in our operating cash flow was more than offset by a decrease in the related working capital items.

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to (i) an increase in cash used of £243.4 million related to lower proceeds from the sale of equity investments, (ii) an increase in cash used of £125.8 million due to higher capital expenditures and (iii) an increase in cash used of £108.2 million associated with a loan repayment from an equity investee during 2011.

A reconciliation of our consolidated property and equipment additions to our consolidated capital expenditures as reported in the consolidated statements of cash flows is set forth below:

	Year ended December 31,	
	2012	2011
	in millions	
Property and equipment additions	£ 883.4	£ 763.0
Assets acquired under capital leases	(88.9)	(91.2)
Changes in current liabilities related to capital expenditures	(12.0)	(15.1)
Capital expenditures	£ 782.5	£ 656.7

The increase in our property and equipment additions is primarily due to the net effect of (i) an increase in expenditures for new build and upgrade projects to expand services and (ii) a decrease in expenditures for the purchase and installation of customer premises equipment. During 2012 and 2011, our property and equipment additions represented 21.5% and 19.1% of our revenue, respectively.

Financing Activities. The decrease in net cash used by our financing activities is primarily attributable to the net effect of (i) a decrease in cash used of £433.3 million related to higher net borrowings of debt, (ii) a decrease in cash used of £304.8 million due to lower repurchases of common stock, (iii) an increase in cash used of £125.1 million due to higher payments of financing costs and debt premiums and (vi) an increase in cash used of £94.3 million due to lower cash received related to derivative instruments.

Off Balance Sheet Arrangements

In the ordinary course of business, we may provide indemnifications to our lenders, our vendors and certain other parties and performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

Contractual Commitments

The pound sterling equivalents of our contractual commitments as of December 31, 2013 are presented below:

	Payments due during:						
	2014	2015	2016	2017	2018	Thereafter	Total
				in millions			
Debt (excluding interest)	£ 70.9	£ —	£ —	£ —	£ 1,478.6	£ 6,542.9	£ 8,092.4
Capital leases (excluding interest)	87.0	62.0	34.3	7.5	0.1	34.6	225.5
Programming obligations	188.7	163.0	115.5	47.7	16.0	—	530.9
Network and connectivity commitments	106.8	98.1	78.9	76.5	18.9	5.0	384.2
Purchase commitments	234.7	27.7	—	—	—	—	262.4
Operating leases	37.6	32.2	25.5	18.9	13.1	51.7	179.0
Other commitments	89.5	66.8	36.6	26.4	9.8	—	229.1
Total (a)	£ 815.2	£ 449.8	£ 290.8	£ 177.0	£ 1,536.5	£ 6,634.2	£ 9,903.5
Projected cash interest payments on debt and capital lease obligations (b)	£ 462.4	£ 458.7	£ 456.5	£ 453.3	£ 402.9	£ 879.7	£ 3,113.5

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2013 consolidated balance sheet other than debt and capital lease obligations.

(b) Amounts are based on interest rates, interest payment dates and contractual maturities in effect as of December 31, 2013. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our interest rate derivative contracts, deferred financing costs, discounts or premiums, all of which affect our overall cost of borrowing.

Network and connectivity commitments include only the fixed minimum commitments associated with our MVNO agreement. As such, the commitments shown in the above table may be significantly less than the actual amounts we ultimately pay in these periods.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium film or sports services. The amounts reflected in the table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013, and the year ended December 31, 2012, and 2011, the programming costs incurred aggregated £307.9 million, £232.3 million, £505.9 million, and £481.2 million respectively. The ultimate amount payable in excess of the contractual minimums of our content contracts is dependent upon the number of subscribers to our service.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar arrangements, pursuant to which we expect to make payments in future periods. For information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during 2013, 2012 and 2011, see note 4. For information concerning our defined benefit plans, see note 13.

Critical Accounting Policies, Judgments and Estimates

In connection with the preparation of our consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are critical in the preparation of our consolidated financial statements because of the judgment necessary to account for these matters and the significant estimates involved, which are susceptible to change:

- Impairment of property and equipment and intangible assets (including goodwill);
- Costs associated with construction and installation activities;
- Useful lives of long-lived assets;
- Fair value measurements; and
- Income tax accounting.

We have discussed the selection of the aforementioned critical accounting policies with the audit committee of Liberty Global's board of directors. For additional information concerning our significant accounting policies, see note 2 to our consolidated financial statements.

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 74% of our total assets at December 31, 2013.

