

Telewest Communications (Scotland) Limited
Financial Statements
31 December 2011

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Telewest Communications (Scotland) Limited

Financial Statements

Year ended 31 December 2011

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Telewest Communications (Scotland) Limited

Company Information

The board of directors

R C Gale
J C Tillbrook

Company secretary

G E James

Registered office

1 South Gyle Crescent Lane
Edinburgh
EH12 9EG

Auditor

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

Telewest Communications (Scotland) Limited

The Directors' Report

Year ended 31 December 2011

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

Principal activities and business review

The principal activity of the company was, and will continue to be, to invest in and manage an unincorporated joint venture in conjunction with Edinburgh Cable Limited Partnership.

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

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

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

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

Future outlook

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

Results and dividends

The profit for the financial year amounted to £185,000 (2010 - profit of £926,000). The directors have not recommended an ordinary dividend (2010 - £nil).

Directors

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

R C Gale

J C Tillbrook

R M Mackenzie

(Appointed 16 September 2011)

(Resigned 16 September 2011)

Virgin Media Inc. has indemnified the directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision is in force as at the date of approving the directors' report.

Telewest Communications (Scotland) Limited

The Directors' Report *(continued)*

Year ended 31 December 2011

Going concern

After making suitable enquiries, and obtaining the necessary assurances from the company's ultimate parent company that sufficient resources will be made available to meet any liabilities as they fall due should the company's income not be sufficient, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Disclosure of information to the auditor

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

Small company provisions

The directors' report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Signed on behalf of the directors



J C Tillbrook
Director

Approved by the directors on 5 September 2012

Telewest Communications (Scotland) Limited

Statement of Directors' Responsibilities

Year ended 31 December 2011

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

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

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

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

Telewest Communications (Scotland) Limited

Independent Auditor's Report to the Member of Telewest Communications (Scotland) Limited

Year ended 31 December 2011

We have audited the financial statements of Telewest Communications (Scotland) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Telewest Communications (Scotland) Limited

Independent Auditor's Report to the Member of Telewest Communications (Scotland) Limited *(continued)*

Year ended 31 December 2011

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

5 September 2012

Telewest Communications (Scotland) Limited

Profit and Loss Account

Year ended 31 December 2011

	Note	2011 £000	2010 £000
Administrative income		112	681
Operating profit	2	112	681
Attributable to:			
Exceptional items	2	112	681
Income from fixed asset investments	4	141	245
Interest payable and similar charges	5	(68)	—
Profit on ordinary activities before taxation		185	926
Tax on profit on ordinary activities	6	—	—
Profit for the financial year		185	926

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

All results relate to continuing operations.

The notes on pages 9 to 15 form part of these financial statements.

Telewest Communications (Scotland) Limited**Balance Sheet****31 December 2011**

	Note	2011 £000	2010 £000
Fixed assets			
Investments	7	<u>1,050</u>	<u>1,050</u>
Current assets			
Debtors due within one year	8	9,911	9,813
Creditors: Amounts falling due within one year	9	<u>(15,523)</u>	<u>(15,469)</u>
Net current liabilities		<u>(5,612)</u>	<u>(5,656)</u>
Total assets less current liabilities		<u>(4,562)</u>	<u>(4,606)</u>
Provisions for liabilities and charges	10	<u>(3,645)</u>	<u>(3,786)</u>
Net liabilities		<u>(8,207)</u>	<u>(8,392)</u>
Capital and reserves			
Share capital	13	480	480
Profit and loss account	14	<u>(8,687)</u>	<u>(8,872)</u>
Deficit	14	<u>(8,207)</u>	<u>(8,392)</u>

These financial statements were approved by the directors on 5 September 2012 and are signed on their behalf by:



R C Gale
Director

The notes on pages 9 to 15 form part of these financial statements.

Telewest Communications (Scotland) Limited

Notes to the Financial Statements

Year ended 31 December 2011

1. Accounting policies

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

Basis of accounting

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

Fundamental accounting concept

The financial statements have been prepared on the going concern basis because the ultimate parent undertaking has given the necessary assurances that sufficient resources will be made available, so that the company can meet its liabilities as and when they fall due, for at least twelve months from the date of approval of these financial statements.

