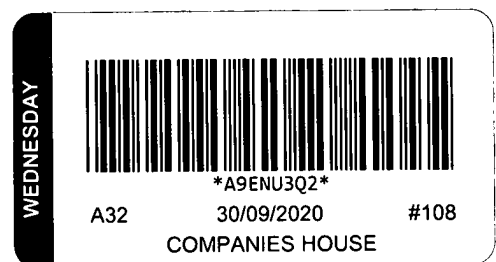


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05061787

Virgin Media Finance PLC
Reports and Financial Statements
31 December 2019



Virgin Media Finance PLC

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Virgin Media Finance PLC

Directors and Officers

Directors

MT Fries
M O Hifzi
R G McNeil
S-P Pascu
C B E Withers

Company Secretary

G E James

Auditors

KPMG LLP
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Sovereign Street
Leeds
LS1 4DA

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500 Brook Drive
Reading
United Kingdom
RG2 6UU

Virgin Media Finance PLC
Strategic Report
for the year ended 31 December 2019

The directors present their Strategic Report on Virgin Media Finance PLC for the year ended 31 December 2019.

For the purposes of this Strategic Report, Directors' Report and financial statements, the Virgin Media Finance PLC group will be referred to as "the group", Virgin Media Finance PLC the entity will be referred to as "the company", the group headed by Virgin Media Inc. will be referred to as "the Virgin Media group", and the group headed by Liberty Global plc will be referred to as "the Liberty Global group".

The company is a wholly-owned subsidiary undertaking of Virgin Media Inc. ("Virgin Media") which is itself a wholly-owned subsidiary of Liberty Global plc ("Liberty Global").

PRINCIPAL ACTIVITIES

The Virgin Media group operates under the Virgin Media brand in the United Kingdom (UK) and Ireland.

The group provides broadband internet, fixed-line telephony, mobile and broadcasting services in the UK and Ireland to both residential and business-to-business (B2B) customers. The group is one of the UK's and Ireland's largest providers of residential broadband internet, video and fixed-line telephony services in terms of the number of customers. The group believes its advanced, deep-fibre cable 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 interactive television services available in the UK and Irish markets.

The group provides mobile services to its customers using a third-party network through mobile virtual network operators (MVNO) arrangements.

In addition, through the Virgin Media Business brand, the group offers a broad portfolio of B2B voice, data, internet, broadband and managed services solutions to small businesses, medium and large enterprises and public sector organisations in the UK and Ireland.

At 31 December 2019, the group provided services to 6 million residential cable customers on its network. The group provides mobile telephony services to 3 million contract mobile customers and 0.3 million prepay mobile customers over third party networks. At 31 December 2019, over 84% of residential customers on the group's cable network received multiple services and 62% were "triple-play" customers, receiving broadband internet, video and fixed-line telephony services from the group.

Liberty Global is an international provider of broadband internet, video, fixed-line telephony and mobile communications services to residential customers and businesses in Europe. Liberty Global's operations comprise businesses that provide residential and B2B communications services in (i) the UK and Ireland through Virgin Media, (ii) Belgium through Telenet and (iii) Switzerland, Poland and Slovakia through UPC Holding. In addition, Liberty Global owns a 50% non-controlling interest in the VodafoneZiggo JV, which provides residential and B2B communications services in the Netherlands.

At 31 December 2019, Liberty Global's operations owned and operated networks that passed 25.8 million homes and served 25.0 million revenue generating units, consisting of 9.3 million broadband internet subscribers, 8.3 million video subscribers and 7.4 million fixed-line telephony subscribers. In addition, Liberty Global also served 6.3 million mobile subscribers.

The principal activity of the company is to facilitate the group's financing structure by implementing the group's capital management policies, making and facilitating external borrowings and holding investments in subsidiary companies. The company's investments include substantially all of the Virgin Media group's trading operating companies.

The group's reporting segments are based on its method of internal reporting to Liberty Global and the information used by its chief executive officer, who is the chief operating decision maker, or CODM, to evaluate segment performance and make capital allocation decisions.

Virgin Media Finance PLC
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for the year ended 31 December 2019

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

For the year ended 31 December 2019, revenue increased by 0.3% to £5,168.1 million from £5,150.3 million in 2018 primarily as result of an increase in residential cable revenue and B2B revenue. See further discussion of revenue under '*Performance against Key Performance Indicators*' below.

Cost of sales increased by 5.3% to £1,708.0 million for the year ended 31 December 2019, from £1,621.5 million in 2018. Cost of sales increased during 2019, compared to 2018 mainly driven by an increase in programming and copyright costs primarily due to higher costs for certain premium and/or basic content, an increase in internet and access costs primarily due to an increase in interconnect and roaming costs offset by a decrease in mobile handset and other device costs due to the effect of lower sales volumes and a lower average cost per handset sold.

Gross profit decreased by 1.9% to £3,460.1 million for the year ended 31 December 2019, from £3,528.8 million for the year ended 31 December 2018 primarily due to the reasons detailed above. Gross margin has decreased by 1.5% to 67.0% for the year ended 31 December 2019 from 68.5% for year ended 31 December 2018.

Administrative expenses decreased by 14.9% to £2,381.3 million for the year ended 31 December 2019, from £2,800.2 million for the year ended 31 December 2018. This was partly driven by the release of an impairment on network assets of £424.7m, partially offset by an increase in depreciation associated with property and equipment additions related to the installation of customer premises equipment and the expansion and upgrade of our networks and other capital initiatives. In addition, related-party fees and allocations, related to our estimated share of the applicable costs incurred by Liberty Global's subsidiaries increased to £277.6 million for the year ended 31 December 2019, from £156.9 million for the year ended 31 December 2018. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to or by our subsidiaries. In addition there was a provision for litigation of £104.7 million related to a VAT matter in the UK recognised during 2018.

Finance income decreased to £487.4 million for the year ended 31 December 2019, from £753.7 million for the year ended 31 December 2018. The lower interest income arising due to lower average interest rates on related party loan receivables from other Liberty Global group undertakings and the impact of the strengthening of pound sterling against the US dollar in 2019 compared to a weakening in 2018, which resulted in lower foreign exchange gains in 2019 than gains made on the fair value of the derivative financial instruments in 2018.

Finance costs decreased to £886.1 million for the year ended 31 December 2019 from £1,008.9 million for the year ended 31 December 2018. The decrease in costs was principally driven by the impact of the strengthening of pound sterling against the US dollar in 2019 compared to a weakening in 2018, which resulted in lower losses on the fair value of derivative financial instruments in 2019 than foreign exchange losses in 2018. In addition there was an overall decrease in interest payable due to lower average outstanding third party debt and lower weighted average interest rates.

Virgin Media Finance PLC
Strategic Report
for the year ended 31 December 2019

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Performance against Key Performance Indicators

Revenue

Residential and B2B revenue includes both subscription and non-subscription revenue.

Cable subscription revenue includes amounts received from subscribers for ongoing services. Cable non-subscription revenue includes, among other items, channel carriage fees, installation revenue, late fees and revenue from the sale of equipment.

Residential mobile subscription revenue includes amounts received from subscribers for ongoing services. Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices.

B2B subscription revenue represents revenue from services to certain small or home office (SOHO) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with broadband internet, video and fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to residential subscribers. B2B non-subscription revenue includes revenue from business broadband internet, video, fixed-line telephony, mobile and data services offered to medium to large enterprises and on a wholesale basis, to other operators.

Other revenue primarily includes broadcasting revenue.

Revenue by major category for the years ended 31 December 2019 and 2018 was as follows:

Revenue:	2019	2018	Increase/ (decrease)
	£ million	£ million	
Residential revenue			
Cable	3,665.7	3,638.4	0.8 %
Mobile	655.9	663.5	(1.1)%
Total residential revenue	4,321.6	4,301.9	0.5 %
B2B Revenue	775.3	778.0	(0.3)%
Other revenue	71.2	70.4	1.1 %
	5,168.1	5,150.3	0.3 %

The increase in residential cable revenue is due to an increase in both the average number of RGUs ⁽¹⁾ (“Revenue Generating Units”) and increased ARPU ⁽²⁾ (“Average Revenue per Unit”):

- Total RGUs increased due to the net effect of an increase in the average number of broadband internet, and fixed-line telephony RGUs, offset by a decrease in video RGUs.
- The increase in ARPU is primarily attributable to the net effect of higher ARPU from broadband internet and video services, offset by lower ARPU from fixed-line telephony services and an adverse change in RGU mix.

⁽¹⁾ RGU: A Revenue Generating Unit is separately a Basic Video Subscriber, Enhanced Video Subscriber, Internet Subscriber or Telephony Subscriber. A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs.

⁽²⁾ ARPU: Average Revenue Per Unit is the average monthly subscription revenue per average fixed-line customer relationship or mobile subscriber, as applicable.

Virgin Media Finance PLC
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REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

For the year ended 31 December 2019, mobile revenue decreased to £655.9 million from £663.5 million in 2018. The decrease in mobile revenue relates to a decrease in non-subscription revenue from mobile handset sales, which typically generate relatively low margins, partially offset by £5.8 million of revenue recognised during 2019 in connection with the sale of rights to future commission payments on customer handset insurance arrangements. This is partially offset by an increase in residential mobile subscription revenue primarily due to an increase in the average number of mobile subscribers, partially offset by lower ARPU in the UK.

The decrease in B2B revenue is primarily due to lower revenue from data services, installation revenue, revenue related to business network services and revenue from wholesale fixed-line telephony services, partially offset by an increase in upfront revenue recognised in association with long-term leases of a portion of our network and an increase in the average number of broadband internet SOHO RGUs in the UK.

The increase in other revenue is largely due to an increase in broadcasting revenue in Ireland.

Summary residential cable statistics

Selected statistics for the group's residential cable customers are shown below:

	2019	2018
Total cable customers	5,953,500	5,946,600
Cable products:		
Broadband internet	5,649,200	5,600,300
Video	3,967,800	4,143,100
Fixed-line telephone	4,940,600	4,923,500
Total cable products	<u>14,557,600</u>	<u>14,666,900</u>
Cable products per customer (i)	2.45x	2.47x
Triple play penetration	60.8%	63.0%
Cable ARPU (ii)	£51.34	£51.24

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

(ii) Cable ARPU is calculated by dividing the average monthly subscription revenue (excluding interconnect fees, channel carriage fees and late fees) for the indicated period, by the average of the opening and closing number of Customer Relationships for the period.

The total number of cable products fell to 14,557,600 at 31 December 2019 from 14,666,900 at 31 December 2018, representing a net decrease in products of 109,300.

Summary mobile statistics

Selected statistics for the group's mobile customers are shown below:

	2019	2018
Postpaid mobile customers (i)	3,013,200	2,744,300
Prepaid mobile customers (i)	263,900	376,700
Total mobile customers	<u>3,277,100</u>	<u>3,121,000</u>
Mobile ARPU (ii)	£9.19	£9.61

(i) Our Mobile Subscriber count represents the number of active subscriber identification module (SIM) cards in service rather than services provided. For example, if a Mobile Subscriber has both a data and voice plan on a smartphone this would equate to one Mobile Subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop (via a dongle) would be counted as two Mobile

Virgin Media Finance PLC
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REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Subscribers. Customers who do not pay a recurring monthly fee are excluded from our Mobile Subscriber counts after a 30 day period of inactivity.

(ii) Mobile monthly average revenue per user ("Mobile ARPU") is calculated by dividing the average monthly mobile subscription revenue (excluding sales and late fees) for the indicated period by the average of the opening and closing balances of total mobile subscribers in service for the period.

The group added 268,900 postpaid subscribers in 2019. Growth in postpaid subscriptions was offset by a lower prepaid base, resulting in an overall increase in the group's mobile base of 156,100 in 2019.