We review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate the goodwill for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill may not be recoverable. For impairment evaluations on goodwill, we first make a qualitative assessment to determine if the goodwill may be impaired. If it is more likely than not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). We have identified one reporting unit to which all goodwill is assigned. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss.

When required, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans and, in some cases, a combination of an income-based approach and a market-based approach. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected property and equipment additions. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Our determination of the discount rate is based on a weighted average cost of capital approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. Based on the results of our 2013 qualitative assessment of our reporting unit carrying value, we determined that it was more-likely-than-not that fair value exceeded carrying value for the reporting unit.

During the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the years ended December 31, 2012 and December 31, 2011, we recorded no material impairments of our property and equipment and intangible assets (including goodwill). For additional information, see note 6 to our consolidated financial statements.

If, among other factors, (i) Liberty Global's equity values were to decline significantly, or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

Costs Associated with Construction and Installation Activities

We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services, and changes in the manner that installations or construction activities are performed.

Useful Lives of Long-Lived Assets

We depreciate our property and equipment on a straight-line basis over the estimated useful life of the assets. The determination of the useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological changes, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with finite lives consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment and is primarily based on historical and forecasted subscriber disconnect rates, adjusted when necessary for risk associated with demand, competition, technological changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with finite lives. Any changes to estimated useful lives are reflected prospectively. Depreciation and amortization expense during the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the years ended December 31, 2012 and December 31, 2011 was £910.2 million, £432.8 million, £966.4 million and £1,046.4 million, respectively. A 10% increase in the aggregate amount of the depreciation and amortization expense during the combined 2013 Predecessor and Successor periods would have resulted in a £134.3 million or 85.9% decrease in our 2013 operating income.

Fair Value Measurements

GAAP provides guidance with respect to the recurring and nonrecurring fair value measurements and for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Recurring Valuations. We perform recurring fair value measurements with respect to our derivative instruments, each of which are carried at fair value. We use (i) cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments and (ii) a binomial option pricing model to determine the fair values of our equity-related derivative instruments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments, see note 5 to our consolidated financial statements. See also note 4 to our consolidated financial statements for information concerning our derivative instruments.

Changes in the fair values of our derivative instruments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During the period from June 8 to December 31, 2013, the period from January 1 to June 7, 2013 and the years ended December 31, 2012 and December 31, 2011, our continuing operations included net gains (losses) of (£203.4 million), £51.8 million, £148.1 million and (£50.7 million), respectively, attributable to changes in the fair values of these items.

As further described in note 4 to our consolidated financial statements, actual amounts received or paid upon the settlement of our derivative instruments may differ materially from the recorded fair values at December 31, 2013.

For information concerning the sensitivity of the fair value of certain of our more significant derivative instruments to changes in market conditions, see *Quantitative and Qualitative Disclosures About Market Risk — Sensitivity Information* below.

Nonrecurring Valuations. Our nonrecurring valuations are primarily associated with (i) the application of acquisition accounting and (ii) impairment assessments, both of which require that we make fair value determinations as of the applicable valuation date. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement or reproduction costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. All of our long-lived assets were measured at fair value on June 7, 2013 due to the application of acquisition accounting from the LG/VM Transaction and all of our long-lived assets are subject to impairment assessments. For additional information, see notes 3, 5 and 6 to our consolidated financial statements.

Income Tax Accounting

We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items.

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2013, the aggregate valuation allowance provided against deferred tax assets was £2,866.6 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2013 balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax positions as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we operate are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In certain cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2013, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was £7.7 million of which nil would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

We are required to continually assess our tax positions, and the results of tax examinations or changes in judgment can result in substantial changes to our unrecognized tax benefits.

We have taxable outside basis differences on certain investments in non-U.S. subsidiaries. We do not recognize the deferred tax liabilities associated with these outside basis differences when the difference is considered essentially permanent in duration. In order to be considered essentially permanent in duration, sufficient evidence must indicate that the foreign subsidiary has invested or will invest its undistributed earnings indefinitely, or that earnings will be remitted in a tax-free liquidation. If circumstances change and it becomes apparent that some or all of the undistributed earnings will be remitted on a taxable basis in the foreseeable future, a net deferred tax liability must be recorded for some or all of the outside basis difference. The assessment of whether these outside basis differences are considered permanent in nature requires significant judgment and is based on management intentions to reinvest the earnings of a foreign subsidiary indefinitely in light of anticipated liquidity requirements and other relevant factors. At December 31, 2013, income and withholding taxes for which a net deferred tax liability might otherwise be required have not been provided on an estimated £4.3 billion of cumulative temporary differences on non-U.S. entities. If our plans or intentions change in the future due to liquidity or other relevant considerations, we could decide that it would be prudent to repatriate significant funds or other assets from one or more of our subsidiaries, even though we would incur a tax liability in connection with any such repatriation. If our plans or intentions were to change in this manner, the recognition of all or a part of these outside basis differences could have an adverse impact on our consolidated net earnings (loss).