Group accounts

The company has taken advantage of the exemption from preparing group accounts afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of another company incorporated in the United Kingdom which prepares group accounts (see note 15). These financial statements therefore present information about the company as an individual undertaking and not about its group.

Share of results in a joint venture

The company's proportion of the joint venture's cumulative losses was first applied to the cost of investment until fully impaired then provided for in the Balance Sheet under provisions. The share of profit or loss in the joint venture is shown under income from fixed asset investments in the Profit and Loss Account and applied to reduce or increase the provision for losses in the joint venture.

Investments

Investments are recorded at cost, less provision for impairment as appropriate. The company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, the company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. A previously recognised impairment loss is reversed only if there was an event not foreseen in the original impairment calculations, such as a change in use of the assets or a change in economic conditions. The reversal of impairment loss would be to the extent of the lower of the recoverable amount and the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Provisions - joint venture

This provision represents the company's proportion of the joint venture's cumulative losses after full provision against the original investment has been made.

Cash flow statement

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

Telewest Communications (Scotland) Limited

Notes to the Financial Statements

Year ended 31 December 2011

1. Accounting policies (continued)

Deferred taxation

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

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

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

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

Trade and other debtors

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

2. Operating profit

Operating profit is stated after crediting:

	2011	2010
	£000	£000
Release of the provision against amounts owed by group undertakings	(112)	(681)

The group's inter-company funding arrangements are managed centrally. Recoverability of inter-company receivables is assessed annually. The provision for non-recoverability may increase or decrease as a result of that review. The impairment review of inter-company indebtedness as at 31 December 2011 concluded that a release of the provision against amounts due from group undertakings totalling £112,000 should be made (2010 - £681,000).

Auditor's remuneration of £1,000 (2010 - £1,000) represents costs attributed to the company, all of which is borne by a fellow group undertaking that pays all auditor's remuneration on behalf of the group.

The directors received remuneration for the year of £500 (2010 - £333) in relation to qualifying services as directors of this company, all of which was paid by Virgin Media Limited. The company had corporate directors until 30 April 2010 that received no remuneration. On 30 April 2010 new directors were appointed.

Telewest Communications (Scotland) Limited

Notes to the Financial Statements

Year ended 31 December 2011

3. Staff costs

The company does not have any directly employed staff and is not charged an allocation of staff costs by the group.

4. Income from fixed asset investments

	2011 £000	2010 £000
Share of profit of joint venture	<u>141</u>	<u>245</u>

5. Interest payable and similar charges

	2011 £000	2010 £000
Interest on amounts owed to group undertakings	<u>68</u>	<u>-</u>

6. Tax on profit on ordinary activities

(a) Analysis of charge in the year

The tax charge is made up as follows:

	2011 £000	2010 £000
Current tax charge:		
Current tax on profit for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Total tax charge on profit on ordinary activities	<u>-</u>	<u>-</u>

(b) Factors affecting current tax charge

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

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

	2011 £000	2010 £000
Profit on ordinary activities before taxation	<u>185</u>	<u>926</u>
Profit on ordinary activities multiplied by rate of tax	49	259
Effects of:		
Income not taxable	(17)	(198)
Utilisation of tax losses	(50)	(50)
Group relief surrendered/(claimed) without payment	<u>18</u>	<u>(11)</u>
Total current tax (note 6(a))	<u>-</u>	<u>-</u>

Telewest Communications (Scotland) Limited

Notes to the Financial Statements

Year ended 31 December 2011

6. Tax on profit on ordinary activities *(continued)*

(c) Factors that may affect future tax charges

Deferred tax assets in respect of the following amounts have not been recognised as there is currently no persuasive evidence that there will be suitable taxable profits against which these timing differences will reverse.

	2011 £000	2010 £000
Tax losses	<u>41</u>	<u>93</u>

(d) Change in tax rate

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

7. Investments

a) Investment in subsidiary undertakings

Cost	£000
At 1 January 2011 and 31 December 2011	<u>1,290</u>
Amounts written off	
At 1 January 2011 and 31 December 2011	<u>240</u>
Net book value	
At 31 December 2011 and 31 December 2010	<u>1,050</u>

Telewest Communications (Scotland) Limited

Notes to the Financial Statements

Year ended 31 December 2011

7. Investments (continued)

In the opinion of the directors the value of the unlisted investment is not less than the amount at which it is stated in the financial statements.