FINANCING

As of 31 December 2019, the group had £12,494.8 million of financial liabilities compared with £12,745.6 million as at 31 December 2018. The principal changes to financial liabilities during the year are discussed as follows:

In May 2019, Virgin Media Secured Finance plc issued (i) \$825.0 million (£622.0 million) principal amount of 2029 VM Dollar Senior Secured Notes and (ii) £300.0 million principal amount of 2029 VM 5.25% Sterling Senior Secured Notes. Each series of notes was issued at par and matures on May 15, 2029. The net proceeds from the issuance of these notes were used to redeem in full (a) £387.0 million outstanding principal amount under the 2025 VM 5.5% Sterling Senior Secured Notes, (b) \$354.5 million (£267.3 million) outstanding principal amount under the 2025 VM Dollar Senior Secured Notes and (c) £300.0 million outstanding principal amount under the 2024 VM Sterling Senior Notes. In connection with these transactions, we recognised a loss on debt modification and extinguishment of £37.4 million.

In July 2019, Virgin Media Secured Finance plc issued an additional \$600.0 million (£452.4 million) principal amount of 2029 VM Dollar Senior Secured Notes at 101.75% of par. The net proceeds from the issuance of these notes were used to redeem in full (i) \$447.9 million (£337.7 million) outstanding principal amount under the 2021 VM Dollar Senior Secured Notes and (ii) £107.1 million outstanding principal amount under the 2021 VM Sterling Senior Secured Notes. In August 2019, we issued an additional £40.0 million principal amount of 2029 VM 5.25% Sterling Senior Secured Notes at 103% of par. The net proceeds from the issuance of these notes were used to redeem an equal outstanding principal amount of 2029 VM 6.25% Sterling Senior Secured Notes. In connection with these transactions, we recognised a net loss on debt modification and extinguishment of £23.3 million.

In October 2019, Virgin Media SFA Finance Limited entered into VM Facility N, a \$3,300.0 million (£2,488.1 million) term loan facility, and VM Facility O, a €750.0 million (£635.0 million) term loan facility, both issued at 99.75% of par, and Virgin Media Secured Finance Limited issued £400.0 million principal amount of 2030 VM Sterling Senior Secured Notes at par. The net proceeds from these transactions, together with certain other funds, were used to (a) prepay in full the \$3,400.0 million (£2,563.5 million) outstanding principal amount on VM Facility K and (b) redeem in full (1) \$1,000.0 million (£754.0 million) outstanding principal amount of the 2026 VM 5.25% Dollar Senior Secured Notes and (2) £300.0 million outstanding principal amount of the 2025 VM 5.125% Sterling Senior Secured Notes. In connection with these transactions, we recognised a net loss on debt modification and extinguishment of £53.3 million.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The group is exposed to volatility in its cash flows and earnings resulting from changes in interest rates and foreign currency exchange rates. The group has entered into various derivative instruments with a number of counterparties to manage this volatility of its cash flows and earnings.

The group has entered into cross-currency interest rate swaps to manage interest rate and foreign exchange rate currency exposures resulting from the variable and fixed rates of interest paid on dollar denominated debt obligations and movements in fair value on certain of its U.S. dollar denominated debt. Additionally, the group has entered into interest rate swaps to manage interest rate exposures resulting from the variable rates of interest paid on sterling denominated debt obligations and movements in fair value on certain of its sterling denominated debt. The group has also entered into U.S. dollar forward rate contracts to manage foreign exchange rate currency exposures related to certain committed and forecasted purchases. See note 21 to the group financial statements for further information on the group's derivative instruments.

Virgin Media Finance PLC
Strategic Report
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PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk management

Details of the financial risks and how they are managed are outlined in note 20 to the group financial statements. The principal financial risks faced by the group are credit risk, interest rate risk, foreign exchange rate risk and liquidity risk.

Principal non-financial risks

Virgin Media Finance PLC is a member of the Virgin Media group, which manages the principal non-financial risks and uncertainties and is headed by Virgin Media Inc. These risks, among others, are discussed in more detail in Virgin Media Inc.'s annual report. The principal non-financial risks include the following:

- economic and business conditions and industry trends in the United Kingdom (UK) and Ireland;
- the competitive environment in the cable television, broadband and telecommunications industries in the UK and Ireland 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 and broadband internet usage preferences and habits;
- consumer acceptance of our existing service offerings, including our cable television, broadband internet, fixed-line telephony and mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- the group's ability to manage rapid technological changes;
- the group's ability to maintain or increase the number of subscriptions to our cable television, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- the group's ability to provide satisfactory customer service, including support for new and evolving products and services;
- the group's ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of the group's 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 UK and Ireland and adverse outcomes from regulatory proceedings;
- government intervention that impairs the group's competitive position, including any intervention that would open the group's broadband distribution networks to competitors and any adverse change in the group's accreditations or licenses;
- the group's ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- the group's ability to successfully acquire new businesses and, if acquired, to integrate, realise anticipated efficiencies from, and implement our business plan with respect to, the businesses we have acquired or that we expect to acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the UK and Ireland;

Virgin Media Finance PLC
Strategic Report
for the year ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of the group's financial risks;
- our ability to navigate the potential impacts on our business of the UK's departure from the EU;
- the ability of suppliers and vendors (including our third-party wireless network providers under the group's MVNO arrangements) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- the group's ability to adequately forecast and plan future network requirements, including the costs and benefits associated with the Network Extension;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- problems the group may discover post-closing with the operations, including the internal controls and financial reporting process, businesses we 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 Enterprises Limited, and any resulting impacts on the goodwill of customers toward the group; and
- events that are outside of the group's control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics or epidemics (such as the coronavirus (COVID-19)) and other similar events.

Brexit

The UK's departure from the EU could have a material adverse effect on our business, financial condition, results of operations or liquidity. On 23 June 2016, the UK held a referendum in which voters approved, on an advisory basis, an exit from the EU, commonly referred to as "Brexit".

The UK formally exited the EU on 31 January 2020, and has now entered into a transition period until 31 December 2020, during which the UK and the EU will negotiate to formalise the future UK-EU relationship with respect to a number of matters, most notably, trade. Although the UK has ceased to be an EU member, during the transition period their trading relationship will remain the same and the UK will continue to follow the EU's rules, such as accepting rulings from the European Court of Justice, and the UK will continue to contribute to the EU's budget.

Uncertainty remains as to what specific terms of separation may be agreed during the transition period. It is possible that the UK will fail to agree to specific separation terms with the EU by the end of the transition period, which, absent extension, may require the UK to leave the EU under a so-called "hard Brexit" or "no-deal Brexit" without specific agreements on trade, finance and other key elements.

Virgin Media Finance PLC
Strategic Report
for the year ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The foregoing has caused considerable uncertainty as to Brexit's impact on the free movement of goods, services, people and capital between the UK and the EU, customer behaviour, economic conditions, interest rates, currency exchange rates, and availability of capital. Examples of the potential impact Brexit could have on Liberty Global group's business, financial condition or results of operations include:

- changes in foreign currency exchange rates and disruptions in the capital markets;
- shortages of labour necessary to conduct our business, including our Network Extension in the UK;
- disruption to our UK supply chain and related increased cost of supplies;
- a weakened UK economy resulting in decreased consumer demand for our products and services in the UK;
- legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws and directives to replace or replicate, or where previously implemented by enactment of UK laws or regulations, to retain, amend or repeal; and
- various geopolitical forces may impact the global economy and our business, including, for example, other EU member states (in particular those member states where we have operations) proposing referendums to, or electing to, exit the EU.

COVID-19

In March 2020, the World Health Organisation declared the recent outbreak of a novel strain of coronavirus (COVID-19) to be a global pandemic. In response to the COVID-19 pandemic, emergency measures have been imposed by governments worldwide, including travel restrictions, restrictions on social activity and the shutdown of non-essential businesses.

These measures have adversely impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. While it is not currently possible to estimate the duration and severity of the COVID-19 pandemic or the adverse economic impact resulting from the preventative measures taken to contain or mitigate its outbreak, an extended period of global economic disruption could have a material adverse impact on our business, financial condition and results of operations in future periods.

POST BALANCE SHEET EVENTS

Pending joint venture transaction

On 7 May 2020, Liberty Global entered into a Contribution Agreement with, among others, Telefonica, SA (Telefonica). Pursuant to this agreement, Liberty Global and Telefonica agreed to form a 50:50 joint venture, which will combine Virgin Media's operations in the UK with Telefonica's mobile business in the UK to create a nationwide integrated communications provider.

The completion of this transaction is subject to certain conditions, including competition clearance by the applicable regulatory authorities. It is anticipated that the transaction will close around the middle of 2021. The Contribution Agreement also includes customary termination rights, including a right of the parties to terminate the agreement if the transaction has not closed within twenty-four months following the date of the agreement, which may be extended by six months under certain circumstances.

Financing transactions

In May 2020, Virgin Media Trade Receivables Financing plc, a third-party special purpose financing entity, was created for the purpose of facilitating the offering of certain notes. These notes are collateralised by certain trade receivables of Virgin Media, creating a variable interest in which Virgin Media is the primary beneficiary and, accordingly, Virgin Media, and ultimately Liberty Global, are required to consolidate Virgin Media Trade Receivables Financing plc. The offering of these notes resulted in net proceeds of £214.4 million.

Virgin Media Finance PLC
Strategic Report
for the year ended 31 December 2019

POST BALANCE SHEET EVENTS (continued)

In June 2020, Virgin Media completed various financing transactions, as further described below.

Senior notes transactions

The group issued 2030 senior notes with principal amounts of \$675 million. The net proceeds, together with the May 2020 proceeds were used to redeem in full €460 million and \$388.7 million outstanding principal amount of 2025 senior notes.

The group issued an additional 2030 senior notes with principal amounts of \$250 million €500 million. The net proceeds from the issuance of these notes were used (1) to redeem in full \$497 million outstanding principal amounts of existing 2024 senior notes and \$123.1 million and £44.1 million outstanding principal amounts of existing 2022 senior notes and (2) for general corporate purposes.

The new secured notes rank pari-passu with the group's existing secured notes and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing secured notes.

Senior secured notes transactions

The group issued 2030 senior secured notes with principal amounts of \$650 million and £450 million. The net proceeds from the issuance of these notes were used (1) to redeem in full £525 million outstanding principal amounts of existing 2027 senior secured notes, (2) to redeem in full £360 million outstanding principal amounts of existing 2029 senior secured notes, (3) £80.0 million of the £521.3 million outstanding principal amount of existing 2025 senior secured notes.

The new senior secured notes rank pari-passu with the group's existing senior secured notes and senior secured credit facility, and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing senior secured notes.

Vendor financing notes transactions

Virgin Media Vendor Financing Notes III Designated Activity Company (Virgin Media Financing III Company) and Virgin Media Vendor Financing Notes IV Designated Activity Company (Virgin Media Financing IV Company, and together with Virgin Media Financing III Company, the 2020 VM Financing Companies) were created for the purpose of issuing certain vendor financing notes. The 2020 VM Financing Companies are third-party special purpose financing entities that are not consolidated by Virgin Media or Liberty Global.

Virgin Media Financing III Company issued vendor financing notes with principal amounts of £500 million and £400 million. Virgin Media Financing IV Company issued vendor financing notes with principal amounts of \$500 million. The net proceeds from the June 2020 Vendor Financing Notes were used by the 2020 VM Financing Companies to purchase certain vendor-financed receivables of Virgin Media and its subsidiaries from previously-existing third-party special purpose financing entities (the original VM Financing Companies) and various other third parties.

FUTURE OUTLOOK

The directors will continue to review management policies in light of changing trading and market conditions. Further detail of the future outlook of the group, is provided in Virgin Media Inc.'s financial statements and annual report for 2019, which are available from the company secretary at Virgin Media, 500 Brook Drive, Reading, United Kingdom, RG2 6UU and on Liberty Global's website at www.libertyglobal.com.

SECTION 172 STATEMENT

This statement is intended to disclose how our directors have approached and met their responsibilities under s172 Companies Act 2006.

In line with Liberty Global's goal of enhancing the long-term value for the benefit of its shareholders, the directors of the Virgin Media oversee the management of the group, to help assure that the interests of our shareholders are served.

Virgin Media Finance PLC
Strategic Report
for the year ended 31 December 2019

SECTION 172 STATEMENT (continued)

The directors of the group, apply the Corporate Governance Guidelines (page 15), essential to our business integrity and performance. Therefore, as part of group operations as a whole consider:

- long-term consequences of decisions;
- employees' interests;
- business relationships with suppliers and customers;
- the impact of our operations on the environment and communities in which we operate; and
- the need to act fairly between shareholders.