For additional information concerning our income taxes, see note 8 to our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the normal course of our business operations due to our ongoing investing and financing activities. Market risk refers to the risk of loss arising from adverse changes in foreign currency exchange rates and interest rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. As further described below, we have established policies, procedures and processes governing our management of market risks and the use of derivative instruments to manage our exposure to such risks.

Cash

We invest our cash in highly liquid instruments that meet high credit quality standards. At December 31, 2013, substantially all of our consolidated cash balances were denominated in pound sterling. However, from a pound sterling perspective, we are slightly exposed to exchange rate risk with respect to certain of our cash balances that are denominated in U.S. dollars. Subject to applicable debt covenants, certain tax considerations and other factors, these U.S. dollar cash balances are available to be used for future liquidity requirements that may be denominated in such currencies.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk with respect to our consolidated debt in situations where our debt is denominated in U.S. dollars. Although we generally seek to match the denomination of our and our subsidiaries' borrowings with our functional currency, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in our functional currency (unmatched debt). In these cases, our policy is to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At December 31, 2013, substantially all of our debt was either directly or synthetically matched to our functional currency. For additional information concerning the terms of our derivative instruments, see note 4 to our consolidated financial statements.

In addition to the exposure that results from the mismatch of our borrowings and our functional currency, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our functional currency (non-functional currency risk), such as equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) that are denominated in a currency other than our functional currency. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheets related to these items will result in unrealized (based upon period-end exchange rates) or realized foreign currency transaction gains and losses upon settlement of the transactions. Moreover, to the extent that our costs and expenses are denominated in currencies other than our functional currency, we will experience fluctuations in our costs and expenses solely as a result of changes in foreign currency exchange rates. Generally, we will consider hedging non-functional currency risks when the risks arise from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts and the payments or receipts are not otherwise hedged. Certain non-functional currency risks related to our operating and SG&A expenses and property and equipment additions were not hedged as of December 31, 2013. For additional information concerning our derivative instruments, see note 4 to our consolidated financial statements.

The relationship between (i) the euro and the U.S. dollar and (ii) the pound sterling, which is our reporting currency, is shown below, per one pound sterling:

	As of December 31,	
	2013	2012
Spot rates:		
Euro	1.2014	1.226
U.S. dollar	1.6567	1.6189

	Year ended December 31,		
	2013	2012	2011
Average rates:			
Euro	1.1776	1.2326	1.1521
U.S. dollar	1.5644	1.5852	1.6038

Inflation Risk

We are subject to inflationary pressures with respect to labor, programming and other costs. While we attempt to increase our revenue to offset increases in costs, there is no assurance that we will be able to do so. Therefore, costs could rise faster than associated revenue, thereby resulting in a negative impact on our operating results, cash flows and liquidity. The economic environment in the U.K. is a function of government, economic, fiscal and monetary policies and various other factors beyond our control that could lead to inflation. We are unable to predict the extent that price levels might be impacted in future periods by the current state of the economies in the U.K.

Interest Rate Risks

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include fixed-rate and variable-rate investments and borrowings by our operating subsidiaries. Our primary exposure to variable-rate debt is through our LIBOR-indexed VM Credit Facility.

In general, we seek to enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. Accordingly, we have entered into various derivative transactions to reduce exposure to increases in interest rates. We use interest rate derivative contracts to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. From time to time, we may also use interest rate cap and collar agreements that lock in a maximum interest rate if variable rates rise, but also allow our company to benefit, to a limited extent in the case of collars, from declines in market rates. At December 31, 2013, we effectively paid a fixed interest rate on all of our total debt after considering the impact of our interest rate derivative instruments that convert variable rates to fixed rates. The final maturity dates of our various portfolios of interest rate derivative instruments generally fall short of the respective maturities of the underlying variable-rate debt. In this regard, we use judgment to determine the appropriate maturity dates of our portfolios of interest rate derivative instruments, taking into account the relative costs and benefits of different maturity profiles in light of current and expected future market conditions, liquidity issues and other factors. For additional information concerning the terms of these interest rate derivative instruments, see note 4 to our consolidated financial statements.