The company has taken advantage of the exemption under Section 400 of the Companies Act 2006 not to disclose the aggregate amount of capital and reserves and the result for the year for each of the subsidiary undertakings on the basis that their results are included in the group accounts of Virgin Media Finance PLC (see note 15).

The company has taken advantage of Section 409 of the Companies Act 2006 and disclosed only those investments whose results or financial position materially affected the figures shown in the company's annual financial statements.

b) Investment in joint venture

The company has entered into an agreement with Edinburgh Cable Limited Partnership (ECLP) to participate in a joint venture, Telewest Communications (Scotland) Venture, whose principal purpose is to build and operate a broadband telecommunication network in the Edinburgh area. ECLP has undertaken to provide the capital to build the initial system and to provide the working capital for the system operation.

With the exception of the freehold property, the tangible assets acquired by the company are held in trust by the company for the benefit of the joint venture.

Profits and losses of the joint venture are shared in the ratio 99% to ECLP and 1% to the company.

The original investment in the joint venture of £765,000 has been fully written off as a result of losses in previous years.

At 31 December 2011, the net liabilities of the joint venture were £364,494,000 (2010 - £378,628,000). The profit of the joint venture for the year ended 31 December 2011 was £14,134,000 (2010 - £24,466,000).

8. Debtors

	2011 £000	2010 £000
Amounts owed by group undertakings	9,911	9,813
Amounts owed by group undertakings are:-		
	2011 £000	2010 £000
Loans advanced to group undertakings	82	82
Other amounts owed by group undertakings	13,227	13,241
Impairment provision on amounts owed by group undertakings	(3,398)	(3,510)
	9,911	9,813

Amounts owed by group undertakings are unsecured and repayable on demand.

Telewest Communications (Scotland) Limited

Notes to the Financial Statements

Year ended 31 December 2011

9. Creditors: Amounts falling due within one year

	2011	2010
	£000	£000
Amounts owed to group undertakings	<u>15,523</u>	<u>15,469</u>

Amounts owed to group undertakings are unsecured and repayable on demand.

10. Provisions for liabilities and charges

	Joint venture provision
	£000
At 1 January 2011	3,786
Movement for the year	(141)
At 31 December 2011	<u>3,645</u>

This provision represents the company's proportion of the joint venture's cumulative net liabilities after full provision against the original investment has been made.

11. Contingent liabilities

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks. As at 31 December 2011 this comprised a term facility of £750 million and a revolving facility of £450 million. Borrowings under the facility are secured against the assets of certain members of the group including those of the company.

In addition, a fellow group undertaking has issued senior secured notes which, subject to certain exceptions, share the same guarantees and security which have been granted in favour of the senior credit facility. The amount outstanding under the senior secured notes at 31 December 2011 amounted to approximately £2,575 million (2010 - £1,495 million). Borrowings under the notes are secured against the assets of certain members of the group including those of the company.

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

12. Related party transactions

In accordance with the exemptions offered by FRS 8 "Related Party disclosures" there is no disclosure in these financial statements of transactions with entities that are part of Virgin Media Inc., and its subsidiaries (see note 15).

13. Share capital

Authorised share capital:

	2011	2010
	£000	£000
20,000,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

Telewest Communications (Scotland) Limited

Notes to the Financial Statements

Year ended 31 December 2011

13. Share capital *(continued)*

Allotted, called up and fully paid:

	2011		2010	
	No	£000	No	£000
Ordinary shares of £1 each	<u>480,000</u>	<u>480</u>	<u>480,000</u>	<u>480</u>

14. Reconciliation of deficit and movement on reserves

	Share capital	Profit and loss	Deficit
	£000	account	£000
At 1 January 2010	480	(9,798)	(9,318)
Profit for the year	–	926	926
At 31 December 2010 and 1 January 2011	480	(8,872)	(8,392)
Profit for the year	–	185	185
At 31 December 2011	<u>480</u>	<u>(8,687)</u>	<u>(8,207)</u>

15. Parent undertaking and controlling party

The company's immediate parent undertaking is Telewest Communications (Scotland Holdings) Limited.

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

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

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