The level of engagement of the directors is critical in the group's successful investment in the infrastructure and platforms that empower our customers to make the most of the digital revolution and connect to the entertainment, experiences and people they love. We believe that our scale and synergies with our partners help bring the best connectivity and entertainment to our customers and, during 2019, the directors provided thoughtful guidance to ensure that we enhanced and expanded our networks wisely, investing with purpose in the technology, talent and territories with the most potential.

Customers/Partnerships – Virgin Media provides its customers with a leading, next-generation broadband service, one of the most advanced interactive television services available in the UK and Irish markets and mobile services. We believe our relationships with our partners help us deliver unique products and services to our customers. The continued strategic involvement by the directors in these decisions to help foster these relationships is critical to the group's long term success.

Responsibility – Community & Environment – As part of Virgin Media's strategy, we are committed to growing a responsible and sustainable business. Our vision of using digital to make good things happen focuses on two pillars; growing responsibly and sustainably and doing more good with digital. As outlined in the Directors' Report, we have outlined five sustainability goals to ensure that our growth and contribution to the UK is delivered in a way that's good for people and the environment.

People - At Virgin Media, we know building an inclusive environment is essential to our growth. We're working on building a fully inclusive culture, celebrating everybody's individuality and differences. We want to empower our people, so they feel valued, limitless and inspired to help build meaningful connections. The Directors' Report provides further information on Virgin Media's policy on employment and disabled employees.

Consideration of these factors and other relevant matters is embedded into all Virgin Media group decision-making, strategy development and risk assessment throughout the year. Further information is available on our website: <https://www.virginmedia.com/corporate/sustainability>.

On behalf of the board



R G McNeil
Director

28 September 2020

Virgin Media Finance PLC
Directors' Report
for the year ended 31 December 2019

The directors present their report and the audited financial statements for the group and company for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The group made a profit for the year, after tax, of £577.1 million (2018: £384.6 million). The directors have not recommended the payment of a dividend (2018: £nil).

DIRECTORS AND THEIR INTERESTS

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

W T Castell (appointed 9 September 2019, resigned 9 March 2020)

R D Dunn (resigned 9 September 2019)

M T Fries

M O Hifzi

R G McNeil (appointed 9 March 2020)

T Mockridge (resigned 11 June 2019)

A C Murray (appointed 18 July 2019, resigned 5 August 2019)

S-P Pascu (appointed 3 March 2020)

C B E Withers (appointed 23 April 2020)

The directors of the company have been indemnified against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision is in force for directors serving during the financial year and as at the date of approving the Directors' Report.

EMPLOYMENT POLICIES AND DISABLED EMPLOYEES

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

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

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

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

In line with Liberty Global's 'Code of Business Conduct', the group's employees and directors are expected to display responsible and ethical behaviour, to follow consistently both the meaning and intent of this Code and to act with integrity in all of the group's business dealings. Managers and supervisors are expected to take such action as is necessary and appropriate to ensure that the group's business processes and practices are in full compliance with the Code.

Virgin Media Finance PLC
Directors' Report
for the year ended 31 December 2019

EMPLOYMENT POLICIES AND DISABLED EMPLOYEES (continued)

Employee Involvement

The Virgin Media group is dedicated to increasing the practical involvement of individuals in the running of its business. It seeks to achieve this as follows:

- all employees are encouraged to understand the aims of the Virgin Media group and of their own business area and to contribute to improving business performance through their knowledge, experience, ideas and suggestions. This requires strong communication to ensure that employees are briefed as widely as possible about activities and developments across Virgin Media. The online news channel, open forums, newsletters and team meetings play important roles in this, as do the development of people management skills and the ongoing conversations about performance and development which underpin mid-year and year-end reviews;
- the Virgin Media group ensures that all employees are involved and consulted through "Voice" which operates at a national, divisional and local level. It enables employees and employers to have an open and transparent relationship with a flow of information. It is focused around sharing information, involving employees in decision making, gaining access to knowledge and experience or resolving differences of opinion. Involving employees in decision making enhances confidence and job satisfaction, creates a sense of belonging and empowerment, reduces stress and impacts positively on wellbeing.

The Virgin Media group fosters a team spirit among employees and their greater involvement by offering participation in bonus or local variable reward schemes and team development opportunities. Virgin Media also operates various recognition schemes which are designed to reward employees for behaviours which are consistent with the Virgin Media values and has a volunteering scheme which allows employees to take a day each year to volunteer with a charity or organisation of their choice. The group remains committed to the continuing introduction and practice of progressive employment policies which reflect changing business, social and employee needs.

Virgin Media Finance PLC
Directors' Report
for the year ended 31 December 2019

ENVIRONMENTAL AND SUSTAINABILITY POLICIES

Virgin Media is committed to growing a responsible and sustainable business. This means ensuring that our growth and contribution to the UK is delivered in a way that's good for people and the environment.

In 2015, we set five sustainability goals to:

- Create opportunities for 100,000 small businesses to grow in the UK's economy through digital;
- Improve the sustainability performance of every new product;
- Grow our business without increasing our carbon footprint;
- Nurture an engaged workforce which represents the diversity of our customers and communities; and
- Support one million disabled people with the skills and confidence to get into and stay in work by the end of 2020.

The first four goals form part of our '5 in 5' sustainability goals and our overall 'Digital for Good' strategy – which concluded in 2019. The last goal, to support a million disabled people, will run until the end of 2020.

Each goal is owned by a member of the Virgin Media Executive Committee and we have a dedicated Sustainability team which facilitates and communicates our progress to becoming a more sustainable business.

We're pleased to say that we made positive progress against all our five goals last year.

While growing our business, we continued to cut our operational carbon footprint (Scope 1 and 2) with a reduction of 45% since 2014 across UK and Ireland. For the first time we sourced 100% of our contracted electricity from renewable sources. We also made significant strides towards our zero office waste to landfill target, with only 3% going to landfill compared to 10% in 2018.

Scope's Support to Work employment programme, funded by Virgin Media, helped thousands of disabled jobseekers last year. More than 540,000 disabled people were provided with advice, skills and confidence to find the right job for them via the scheme's self-service and tailored programmes.

We're now in the process of developing a new strategy and a set of long term sustainability targets which align to the key material issues as identified by our people, customers and the communities we serve. This will be published later in 2020.

Virgin Media communicates updates on performance and key highlights through its dedicated sustainability website: www.virginmedia.com/sustainability.

GOING CONCERN

As Virgin Media Finance PLC is either a direct or indirect parent of all of the trading companies in the Virgin Media group, these consolidated financial statements include substantially all of the trade and assets of the overall Virgin Media group. Whilst forecasts and projections, which take account of reasonably possible changes in trading performance, have not been prepared at a Virgin Media Finance PLC group level, they have been prepared for the Virgin Media group as a whole. These forecasts and projections showed that cash on hand, together with cash from operations and the undrawn revolving credit facility, are expected to be sufficient for the Virgin Media group's and hence the group's cash requirements through to at least 12 months from the date of this report.

Taking into account these forecasts and projections and after making enquiries, the directors have a reasonable expectation the group has adequate support and resources to continue in operational existence for the foreseeable future.

For these reasons the directors continue to adopt the going concern basis in preparing these financial statements. Consideration of the potential impact of COVID-19 has not altered this conclusion.

Virgin Media Finance PLC
Directors' Report
for the year ended 31 December 2019

CORPORATE GOVERNANCE

The group is committed to conducting business with honesty, integrity and respect. Corporate governance affects the way the group directs its relationship with its stakeholders. The group believes that the highest standards of corporate governance are essential to the group's business integrity and performance. The group has adopted a number of policies and procedures to support solid corporate governance in every area of the group's operations.

Corporate Governance Guidelines adopted by the Liberty Global Board of Directors serve as a framework for Board governance over the affairs of the group for the benefit of its shareholders. These include Code of Business Conduct, Code of Ethics, Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter and Succession Planning Committee Charter.

Further information on Corporate Governance is available to the public on Liberty Global's website at www.libertyglobal.com/or under the heading "Corporate Responsibility". The information on the website is not part of this report.

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 required by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

KPMG LLP will be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the board of directors



C B E Withers
Director

Approved by the directors on 28 September 2020

Virgin Media Finance PLC
Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report
and Financial Statements
for the year ended 31 December 2019

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Virgin Media Finance PLC

1 Our opinion is unmodified

We have audited the financial statements of Virgin Media Finance PLC ("the Company") for the year ended 31 December 2019 which comprise the group income statement and statement of comprehensive income, group balance sheet, group statement of changes in equity, group cash flow statement, company balance sheet, company statement of changes in equity and the related notes, including the accounting policies in note 2 of the group financial statements and note 1 of the company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Group: Capitalisation of costs associated with construction and installation activities

The Risk – Overstatement of Profits

Capitalisation of both internal and external costs incurred (part of which is included in the net book value of plant, property and equipment of £6,099.9 m (2018: £5,423.0 m)) associated with the capital projects undertaken by the group involve estimation of the amount of time and costs that should be capitalised. The most significant risk is that the group may inappropriately capitalise construction and installation costs. The key risks in determining if construction and installation costs qualify for recognition as an asset, include whether the costs are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the group; it is probable that future economic benefits associated with the item will flow to the group, and if the cost can be measured reliably.

The effect of these matters is that, as part of our risk assessment, we determined that carrying amount of Network assets of £5,504.1m has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Independent Auditor's Report to the Members of Virgin Media Finance PLC

Our Response

Our procedures included:

Control operations – We evaluated the design, implementation and tested operating effectiveness of key internal controls in place used for identifying which construction and installation costs should be capitalised.

Personnel interviews – We challenged the amount of internal costs capitalised during the year by comparing to budgets, interviewing department heads to determine the level of time individuals have spent on capital items, and analysed the changes to significant estimates utilised by the group to determine the amount of internal costs to be capitalised (if any), and other changes in the business with a potential impact on cost capitalisation during the year.

Tests of details – For both internal and external costs capitalised we selected a sample of plant, property and equipment additions on costs capitalised and assessed the nature of the costs thereby assessing the appropriateness of the group's cost capitalisation conclusions.

Parent Company: Recoverability of the Company's investments in subsidiaries

The risk – low risk/high value:

The carrying amount of the Company's investments in subsidiaries of £4,699.4 m (2018: £4,699.4 m) represents 69.6% of the company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the financial statements, this is considered to be the area that had the greatest effect on our overall audit of the parent company.

Our response

Our procedures included:

Tests of detail: We compared the carrying amount of material investments with the relevant subsidiaries' balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.

Assessing subsidiary audits: We assessed the work performed by the subsidiary audit teams of those subsidiaries where audits are performed and considering the results of that work on those subsidiaries' profits and net assets.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £51.6m (2018: £51m), determined with reference to a benchmark of revenue of £5,168m, of which it represents 1.0% (2018: 1%).

Materiality for the parent Company financial statements as a whole was set at £51,000,000 (2018: £40,000,000), determined with reference to a benchmark of Company total assets, of which it represents 0.8% (2018: 0.7%).