Weighted Average Variable Interest Rate. At December 31, 2013, our variable-rate indebtedness aggregated £2.7 billion, and the weighted average interest rate (including margin) on such variable-rate indebtedness was approximately 3.8%, excluding the effects of interest rate derivative contracts, financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. Assuming no change in the amount outstanding, and without giving effect to any interest rate derivative contracts, financing costs, discounts or commitment fees, a hypothetical 50 basis point (0.50%) increase (decrease) in our weighted average variable interest rate would increase (decrease) our annual consolidated interest expense and cash outflows by £13.5 million. As discussed above and in note 4 to our consolidated financial statements, we use interest rate derivative contracts to manage our exposure to increases in variable interest rates. In this regard, increases in the fair value of these contracts generally would be expected to offset most of the economic impact of increases in the variable interest rates applicable to our indebtedness to the extent and during the period that principal amounts are matched with interest rate derivative contracts.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative and other financial instruments, undrawn debt facilities and cash investments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our financial instruments and undrawn debt facilities is spread across a relatively broad counterparty base of banks and financial institutions. Most of our cash currently is invested in either (i) AAA credit rated money market funds, including funds that invest in government obligations, or (ii) overnight deposits with banks having a minimum credit rating of A by Standard & Poor's or an equivalent rating by Moody's Investor Service. To date, neither the access to nor the value of our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions. We and our counterparties do not post collateral or other security, nor have we entered into master netting arrangements with any of our counterparties.

At December 31, 2013, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £155.0 million, (ii) cash and cash equivalent and restricted cash balances of £344.5 million and (iii) aggregate undrawn debt facilities of £660.0 million.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set-off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set-off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

The risks we would face in the event of a default by a counterparty to one of our derivative instruments might be eliminated or substantially mitigated if we were able to novate the relevant derivative contracts to a new counterparty following the default of our counterparty. While we anticipate that, in the event of the insolvency of one of our derivative counterparties, we would seek to effect such novations, no assurance can be given that we would obtain the necessary consents to do so or that we would be able to do so on terms or pricing that would be acceptable to us or that any such novation would not result in substantial costs to us. Furthermore, the underlying risks that are the subject of the relevant derivative contracts would no longer be effectively hedged due to the insolvency of our counterparty, unless and until we novate or replace the derivative contract.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and/or liquidity.

Although we actively monitor the creditworthiness of our key vendors, the financial failure of a key vendor could disrupt our operations and have an adverse impact on our revenue and cash flows.

Sensitivity Information

Information concerning the sensitivity of the fair value of certain of our more significant derivative instruments to changes in market conditions is set forth below. The potential changes in fair value set forth below do not include any amounts associated with the remeasurement of the derivative asset or liability into the applicable functional currency. For additional information, see notes 4 and 5 to our consolidated financial statements.

Cross-currency and Interest Rate Derivative Contracts

Holding all other factors constant, at December 31, 2013:

(i) an instantaneous increase (decrease) of 10% in the value of the British pound sterling relative to the U.S. dollar would have decreased (increased) the aggregate fair value of the cross-currency and interest rate derivative contracts by approximately £498 million; and

(ii) an instantaneous increase (decrease) in the relevant base rate of 50 basis points (0.50%) would have increased (decreased) the aggregate fair value of the cross-currency and interest rate derivative contracts by approximately £57 million.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments at December 31, 2013. The pound sterling equivalents presented below are based on interest rates and exchange rates that were in effect as of December 31, 2013. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, see note 4 to our consolidated financial statements. For information concerning the counterparty credit risk associated with our derivative instruments, see the discussion under *Counterparty Credit Risk* above.

	Payments (receipts) due during:						
	2014	**2015**	**2016**	**2017**	**2018**	**Thereafter**	**Total**
				in millions			
Projected derivative cash payments (receipts), net:							
Interest-related (a)	£ 41.8	£ 48.9	£ 29.8	£ 29.4	£ 24.6	£ (4.5)	£ 170.0
Principal-related (b)	—	—	—	—	12.0	166.4	178.4
Other (c)	—	—	47.2	—	—	—	47.2
Total	£ 41.8	£ 48.9	£ 77.0	£ 29.4	£ 36.6	£ 161.9	£ 395.6

(a) Includes the interest-related cash flows of our cross-currency and cross-currency interest rate swap contracts.

(b) Includes the principal-related cash flows of our cross-currency and cross-currency interest rate swap contracts.

(c) Includes amounts related to the Virgin Media Capped Calls and the derivative embedded in the VM Convertible Notes. For information regarding the settlement of these instruments, see notes 4 and 7 to our consolidated financial statements.