We agreed to report to management any corrected or uncorrected identified misstatements exceeding £2,500,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The group's reporting components comprise the UK and Ireland, we subjected the UK component to a full scope audit for group purposes and the Irish component to specified risk-focused audit procedures. The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

4 We have nothing to report on going concern¹

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Independent Auditor's Report to the Members of Virgin Media Finance PLC

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information:

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Virgin Media Finance PLC

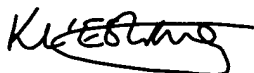
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, 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 members 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Katharine L'Estrange (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

(Chartered Accountants)

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

29 September 2020

Virgin Media Finance PLC
Group Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2019

	Notes	2019 £ million	2018 £ million
Revenue	3	5,168.1	5,150.3
Cost of sales		<u>(1,708.0)</u>	<u>(1,621.5)</u>
Gross profit		3,460.1	3,528.8
Administrative expenses		<u>(2,381.3)</u>	<u>(2,800.2)</u>
Group operating profit	4	1,078.8	728.6
Finance income	7	487.4	753.7
Finance costs	8	<u>(886.1)</u>	<u>(1,008.9)</u>
Net finance costs		<u>(398.7)</u>	<u>(255.2)</u>
Profit before tax		680.1	473.4
Tax expense	9	<u>(103.0)</u>	<u>(88.8)</u>
Profit for the year		<u>577.1</u>	<u>384.6</u>
Other Comprehensive Income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial (losses) / gains on defined benefit pension plans	27	(7.2)	8.5
Tax on defined benefit pension plans	9	<u>1.0</u>	<u>(1.4)</u>
		<u>(6.2)</u>	<u>7.1</u>
<i>Items that will or may be subsequently reclassified to profit or loss</i>			
Impact of movements in cash flow hedges	21	5.4	5.7
Exchange differences on the retranslation of foreign operations		<u>18.2</u>	<u>6.4</u>
		<u>23.6</u>	<u>12.1</u>
Total comprehensive income for the year attributable to equity holders		<u>594.5</u>	<u>403.8</u>
Total comprehensive income attributable to:			
Owners of the parent		575.8	396.0
Non-controlling interests		<u>18.7</u>	<u>7.8</u>
		<u>594.5</u>	<u>403.8</u>

The notes on pages 25 to 75 form part of the financial statements.

All results relate to continuing operations.

Virgin Media Finance PLC
Group Balance Sheet
as at 31 December 2019

	Notes	31 December 2019 £ million	31 December 2018 £ million
Non-current assets			
Intangible assets	10	2,444.3	2,561.2
Property, plant and equipment	11	6,098.0	5,423.1
Financial assets	12	5,422.9	5,587.9
Trade and other receivables	13	36.3	37.4
Deferred tax assets	9	1,544.2	1,645.3
Defined benefit pension plan asset	27	86.4	89.7
		<u>15,632.1</u>	<u>15,344.6</u>
Current assets			
Financial assets	12	82.5	143.1
Trade and other receivables	13	650.9	628.5
Inventories	14	54.6	60.7
Cash and short term deposits	15	33.9	16.2
		<u>821.9</u>	<u>848.5</u>
Total assets		<u>16,454.0</u>	<u>16,193.1</u>
Current liabilities			
Trade and other payables	16	(1,591.9)	(1,663.0)
Financial liabilities	17	(2,031.3)	(2,013.1)
Provisions	19	(3.6)	(5.5)
		<u>(3,626.8)</u>	<u>(3,681.6)</u>
Non-current liabilities			
Trade and other payables	16	(26.8)	(36.8)
Financial liabilities	17	(10,463.5)	(10,732.5)
Provisions	19	(124.9)	(123.9)
Defined benefit pension plan liability	27	(7.9)	(7.8)
		<u>(10,623.1)</u>	<u>(10,901.0)</u>
Total liabilities		<u>(14,249.9)</u>	<u>(14,582.6)</u>
Net assets		<u>2,204.1</u>	<u>1,610.5</u>
Capital and reserves			
Equity share capital	22,24	0.1	0.1
Share premium account	24	625.9	625.9
Other capital reserves	24	(2,093.6)	(2,099.1)
Unrealised gains and losses	24	10.7	5.3
Foreign currency translation reserve	24	29.3	11.1
Retained earnings		3,572.8	3,027.0
Virgin Media Finance PLC group shareholders' equity		<u>2,145.2</u>	<u>1,570.3</u>
Non-controlling interests		58.9	40.2
Total equity		<u>2,204.1</u>	<u>1,610.5</u>

The notes on pages 25 to 75 form part of the financial statements.

These financial statements were approved by the directors on 28 September 2020 and are signed on their behalf by:



R G McNeil
Director
Company Registration Number: 05061787

Virgin Media Finance PLC
Group Statement of Changes in Equity
for the year ended 31 December 2019

	Attributable to owners of the parent							Non-Controlling interest	Total equity	
	Equity share capital	Share premium account	Treasury share reserve	Other capital reserves	Unrealised gains and losses	Foreign currency translation reserve	Retained earnings			Total equity
	£ million	£ million	£ million	£ million	£ million	£ million	£ million			£ million
At 1 January 2018	0.1	3,323.2	(2,880.2)	(2,099.1)	(0.4)	4.7	2,844.3	1,192.6	51.1	1,243.7
Total comprehensive income	-	-	-	-	5.7	6.4	383.9	396.0	7.8	403.8
Shares Issued	-	182.9	-	-	-	-	-	182.9	-	182.9
Cancellation of own shares	-	(2,880.2)	2,880.2	-	-	-	-	-	-	-
Common control adjustment	-	-	-	-	-	-	(201.2)	(201.2)	-	(201.2)
NCI on variable interest entity	-	-	-	-	-	-	-	-	(18.7)	(18.7)
At 31 December 2018	<u>0.1</u>	<u>625.9</u>	<u>-</u>	<u>(2,099.1)</u>	<u>5.3</u>	<u>11.1</u>	<u>3,027.0</u>	<u>1,570.3</u>	<u>40.2</u>	<u>1,610.5</u>
Accounting change	-	-	-	-	-	-	(0.9)	(0.9)	-	(0.9)
At 1 January 2019	<u>0.1</u>	<u>625.9</u>	<u>-</u>	<u>(2,099.1)</u>	<u>5.3</u>	<u>11.1</u>	<u>3,026.1</u>	<u>1,569.4</u>	<u>40.2</u>	<u>1,609.6</u>
Total comprehensive income	-	-	-	5.5	5.4	18.2	546.7	575.8	18.7	594.5
At 31 December 2019	<u>0.1</u>	<u>625.9</u>	<u>-</u>	<u>(2,093.6)</u>	<u>10.7</u>	<u>29.3</u>	<u>3,572.8</u>	<u>2,145.2</u>	<u>58.9</u>	<u>2,204.1</u>

The notes on pages 25 to 75 form part of the financial statements.

See note 24 for an explanation of each reserve.

Virgin Media Finance PLC
Group Cash Flow Statement
for the year ended 31 December 2019

	Notes	2019 £ million	2018 £ million
Operating activities			
Profit for the year		577.1	384.6
<i>Adjustments to reconcile profit for the year attributable to equity holders of the parent to net cash inflow from operating activities</i>			
Depreciation	11	1,046.7	1,036.9
Amortisation of intangible assets	10	193.1	185.8
Impairment of network assets		(464.6)	-
Net finance costs		548.2	452.5
Share-based payments		45.1	27.2
Income taxes		122.7	83.5
Gains on disposal of property, plant and equipment		(3.3)	(2.3)
Unrealised losses/(gains) on derivative instruments		180.9	(301.4)
Non-cash foreign exchange movements		(140.9)	332.0
Decrease in trade and other receivables		167.4	143.5
Decrease/(increase) in inventories		6.1	(8.1)
(Decrease)/increase in prepayments and other assets		(19.6)	48.2
Decrease in trade and other payables		(21.0)	(6.5)
Increase in accruals, deferred income and other current liabilities		210.8	248.4
Increase/(decrease) in deferred income and other long term liabilities		16.1	(12.3)
Decrease in provisions		(0.2)	(24.0)
Net cash inflow provided by continuing operating activities		<u>1,887.5</u>	<u>2,203.4</u>
Net cash inflow from operating activities		<u>2,464.6</u>	<u>2,588.0</u>
Investing activities			
Purchase of property, plant and equipment		(428.1)	(431.8)
Loans (to)/repayment from parent and group undertakings		(444.9)	100.3
Proceeds on sale of property, plant and equipment		2.2	3.4
Acquisition net of cash acquired		-	(3.0)
Change in restricted cash		(16.5)	(5.5)
Interest received		284.2	313.8
Net cash outflow from investing activities		<u>(603.1)</u>	<u>(22.8)</u>
Financing activities			
Interest paid		(619.7)	(641.2)
Settlement of cross currency interest rate swaps		87.4	75.1
New borrowings, net of financing fees		3,985.1	1,921.3
Repayment of borrowings		(5,247.1)	(3,915.9)
Capital lease payments		(48.3)	(11.0)
Net cash outflow from financing activities		<u>(1,842.5)</u>	<u>(2,571.7)</u>
Effect of exchange rate changes on cash and cash equivalents		(1.3)	(0.4)
Net increase/(decrease) in cash and cash equivalents		17.7	(6.9)
Cash and cash equivalents at 1 January	15	16.2	23.1
Cash and cash equivalents at 31 December	15	<u>33.9</u>	<u>16.2</u>

The notes on pages 25 to 75 form part of the financial statements.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Virgin Media Finance PLC for the year ended 31 December 2019 were authorised for issue by the board of directors on 28 September 2020 and the Group Balance Sheet was signed on the board's behalf by R G McNeil. Virgin Media Finance PLC is a public limited company incorporated and domiciled in the UK. The company's shares are not publicly traded although the Senior Notes issued by the company are registered on the Luxembourg Stock Exchange.

2 Accounting policies

The principal accounting policies adopted by the group are set out below and have all been applied consistently throughout the current year and the preceding year except as discussed below.

Basis of preparation

Notwithstanding net current liabilities of £2,804.9 million and net liabilities £2,608.3 million as at 31 December 2019 for the Group and Company respectively and a profit for the Group for the year of £577.1 million, the financial statements have been approved on the assumption that the group remains a going concern. The following paragraphs summarise the basis on which the directors have reached their conclusion.

It is Virgin Media's practice for operational and financial management to be undertaken at a group level rather than for individual entities that are wholly owned by the group. Treasury operations and cash management for all of Liberty Global's wholly owned subsidiaries are managed on a Liberty Global group basis. As part of normal business practice, regular cash flow forecasts for both short and long term commitments are undertaken at group level.

As Virgin Media Finance PLC is either a direct or indirect parent of substantially all of the trading companies in the Virgin Media group, these consolidated financial statements include substantially all of the trade and assets of the overall Virgin Media group. Whilst forecasts and projections, which take account of reasonably possible changes in trading performance, have not been prepared at a Virgin Media Finance PLC group level, they have been prepared for the Virgin Media group as a whole. These indicate that cash on hand, together with cash from operations, repayment of amounts due to Virgin Media from the Liberty Global group and undrawn revolving credit facilities, are expected to be sufficient for the Group's cash requirements through to at least 12 months from the approval of these financial statements.

Whilst the detailed cash flow forecasts are prepared at the group level, the directors have also assessed the position of the company. Notwithstanding net liabilities of £2,608.3 million as at 31 December 2019, this assessment indicates that, taking account of reasonably possible downsides, the company will have sufficient resources, through funding from fellow subsidiary companies to meet its liabilities as they fall due for that period.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have prepared the financial statements on a going concern basis. Consideration of the potential impact of COVID-19 has not altered this conclusion.

Variable interest entities

On 30 November 2018, in connection with certain Liberty Global group reorganisations, the group completed the transfer of Liberty Property Holdco I Limited and Liberty Property Holdco II Limited from the group to Liberty Property Holdco III Limited, another subsidiary of Liberty Global group outside of Virgin Media group. Liberty Property Holdco I Limited, Liberty Property Holdco II Limited and Liberty Property Holdco III are collectively referred to as "the Liberty Property Companies." The assets held by the Liberty Property Companies are used by the group creating a variable interest in the Liberty Property Companies for which the group is the primary beneficiary and, accordingly, the group is required to consolidate the Liberty Property Companies.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

New standards, amendments and interpretations adopted by the group

The following standards and interpretations have been issued with an effective date for accounting periods beginning after the date of these financial statements:

In January 2016, IFRS 16, Leases (IFRS 16), was issued which results in lessees recognising right-of-use (ROU) assets and lease liabilities on the statement of financial position with additional disclosures about leasing arrangements. IFRS 16 also eliminates the classification of leases as either operating leases or finance leases by a lessee. The main impacts of the adoption of this standard are (i) the recognition of ROU and lease liabilities in our consolidated statement of financial position for leases previously accounted for as operating leases and (ii) the replacement of operating lease expense with a depreciation charge for ROU assets and interest expense for lease liabilities.

This change results in a front-loaded total lease expense versus the previous straight-line operating lease expense.

The group adopted IFRS 16 on January 1, 2019 by using the modified retrospective approach. The group applied the following practical expedients and options:

- In transition, the group did not reassess which existing contracts are or contain leases. In addition, we did not use hindsight during transition;
- The group did not apply the practical expedient that permits a lessee to account for lease and non-lease components in a contract as a single lease component and, accordingly, the group will continue to account for these components separately;
- The group did not recognize right-of-use assets and lease liabilities for leases with terms of 12 months or less; and
- The group applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Upon adoption of IFRS 16, on January 1, 2019 the group recorded ROU assets of £201 million and lease liabilities of £204 million. There was no impact to the group's retained earnings. The adoption of IFRS 16 did not have a significant impact on the consolidated statements of profit or loss or cash flows.

	£000
Operating lease commitments disclosed as at 31 December 2018	<u>167,878</u>
Discounted using the incremental borrowing rate at 1 January 2019	138,100
Add: finance lease liabilities recognised as at 31 December 2018	66,049
(Less): short-term leases not recognised as a liability	<u>(17)</u>
Lease liability recognised as at 1 January 2019	<u>204,132</u>

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The most significant judgments and estimations used by management in the process of applying the group's accounting policies are discussed below:

Impairment of intangible assets

Goodwill and intangible assets with indefinite lives are assessed for impairment annually and when such indicators exist.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of these cash flows. Where fair value less cost to sell is used, the valuation must represent the fair value of the cash-generating unit in an orderly transaction between market participants under current market conditions, less costs to sell.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and allowances to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Details of the measurement of the group's deferred tax asset recognition and measurement are provided in note 9.

Property, plant and equipment

Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis at rates calculated to write off the cost of each asset over the shorter of its leasing period or estimated useful life. Useful lives are reviewed annually and where adjustments are required, these are made prospectively.

The nature and amount of labour and other costs to be capitalised with respect to construction and installation activities involves significant judgement. In addition to direct external and internal labour and materials, the group also capitalises other costs directly attributable to the group's construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalisation 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 capitalisable activity. The group continuously monitors the appropriateness of its capitalisation 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.

Fair value measurement of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 21).

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

Basis of consolidation

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Acquisitions under common control

Business combinations between entities that are under common control are accounted for at book value. The assets and liabilities acquired or transferred are recognised or derecognised at the carrying amounts previously recognised in the group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the group equity and any gain/loss arising is recognised directly in equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency translation

The group's consolidated financial statements are presented in pound sterling, which is also the parent company's functional currency. Transactions in foreign currencies are initially recorded in the local entity's functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange differences are included in the Group Income Statement, except where hedge-accounting is applied and for differences on monetary assets and liabilities that form part of the group's net investment in a foreign operation. These are recorded directly in equity until the disposal of the net investment, at which time they are reclassified from equity to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Goodwill

Business combinations, other than common control business combinations, are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to acquisitions, other than those associated with the issue of debt or equity securities, are expensed as incurred.

When the excess is negative any gain on bargain purchase is recognised in profit or loss immediately.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

On a transaction-by-transaction basis, the group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes costs directly attributable to making the asset capable of operating as intended. Property, plant and equipment acquired through business combinations is initially recorded at fair value on acquisition.

Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis at rates calculated to write off the cost of each asset over the shorter of its leasing period or estimated useful life as follows:

Network assets, cable plant and equipment

Network assets - 3 - 30 years

Network assets includes construction in progress which is not depreciated and comprises of materials, consumables and direct labour relating to network construction and is stated at the cost incurred in bringing each product to its present location and condition, as follows:

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

Other fixed assets:

Right-of-use property - Period of lease
Freehold property, other than land - 30 years
Leasehold improvements - 20 years or, if less, the term of the lease
Furniture and fixtures - 5 - 12 years
Computer equipment - 3 - 5 years
Motor vehicles - 5 years

Labour costs relating to the design, construction and development of the network, capital projects, and related services are capitalised and depreciated on a straight-line basis over the life of the relevant assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. The useful lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

Impairment of intangible assets and property, plant and equipment

In accordance with IAS 36 'Impairment of Assets', intangible assets with finite lives are amortised on a straight-line basis over their respective estimated useful lives, and reviewed for indications of impairment at each reporting date. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Group Income Statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed, other than on goodwill, only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

Provisions for liabilities and charges

Provisions are recorded when the group has a legal or constructive obligation as a result of a past event for which it is probable that the group will be required to settle by an outflow of economic benefits and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

Leases

On the lease commencement date, (i) a ROU asset is recognised representing the right to use an underlying asset and (ii) lease liabilities representing the group's obligation to make lease payments over the lease term. Lease and non-lease components in a contract are generally accounted for separately.

The group initially measures lease liabilities at the present value of the remaining lease payments over the lease term. Options to extend or terminate the lease are included only when it is reasonably certain that the option will be exercised. As most of the group's leases do not provide enough information to determine an implicit interest rate, a portfolio level incremental borrowing rate is used in the present value calculation. ROU assets are initially measured at the value of the lease liability, plus any initial direct costs and prepaid lease payments, less any lease incentives received.

ROU assets are generally depreciated on a straight-line basis over the shorter of the lease term or the useful life of the asset. Interest expense on the lease liability is recorded using the effective interest method.

Policy applicable before 1 January 2019

In the comparative period under IAS 17, the group entered into a lease under which it takes substantially all the risks and rewards of ownership of an asset, the lease was treated as a finance lease.

The assets were recorded in the balance sheet as a fixed tangible asset and depreciated over their useful economic lives. Finance lease debtors were recorded in the balance sheet, and future instalments payable under finance leases were included within creditors, net of finance charges. Rentals receivable and payable under these finance lease arrangements are apportioned; the finance elements were recorded in the profit and loss account on a reducing balance basis and the capital elements reduced the outstanding liability or asset in accordance with the terms of the contract.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remained with the lessor, were charged to the profit and loss account on a straight line basis over the period of the lease.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs.

Finance costs which are incurred in connection with the issuance of debt are deferred and set off against the borrowings to which they relate. Deferred finance costs are amortised over the term of the related debt using the effective interest method.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

Derivative financial instruments and hedging

The group has established policies and procedures to govern the management of its exposure to interest rate and foreign currency exchange rate risks through the use of derivative financial instruments, including interest rate swaps, cross currency interest rate swaps and foreign currency forward rate contracts.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Derivatives are recognised as financial assets when the fair value is positive and as liabilities when the fair value is negative.

The foreign currency forward rate contracts, interest rate swaps and cross-currency interest rate swaps are valued using internal models based on observable inputs, counterparty valuations or market transactions in either the listed or over-the counter markets, adjusted for non-performance risk. Non-performance risk is based upon quoted credit default spreads for counterparties to the contracts and swaps. Derivative contracts which are subject to master netting arrangements are not offset and have not provided, nor require, cash collateral with any counterparty.

While these instruments are subject to the risk of loss from changes in exchange rates and interest rates, these losses would generally be offset by gains in the related exposures. Financial instruments are only used to hedge underlying commercial exposures. The group does not enter into derivative financial instruments for speculative trading purposes, nor does it enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed.

For derivatives which are designated as hedges the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

The group designates certain derivatives as either fair value hedges, when hedging exposure to variability in the fair value of recognised assets or liabilities or firm commitments, or as cashflow hedges, when hedging exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Derivatives that are not part of an effective hedging relationship, as set out in IFRS 9, must be classified as held for trading and measured at fair value through profit or loss.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends upon the nature of the hedging relationship and are treated as follows:

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income, while the ineffective portion is recognised in the Group Income Statement. Amounts taken to Other Comprehensive Income are reclassified to the Group Income Statement when the hedged transaction is recognised in the Group Income Statement, such as when a forecast sale or purchase occurs, in the same line of the Group Income Statement as the recognised hedged item. Where the hedged item is the cost of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred to the initial measurement of the cost of the non-financial asset or liability. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Group Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in Other Comprehensive Income remain in equity until the forecast transaction occurs and are reclassified to the Group Income Statement.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

Fair value hedges

For fair value hedges, the changes in the fair value of the hedging instrument are recognised in the Group Income Statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the Group Income Statement relating to the hedged item.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, then the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Inventories

Inventory consists of goods for resale and programing inventories which are valued at the lower of cost or net realisable value using the first-in, first-out (FIFO) method. Cost represents the invoiced purchase cost of inventory. Net realisable value is based on judgements, using currently available information about obsolete, slow moving or defective inventory. Based upon these judgements and estimates, which are applied consistently from period to period, an adjustment is made to state the carrying amount of inventory held for resale at the lower of cost and net realisable value.

Trade and other receivables

Our trade receivables are initially measured at fair value and subsequently reported at amortised cost, net of an allowance for impairment of trade receivables. The allowance for impairment of trade receivables is estimated based upon our assessment of anticipated 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 payment is received or the likelihood of collection is considered to be remote. For additional information regarding our trade receivable and allowance for impairment of trade receivables, see note 13.

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

Cash and short term deposits

Cash and short-term deposits in the Group Balance Sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the Group Cash Flow Statement, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

Tax

Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. The directors periodically evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate. Income tax is charged or credited to Other Comprehensive Income if it relates to items that are charged or credited to Other Comprehensive Income.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Pensions

The group contributes to the Virgin Media sponsored group personal pension plans for eligible employees. Contributions to these schemes are recognised in the Group Income Statement in the period in which they become payable, in accordance with the rules for each of the plans.

The group operates three defined benefit pension plans, which require contributions to be made to separately administered funds. The plans are closed to new entrants.

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

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

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

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

Actuarial gains and losses are recognised in full in the Group Statement of Comprehensive Income in the period in which they occur.

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

Revenue recognition

Revenue earned from contracts to be recognised in line with performance obligations based on a five-step model.

On inception of the contract we identify a “performance obligation” for each of the distinct goods or services we have promised to provide to the customer. The consideration specified in the contract is allocated to each performance obligation identified based on their relative standalone selling prices, and is recognised in revenue as they are satisfied. The following table summarises the performance obligations we have identified for our major revenue lines and provides information on the time of when they are satisfied and the related revenue recognition policy.

Revenue line	Performance obligation	Revenue recognition policy
Service revenue – Cable Networks	Provision of video, broadband internet and fixed-line telephony services over our cable network to customers. Performance obligations are identified for each distinct service for which the customer has contracted and are considered to be satisfied over the time period that these services are delivered.	Revenue for these types of services is recognised evenly over the period of the agreement as the services are provided.
Installation and other upfront fees	When the group enters into contracts to provide services to customers, the group often charges installation or other upfront fees. The group is obliged to ensure it can supply services to the customer premise as per the customer contract This includes cable plant and equipment installation at the customers premise. Installation is not considered as a separate performance obligation.	These fees are generally deferred and recognised as revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

B2B revenue	<p>Provision of data, voice and network solution services, including the sale and maintenance of equipment to business customers. Installation charges are charged in relation to the provision of services.</p> <p>The group is obliged to provide the customer with the connectivity services and or equipment stipulated the customer contract.</p> <p>Installation is not considered as a separate performance obligation.</p>	<p>The group defer upfront installation and certain nonrecurring fees received on business-to-business contracts where we maintain ownership of the installed equipment. The deferred fees are amortised into revenue on a straight-line basis, generally over the longer of the term of the arrangement or the expected period of performance.</p> <p>From time to time, we also enter into agreements with certain B2B customers pursuant to which they are provided the right to use certain elements of our network. If these agreements are determined to contain a lease that meets the criteria to be considered a sales-type lease, we recognize revenue from the lease component when control of the network element is transferred to the customer.</p>
Mobile revenue – Airtime services	<p>Provision of minutes, texts and data over our Mobile network.</p> <p>The group is obliged to provide the customer with a SIM which is provisioned with contracted allowances each month.</p>	<p>The group recognise revenue from mobile services in the period in which the related services are provided. Revenue from pre-pay customers is deferred prior to the commencement of services and recognised as the services are rendered or usage rights expire.</p>
Mobile revenue - Handsets	<p>Provision of mobile handset delivery to the customer.</p> <p>The group is obliged to provide delivery of mobile handsets as requested by the customer.</p>	<p>Arrangement consideration allocated to handsets is recognised as revenue when the goods have been delivered and title has passed. For customers under a mobile handset instalment contract that is independent of a mobile airtime services contract, revenue is recognised upon delivery.</p>

There are no material obligations in respect of returns, refunds or warranties.

Consideration from mobile contracts is allocated to the airtime service component and the handset component based on the relative standalone selling prices of each component. When the group offer handsets and airtime services in separate contracts entered into at the same time, the group account for these contracts as a single contract.

Incremental revenues are generated based on usage for calls and video on demand. The entity has a right to consideration from the customer at an amount that corresponds directly with the value to the customer of the entity's performance completed to date, therefore the entity recognises the revenue to the extent to which it has a right to invoice.

For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognised uniformly over the contractual period if the contract has substantive termination penalties. If a contract does not have substantive termination penalties, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

Virgin Media Finance PLC
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for the year ended 31 December 2019

2 Accounting policies (continued)

Other income

Interest income is recognised as interest accrues according to the effective interest method which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount.

Share-based payments

The company is an indirect, wholly-owned subsidiary of Virgin Media Inc. and Liberty Global plc. The company has no share-based compensation plans. Employees render services in exchange for shares or rights over shares (equity-settled transactions) of Liberty Global plc common stock.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date which they are granted. The fair value of options and share appreciation rights are determined using the Black-Scholes model. The fair value of restricted share units is determined using either the share price at the grant date or the Monte Carlo model, depending on the conditions attached to the restricted share units being granted. These transaction costs are recognised, together with a corresponding increase in either equity or amounts owed to parent undertakings, over the service period, or, if applicable, over the period in which any performance conditions are fulfilled, which ends on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the number of awards that are estimated to ultimately vest, in the opinion of management at that date and based on the best available information.

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

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

3 Segment information

The principal activity of the company is to facilitate the group's financing structure by implementing the group's capital management policies, making and facilitating external borrowings and holding investments in subsidiary companies. The company's investments include all of the Virgin Media group's trading operating companies.

The Virgin Media group's reporting segments are based on its method of internal reporting to the Liberty Global group and the information used by its chief executive officer, who is the chief operating decision maker ("CODM"), to evaluate segment performance and make capital allocation decisions.

It has been determined that the Virgin Media group comprises a single operating segment. This reflects how the CODM reviews the results of the group's business based on revenue and profitability measures.

There is no material difference between the revenue presented to the CODM and the revenue of the Virgin Media Finance PLC group. Revenue for the group was £5,168.1 million (2018 - £5,150.3 million) and was entirely derived from the sale of goods and services.

Geographic Locations

The group's revenue by geographic location is set out below:

	2019	2018
	£ million	£ million
UK	4,765.5	4,757.7
Ireland	402.6	392.6
Total	<u>5,168.1</u>	<u>5,150.3</u>

4 Group operating profit

This is stated after charging/(crediting):

	2019	2018
	£ million	£ million
Depreciation of property, plant and equipment	1,004.7	1,027.1
Depreciation of right of use assets	42.0	9.8
Total depreciation	<u>1,046.7</u>	<u>1,036.9</u>
Amortisation of intangible assets	<u>193.1</u>	<u>185.8</u>
Rent of premises	<u>29.8</u>	<u>28.2</u>
Gain on disposal of property, plant and equipment	<u>(3.3)</u>	<u>(2.3)</u>
Cost of inventories recognised within cost of sales	<u>216.4</u>	<u>232.3</u>

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

5 Auditor's remuneration

The group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the group.

Fees paid to the auditor for audit and other services to the company are not disclosed in its individual accounts as the group accounts are required to disclose such fees on a consolidated basis.

Fees payable to the company's auditors and their associates for other services represents fees payable for services in relation to other statutory filings or engagements that are required to be carried out by the group's auditors.

	2019	2018
	£ million	£ million
Audit services:		
Statutory audit services - audit of the parent company and group financial statements	0.5	0.5
Fees payable to the company's auditors and their associates for other services:		
Statutory audit services - statutory accounts of the company's subsidiaries	0.2	0.2
	<u>0.7</u>	<u>0.7</u>

6 Staff costs and directors' emoluments

(a) Staff costs

Included in wages and salaries is a total expense for share-based payments of £48.3 million (2018 - £27.2 million), all of which arises from transactions accounted for as equity-settled share-based payment transactions.

Further information on compensation of key management personnel is disclosed in the related party transactions (note 28).

	2019	2018
	£ million	£ million
Wages and salaries	599.5	591.9
Social security costs	56.6	56.2
Pension costs - defined benefit scheme	1.6	3.8
Pension costs - defined contribution scheme	27.6	24.5
Total staff costs	<u>685.3</u>	<u>676.4</u>

(b) Average staff numbers

The average monthly number of employees during the year was:

	2019	2018
	No.	No.
Consumer	5,856	6,995
Support, Technology and Innovation	3,942	3,254
Business	2,211	2,390
Lightning	887	863
Mobile	52	73
Total staff numbers	<u>12,948</u>	<u>13,575</u>

Virgin Media Finance PLC
Notes to the Group Financial Statements
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6 Staff costs and directors' emoluments (continued)

(c) Directors' emoluments

There were no other transactions with directors during the year.

	2019	2018
	£ 000	£ 000
Directors' remuneration	3,938	3,332
Amounts receivable under long term incentive plans	1,510	455
Total remuneration	<u>5,449</u>	<u>3,787</u>
Company contributions paid to money purchase pension plans	<u>18</u>	<u>10</u>
Highest paid director:		
Remuneration (including awards receivable under long term incentive plans)	2,148	2,243
Company contributions paid to money purchase pension plans	9	10
	<u>2,157</u>	<u>2,253</u>
	2019	2018
	No.	No.
Number of directors accruing benefits under money purchase plans	<u>3</u>	<u>3</u>
Number of directors who exercised share options under schemes operated by ultimate parent company	<u>3</u>	<u>4</u>
Number of directors with shares received or receivable under long term incentive plans	<u>3</u>	<u>4</u>

7 Finance income

Other finance income and interest on amounts due from group undertakings and related parties are recognised using the effective interest rate method in accordance with IFRS 9 'Financial Instruments'.

	2019	2018
	£ million	£ million
Interest on amounts due from related parties	283.8	313.4
Gain on foreign exchange	200.7	-
Gain on derivative financial instruments	-	437.5
Gain on fair value of financial instruments	-	0.8
Other finance income	0.6	0.4
Interest on pensions	2.3	1.6
Total finance income	<u>487.4</u>	<u>753.7</u>

Virgin Media Finance PLC
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8 Finance costs

Interest payable is recognised using the effective interest rate method.

For the year ended 31 December 2019, loss on extinguishment of debt was £188.8 million (2018 - £29.0 million) and related to the redemption premium paid and the write off of deferred financing costs as a result of the redemption of the senior notes, senior secured notes and senior credit facilities from refinancing activities during the year (see note 17).

	2019	2018
	£ million	£ million
Interest payable on:		
Senior credit facility and vendor financing	277.6	249.4
Senior notes	352.5	391.8
Loans from related parties	-	0.3
Loss on derivative financial instruments	30.6	-
Loss on foreign exchange	-	326.1
Loss on debt extinguishment	188.8	29.0
Loss on fair value of financial instruments	20.8	-
Interest payable on leases	12.0	6.0
Unwinding of discounts on provisions	1.5	1.1
Other interest and fees	2.3	5.2
Total finance costs	886.1	1,008.9

9 Tax

(a) Tax expense on profit before tax

	2019	2018
	£ million	£ million
<i>Current income tax:</i>		
UK taxes	0.9	5.3
	<u>0.9</u>	<u>5.3</u>
<i>Deferred income tax:</i>		
Origination and reversal of temporary differences	98.4	99.1
Movement in deferred tax assets due to change in tax rate	(3.9)	(20.3)
Prior year adjustment	7.6	4.7
	<u>102.1</u>	<u>83.5</u>
Total tax expense in Group Income Statement	103.0	88.8

(b) Reconciliation of the total tax expense in the Group Income Statement

Group Income Statement tax expense reconciliation to the standard rate of corporation tax in the UK of 19% (2018 - 19%):

	2019	2018
	£ million	£ million
Profit before income tax	<u>680.1</u>	<u>473.4</u>
Profit multiplied by the UK standard rate of corporation tax of 19% (2018 - 19.25%)	129.2	89.9
Expenses not deductible for tax purposes	6.7	15.4
Utilisation of tax losses and other deductions	(38.2)	(10.9)
Other	1.6	9.9
Movement in deferred tax assets due to change in tax rate	(3.9)	(20.3)
Adjustment relating to prior years	7.6	4.7
Total tax expense recognised in the group income statement	103.0	88.8

Virgin Media Finance PLC
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for the year ended 31 December 2019

9 Tax (continued)

(c) Reconciliation of the total tax expense

	2019	2018
	£ million	£ million
Tax recognised in the Group Income Statement	103.0	88.8
Tax recognised in equity	(1.0)	1.4
Total tax expense	<u>102.0</u>	<u>90.2</u>

(d) Recognised deferred tax

Recognised deferred tax assets at 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
	£ million	£ million
UK deferred tax assets:		
Depreciation and amortisation	1,370.1	1,499.9
Derivative instruments	11.2	(6.7)
Net operating losses	157.4	139.0
Other	5.5	13.1
Total UK deferred tax assets	<u>1,544.2</u>	<u>1,645.3</u>

The group has determined it probable that in future it will generate sufficient pre-tax profits to utilise substantially all of its deferred tax assets related to unclaimed capital allowances.

In the March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the group's future tax charge. If this tax rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £182.3 million.

(e) Unrecognised deferred tax

Deferred tax assets in respect of the following amounts have not been recognised as there is not currently persuasive evidence that there will be suitable taxable profits against which these timing differences will reverse.

	2019	2018
	£ million	£ million
Net operating losses	479.0	415.9
Capital losses	12,104.6	12,105.0
Other timing differences	314.0	364.7
	<u>12,897.6</u>	<u>12,885.6</u>

Virgin Media Finance PLC
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for the year ended 31 December 2019

9 Tax (continued)

(f) Movement in deferred tax balances

Movements in deferred tax during the year:

	1 January 2019 £ million	Recognised in income £ million	Recognised in equity £ million	31 December 2019 £ million
Depreciation and amortisation	1,499.9	(129.8)	-	1,370.1
Derivative instruments	(6.7)	17.9	-	11.2
Net operating losses	139.0	18.4	-	157.4
Other	13.1	(8.5)	1.0	5.6
	1,645.3	(102.0)	1.0	1,544.3

Movements in deferred tax during the prior year:

	1 January 2018 £ million	Recognised in income £ million	Recognised in equity £ million	31 December 2018 £ million
Depreciation and amortisation	1,577.5	(77.6)	-	1,499.9
Derivative instruments	6.9	(13.6)	-	(6.7)
Net operating losses	133.6	5.4	-	139.0
Other	12.2	2.3	(1.4)	13.1
	1,730.2	(83.5)	(1.4)	1,645.3

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10 Intangible assets

(a) Summary of intangible assets

	Goodwill	IT Software	Other	Total
	£ million	£ million	£ million	£ million
Cost				
At 1 January 2018	2,300.1	587.7	21.7	2,909.5
Impairment	-	(8.6)	-	(8.6)
Additions	1.5	160.4	-	161.9
Disposals	-	(93.7)	-	(93.7)
Effect of movement in exchange rates	2.2	-	-	2.2
At 31 December 2018 and 1 January 2019	<u>2,303.8</u>	<u>645.8</u>	<u>21.7</u>	<u>2,971.3</u>
Impairment	-	(0.4)	-	(0.4)
Additions	-	89.2	-	89.2
Disposals	-	(75.1)	-	(75.1)
Effect of movement in exchange rates	(12.6)	-	-	(12.6)
At 31 December 2019	<u>2,291.2</u>	<u>659.5</u>	<u>21.7</u>	<u>2,972.4</u>
Accumulated amortisation and impairment				
At 1 January 2018	138.0	178.8	1.2	318.0
Amortisation charge	-	171.1	14.7	185.8
Disposals	-	(93.7)	-	(93.7)
At 31 December 2018 and 1 January 2019	<u>138.0</u>	<u>256.2</u>	<u>15.9</u>	<u>410.1</u>
Amortisation charge	-	192.0	1.1	193.1
Disposals	-	(75.1)	-	(75.1)
At 31 December 2019	<u>138.0</u>	<u>373.1</u>	<u>17.0</u>	<u>528.1</u>
Net book value				
At 31 December 2019	<u>2,153.2</u>	<u>286.4</u>	<u>4.7</u>	<u>2,444.3</u>
At 31 December 2018	<u>2,165.8</u>	<u>389.6</u>	<u>5.8</u>	<u>2,561.2</u>
At 1 January 2018	<u>2,162.1</u>	<u>408.9</u>	<u>20.5</u>	<u>2,591.5</u>

The amortisation charge has been recognised through administrative expenses in the Group Income Statement.

(b) Impairment of goodwill and intangible assets with indefinite lives

Goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are tested for impairment at least annually. Goodwill is allocated to reporting units, the assets of which are separately operated and monitored. Management considers that there are two reporting units relating to the group's operations in the UK and Ireland.

The group evaluates the recoverable amount of the group's reporting units, using a fair value less costs to sell method. The group's estimate of the recoverable amount is based primarily of observable EBITDA multiples for recent transactions and publicly-traded peer companies, which are Level 2 inputs in the fair value hierarchy. The group's 2019 goodwill impairment assessment determined that fair value exceeded the carrying value of both of the group's reporting units and as a result concluded that no impairment to goodwill was required.

Virgin Media Finance PLC
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11 Property, plant and equipment

	Network assets £ million	Other £ million	Total £ million
Cost			
At 1 January 2018	13,843.3	1,343.0	15,186.3
Additions	1,166.6	164.3	1,330.9
On acquisition of subsidiary	0.8	-	0.8
Transfers	31.5	(31.5)	-
Effect of movement in exchange rates	7.8	1.1	8.9
Disposals	(618.3)	(37.4)	(655.7)
At 31 December 2018 and 1 January 2019	<u>14,431.7</u>	<u>1,439.5</u>	<u>15,871.2</u>
Lease opening balance adjustment	10.5	136.6	147.1
Additions	1,005.4	187.8	1,193.2
Effect of movement in exchange rates	(43.5)	(5.6)	(49.1)
Disposals	(799.1)	(43.5)	(842.6)
At 31 December 2019	<u>14,605.0</u>	<u>1,714.8</u>	<u>16,319.8</u>
Depreciation			
At 1 January 2018	9,129.6	920.0	10,049.6
Provided during the year	921.1	115.8	1,036.9
Transfer	16.1	(16.1)	-
Effect of movement in exchange rates	4.1	0.7	4.8
Disposals	(616.7)	(26.5)	(643.2)
At 31 December 2018 and 1 January 2019	<u>9,454.2</u>	<u>993.9</u>	<u>10,448.1</u>
Provided during the year	890.0	156.7	1,046.7
Impairment release	(424.7)	-	(424.7)
Effect of movement in exchange rates	(23.1)	(2.7)	(25.8)
Disposals	(779.3)	(43.2)	(822.5)
At 31 December 2019	<u>9,117.1</u>	<u>1,104.7</u>	<u>10,221.8</u>
Net book value			
At 31 December 2019	<u>5,487.9</u>	<u>610.1</u>	<u>6,098.0</u>
At 31 December 2018	<u>4,977.5</u>	<u>445.6</u>	<u>5,423.1</u>
At 1 January 2018	<u>4,713.7</u>	<u>423.0</u>	<u>5,136.7</u>

The group did not capitalise any borrowings costs during the year.

Included in 'Other' are the following net book values:

	2019 £ million	2018 £ million
Freehold land and buildings	34.4	35.4
Leasehold land and buildings	29.1	29.8
Leasehold improvements	59.6	62.1
	<u>123.1</u>	<u>127.3</u>

Virgin Media Finance PLC
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12 Financial assets

	2019	2018
	£ million	£ million
<i>Non-current</i>		
Restricted cash	22.0	5.5
Deferred financing costs	16.2	14.5
Derivative instruments (see note 21)	430.9	741.9
Amounts owed by related parties	4,953.8	4,826.0
	<u>5,422.9</u>	<u>5,587.9</u>
<i>Current</i>		
Derivative instruments (see note 21)	82.4	143.0
Restricted cash	0.1	0.1
	<u>82.5</u>	<u>143.1</u>

Amounts owed by related parties are primarily in respect of loan notes receivable from Liberty Global Europe 2 Limited, a wholly owned subsidiary of Liberty Global plc that sits outside of the Virgin Media group, which have an aggregate principal balance of £4,926.4 million (2018: £4,826.0 million). These comprise of principal amount outstanding of £1,501.5 million (2018: £1,501.5 million) which incur interest at a rate of 8.5% repayable in April 2023 and £3,424.9 million (2018: £3,324.5 million) at a rate of 4.763% (subject to adjustment) repayable in July 2023.

13 Trade and other receivables

	2019	2018
	£ million	£ million
<i>Non-current</i>		
Prepayments and accrued income	36.3	37.3
Other receivables	-	0.1
	<u>36.3</u>	<u>37.4</u>
<i>Current</i>		
Trade receivables	429.4	417.7
Amounts owed by parent and group undertakings	1.6	-
Amounts owed by related parties	35.3	46.8
Prepayments and accrued income	184.6	164.0
	<u>650.9</u>	<u>628.5</u>

Prepayments and accrued income classified as non-current include long term telecommunications contract assets with terms in excess of one year.

Current amounts owed by related parties are unsecured and repayable on demand.

Trade receivables are non-interest bearing, are generally on 30-90 day terms and are stated net of provision for non-recoverability. The group's trade and other receivables have been reviewed for indicators of impairment and it was concluded that a provision for non-recoverability of £19.5 million (2018 - £19.6 million) was required. The carrying value of trade receivables is considered to be a fair approximation of fair value.

The allowance for doubtful accounts is based upon the group's assessment of probable loss related to uncollectible trade receivables. The group uses 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.

Virgin Media Finance PLC
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13 Trade and other receivables (continued)

Movements in the provision for impairment of receivables were as follows:

	£ million
At 1 January 2018	33.1
Charge for the year	25.7
Utilised	(39.2)
At 31 December 2018 and 1 January 2019	<u>19.6</u>
Charge for the year	23.2
Utilised	(23.3)
At 31 December 2019	<u>19.5</u>

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Balances past due			
			<30 days	30 - 60 days	60 - 90 days	>90 days
	£ million	£ million	£ million	£ million	£ million	£ million
31 December 2019	429.4	324.6	34.6	24.4	6.8	39.0
31 December 2018	417.7	316.4	38.0	19.4	7.8	36.1

14 Inventories

	2019	2018
	£ million	£ million
Goods for resale	30.9	32.0
Programming inventory	23.7	28.7
Total Inventory	<u>54.6</u>	<u>60.7</u>

15 Cash and short term deposits

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents including overdrawn cash book balances at 31 December 2019 was £33.9 million (2018 - £16.2 million).

	2019	2018
	£ million	£ million
Cash at bank and in hand	33.9	16.1
Short-term deposits	-	0.1
	<u>33.9</u>	<u>16.2</u>

Virgin Media Finance PLC
Notes to the Group Financial Statements
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16 Trade and other payables

	2019	2018
	£ million	£ million
<i>Current</i>		
Trade payables	354.3	375.9
VAT, payroll taxes and social security costs	161.0	148.9
Interest payable	133.2	197.7
Amounts owed to parent and group undertakings	52.2	36.7
Amounts owed to related party	48.9	63.9
Accruals and deferred income	842.3	839.9
	<u>1,591.9</u>	<u>1,663.0</u>

Trade payables are non-interest bearing and generally repayable on terms of up to 60 days. Trade payables, interest payable and amounts owed to group undertakings are financial liabilities which are excluded from note 17.

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

	2019	2018
	£ million	£ million
<i>Non-current</i>		
Other long term payables	26.8	36.8

Other long term payables consist of property and restructuring costs provisions.

17 Financial liabilities

	2019	2018
	£ million	£ million
<i>Current</i>		
Lease liabilities (see note 18)	33.5	5.7
Current instalments due on other debt	101.5	77.2
Derivative instruments (see note 21)	133.6	81.9
Vendor financing	1,762.7	1,848.3
	<u>2,031.3</u>	<u>2,013.1</u>
<i>Non-current</i>		
Lease liabilities (see note 18)	188.0	48.4
Non-current instalments due on senior credit facility	3,998.4	3,539.8
Senior notes	1,187.3	1,558.7
Senior secured notes	4,471.9	4,986.7
Non-current instalments due on other debt	142.7	261.5
Derivative instruments (see note 21)	402.8	292.7
Vendor financing	72.4	44.7
	<u>10,463.5</u>	<u>10,732.5</u>
<i>Total financial liabilities</i>	<u>12,494.8</u>	<u>12,745.6</u>

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17 Financial liabilities (continued)

Borrowings at 31 December were repayable as follows:

	2019	2018
	£ million	£ million
Amounts falling due:		
Within one year	1,804.4	1,981.0
In more than one year but not more than five years	340.2	903.1
In more than five years	9,637.6	9,488.5
	<u>11,782.2</u>	<u>12,372.6</u>
Less: issue costs	(45.3)	(55.7)
Total borrowings	<u>11,736.9</u>	<u>12,316.9</u>
Financial liabilities not classed as borrowings	757.9	428.7
Total financial liabilities	<u>12,494.8</u>	<u>12,745.6</u>

Financial liabilities not classed as borrowings include amounts payable to parent and group undertakings, obligations under leases, interest rate swaps and cross-currency interest rate swaps.

Loans repayable in more than five years are as follows:

	2019	2018
	£ million	£ million
Loans repayable after 5 years:		
Senior notes	1,057.2	1,417.0
Senior secured notes	4,490.8	4,476.6
Senior credit facilities	4,014.6	3,563.5
Other debt	75.0	31.4
	<u>9,637.6</u>	<u>9,488.5</u>

Vendor financing

The group enters into vendor financing arrangements to finance certain property and equipment additions and operating costs. The amounts owed pursuant to these arrangements are interest bearing and include VAT which was paid on the group's behalf by the vendor. Repayments of vendor financing obligations are included in the repayment of borrowings in the Group Cash Flow Statement. The weighted average cost of vendor financing debt is 4.96% and is substantially due within 1 year.

Senior notes

	2019	2018
	£ million	£ million
<i>Senior notes consist of:</i>		
U.S. Dollar		
5.25% senior notes due 2022 (principal at maturity 52 million)	38.8	49.6
4.875% senior notes due 2022 (principal at maturity \$72 million)	54.0	58.3
6.00% senior notes due 2024 (principal at maturity \$497 million)	374.7	390.0
5.75% senior notes due 2025 (principal at maturity \$389 million)	293.1	313.8
	<u>760.6</u>	<u>811.7</u>
Sterling		
5.125% senior notes due 2022 (principal at maturity £44 million)	44.1	44.1
6.375% senior notes due 2024 (principal at maturity £300 million)	-	300.0
	<u>44.1</u>	<u>344.1</u>
Euro		
4.5% senior notes due 2025 (principal at maturity €460 million)	389.4	413.3
Less: issue costs	(6.8)	(10.4)
Total senior notes	<u>1,187.3</u>	<u>1,558.7</u>

Virgin Media Finance PLC
Notes to the Group Financial Statements
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17 Financial liabilities (continued)

Senior secured notes

	2019 £ million	2018 £ million
<i>Senior secured notes consist of:</i>		
<i>U.S. Dollar</i>		
5.25% senior secured notes due 2021 (principal at maturity \$448 million)	-	402.7
5.5% senior notes due 2025 (principal at maturity \$425 million)	-	278.1
5.25% senior notes due 2026 (principal at maturity \$1,000 million)	-	787.4
5.5% senior notes due 2026 (principal at maturity \$750 million)	565.6	588.4
5.5% senior notes due 2029 (principal at maturity \$825 million)	1,081.9	-
	<u>1,647.5</u>	<u>2,056.6</u>
<i>Sterling</i>		
5.5% senior secured notes due 2021 (principal at maturity £107 million)	-	125.7
5.5% senior secured notes due 2025 (principal at maturity £387 million)	-	387.0
5.125% senior secured notes due 2025 (principal at maturity £300 million)	-	300.0
6.00% senior secured notes due 2025 (principal at maturity £521 million)	540.1	533.2
5.00% senior secured notes due 2027 (principal at maturity £675 million)	675.0	675.0
4.875% senior secured notes due 2027 (principal at maturity £525 million)	525.0	525.0
6.25% senior secured notes due 2029 (principal at maturity £360 million)	362.0	402.4
5.25% senior secured notes due 2029 (principal at maturity £340 million)	341.2	-
4.25% senior secured notes due 2030 (principal at maturity £400 million)	400.0	-
	<u>2,843.3</u>	<u>2,948.3</u>
Less: issue costs	(18.9)	(18.2)
Total senior secured notes	<u>4,471.9</u>	<u>4,986.7</u>

In May 2019, Virgin Media Secured Finance plc issued (i) \$825.0 million (£622.0 million) principal amount of 2029 VM Dollar Senior Secured Notes and (ii) £300.0 million principal amount of 2029 VM 5.25% Sterling Senior Secured Notes. Each series of notes was issued at par and matures on May 15, 2029. The net proceeds from the issuance of these notes were used to redeem in full (a) £387.0 million outstanding principal amount under the 2025 VM 5.5% Sterling Senior Secured Notes, (b) \$354.5 million (£267.3 million) outstanding principal amount under the 2025 VM Dollar Senior Secured Notes and (c) £300.0 million outstanding principal amount under the 2024 VM Sterling Senior Notes. In connection with these transactions, we recognised a loss on debt modification and extinguishment of £37.4 million related to (1) the payment of £34.0 million of redemption premiums and (2) the write-off of £3.4 million of unamortised deferred financing costs and discounts.

In July 2019, Virgin Media Secured Finance plc issued an additional \$600.0 million (£452.4 million) principal amount of 2029 VM Dollar Senior Secured Notes at 101.75% of par. The net proceeds from the issuance of these notes were used to redeem in full (i) \$447.9 million (£337.7 million) outstanding principal amount under the 2021 VM Dollar Senior Secured Notes and (ii) £107.1 million outstanding principal amount under the 2021 VM Sterling Senior Secured Notes. In August 2019, we issued an additional £40.0 million principal amount of 2029 VM 5.25% Sterling Senior Secured Notes at 103% of par. The net proceeds from the issuance of these notes were used to redeem an equal outstanding principal amount of 2029 VM 6.25% Sterling Senior Secured Notes. In connection with these transactions, we recognised a net loss on debt modification and extinguishment of £23.3 million related to (a) the payment of £25.7 million of redemption premiums and (b) the write-off of £2.4 million of net unamortised deferred financing costs, discounts and premiums.

In the financial year 2020, the group completed various financing transactions, see note 31 for further details.

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17 Financial liabilities (continued)

Senior credit facility

	2019	2018
	£ million	£ million
<i>The non-current instalments due on the senior credit facility consists of:</i>		
<i>U.S. Dollar</i>		
VM Facility K		
LIBOR + 2.50% senior credit facility due 2026 (principal at maturity \$3,400.0 million)	2,482.1	2,664.6
<i>Euro</i>		
VM Facility O		
EURIBOR + 2.50% senior credit facility due 2029 (principal at maturity €750.0 million)	633.4	-
<i>Sterling</i>		
VM Facility L		
LIBOR+ 3.25% senior credit facility due 2027 (principal at maturity £400.0 million)	400.0	400.0
VM Facility M		
LIBOR+ 3.25% senior credit facility due 2027 (principal at maturity £500.0 million)	499.1	499.0
	<u>4,014.6</u>	<u>3,563.6</u>
Less: issue costs	(16.2)	(23.8)
Senior credit facility due after more than one year	<u>3,998.4</u>	<u>3,539.8</u>
<i>The current instalment of the senior credit facility consists of:</i>		
VM Revolving Facility		
LIBOR+ 2.75% revolving facility	-	-
Total senior credit facility	<u>3,998.4</u>	<u>3,539.8</u>

In October 2019, Virgin Media SFA Finance Limited (i) entered into VM Facility N, a \$3,300.0 million (£2,488.1 million) term loan facility, and VM Facility O, a €750.0 million (£635.0 million) term loan facility, both issued at 99.75% of par, and (ii) issued £400.0 million principal amount of 2030 VM Sterling Senior Secured Notes at par. The net proceeds from these transactions, together with certain other funds, were used to (a) prepay in full the \$3,400.0 million (£2,563.5 million) outstanding principal amount on VM Facility K and (b) redeem in full (1) \$1,000.0 million (£754.0 million) outstanding principal amount of the 2026 VM 5.25% Dollar Senior Secured Notes and (2) £300.0 million outstanding principal amount of the 2025 VM 5.125% Sterling Senior Secured Notes. In connection with these transactions, we recognised a net loss on debt modification and extinguishment of £53.3 million related to (A) the payment of £36.3 million of redemption premiums and (B) the write-off of £17.0 million of net unamortised deferred financing costs, discounts and premiums.

Virgin Media Finance PLC
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17 Financial liabilities (continued)

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.

At 31 December 2019, the senior secured credit facilities of the group included two multi currency revolving credit facilities ("Revolving Facility") Revolving Facility A was a multi currency revolving facility maturing on 31 December 2021 with a maximum borrowing capacity equivalent to £50.0 million, and Revolving Facility B was a multi currency revolving facility maturing on 15 January 2024 with a maximum borrowing capacity equivalent to £950.0 million.

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 Virgin Media Investment Holdings Limited, 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 there under 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 Annualised EBITDA and Total Net Debt to Annualised EBITDA, each capitalised 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 the company, 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.

Restrictions

The agreements governing the senior notes and the senior credit facility significantly, and, in some cases, absolutely restrict the group's ability and the ability of most of its subsidiaries to:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions, or redeem or repurchase equity interests or subordinated obligations;
- make investments;
- sell assets, including shares in subsidiaries;
- create liens;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- merge or consolidate or transfer substantially all of the group's assets; and
- enter into transactions with affiliates.

Virgin Media Finance PLC
Notes to the Group Financial Statements
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18 Leases

General

We enter into leases for network equipment, real estate and vehicles.

ROU assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	2019 £ million
Land and Build	11.4
Network	8.2
Other	181.5
	<u>201.2</u>

Additions to the right-of-use assets during the 2019 financial year were £47,000,000

Amounts recognised in profit

The income statement shows the following amounts related to leases:

	2019 £ million
Depreciation charge of right-of-use assets:	
Land and Buildings	1.5
Network	3.4
Other	37.1
	<u>42.0</u>
Interest expense	10.8
Short-term lease expense	-
	<u>52.8</u>

The total cash outflow for leases in 2019 was £48,000,000.

Lease liabilities

Maturities of our lease liabilities as of December 31, 2019 are presented below:

	2019 £ million
Less than one year	46.3
One to five years	131.7
More than five years	197.6
Total undiscounted lease liabilities	<u>375.6</u>
Impact of finance expenses	<u>(154.1)</u>
Lease liability included in the statement of financial position	<u>221.5</u>
Current	33.5
Non Current	<u>188.0</u>
Check	<u>221.5</u>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.64%.

Virgin Media Finance PLC
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19 Provisions

	Property related costs £ million	Other provisions £ million	Total £ million
At 31 December 2018 and 1 January 2019			
Current	2.4	3.1	5.5
Non-current	119.9	4.0	123.9
	<u>122.3</u>	<u>7.1</u>	<u>129.4</u>
Established during the year	(1.6)	33.8	32.2
Used during the year	(3.9)	(35.8)	(39.9)
Revisions in cashflow estimates	1.3	-	1.3
Movement in discount rate	5.4	-	5.4
At 31 December 2019	<u>123.5</u>	<u>5.1</u>	<u>128.5</u>
Analysed as:			
Current	1.4	2.2	3.6
Non-current	122.1	2.9	124.9
	<u>123.5</u>	<u>5.1</u>	<u>128.5</u>

Property related costs

Property related costs expected to be incurred are mainly in relation to dilapidations costs on leasehold properties. The majority of the costs are expected to be incurred over the next 25 years.

Other provisions

Other provision elements mainly consist of National Insurance contributions on share options and restricted stock unit grants and redundancy costs resulting from restructuring programmes.

20 Financial Risk Management Objectives and Policies

The group's principal financial liabilities, other than derivatives, comprise bank loans (senior credit facility), senior notes, senior secured notes, finance leases, vendor financing, trade payables, hire purchase contracts and loans made to parent and fellow group undertakings. With the exception of trade payables the main purpose of the financial liabilities is to raise finance for the Virgin Media group's operations. The group has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations.

The group is exposed to various market risks, including credit risk, foreign exchange rate risk, liquidity risk and interest rate risk. Market risk is the potential loss arising from adverse changes in market rates and prices. As some of the group's indebtedness accrues interest at variable rates there is exposure to volatility in future cash flows and earnings associated with variable interest payments.

Interest and principal obligations on some indebtedness are in U.S. dollars and euros. As a result the group has exposure to volatility in future cash flows and earnings associated with changes in foreign exchange rates on payments of interest and principal amounts on a portion of its indebtedness.

The group has entered into various derivative instruments to manage interest rate risk, and foreign exchange risk with respect to the U.S. dollar, comprising of interest rate swaps, cross-currency interest rate swaps and foreign currency forward contracts. The objective is to reduce the volatility of the group's cash flows and earnings caused by changes in underlying rates.

The main risks arising from the group's financial liabilities are described below:

Interest rate risk

The group is subject to interest rate risk because it has substantial indebtedness at variable rates of interest. At 31 December 2019, before taking into account hedging instruments, interest is determined on a variable basis on £4,014.6 million (2018 - £3,563.5 million) or 32% (2018 - 29%) of indebtedness, relating solely to amounts drawn down on the senior credit facilities. The group aims to reduce the volatility of its cash flows and earnings as a result of fluctuations in interest rates through the use of derivative financial instruments.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

20 Financial Risk Management Objectives and Policies (continued)

Interest rate risk profile of financial assets

The group's financial assets include cash on money market deposit at call, seven day and monthly rates, and amounts owed by parent undertakings and related parties charged at variable interest rates.

Sensitivity analysis of changes in interest rates

Interest rate risks are presented by way of a sensitivity analysis in accordance with IFRS 7 '*Financial Instruments: Disclosures*'. These show the effects of changes in market interest rates on interest payments, interest income and expense, other components and, as appropriate, equity. The interest rate sensitivity analyses are based on the following assumptions:

- Changes in market interest rates of non-derivative financial instruments with fixed interest rates only affect income if measured at fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined by IFRS 7.
- Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of interest rate sensitivities.
- Changes in the market interest rate of interest rate derivatives (interest rate swaps and cross-currency interest rate swaps) that are not part of a hedging relationship as set out in IFRS 9 '*Financial Instruments*' affect gains or losses on derivatives and are therefore taken into consideration in the calculation of interest rate sensitivities.
- Foreign currency forward rate contracts are not subject to interest rate risks and therefore do not affect interest rate sensitivities.

Based on debt at 31 December 2019, including amounts owed to and due from parent and group undertakings, and taking into consideration hedging instruments, a 0.25% movement in market interest rates would result in an annual increase or decrease in the gross interest income/expense of £8.6 million (2018 - a 0.25% movement in market interest rates would result in an annual increase or decrease in the gross interest income/expense of £8.3 million). Movements in gross interest expense would be recognised in finance income and finance costs in the Group Income Statement.

Foreign currency exchange rate risk

The group is also subject to foreign currency exchange risks because interest and principal obligations with respect to a portion of its indebtedness is denominated in U.S. dollars and euros. To the extent that the pound declines in value against the U.S. dollar and the euro, the effective cost of servicing U.S. dollar and euro denominated debt will be higher. Changes in the exchange rate result in foreign currency gains or losses.

As of 31 December 2019 the group had £4,890.3 million (2018 - £5,532.9 million), or 41% (2017 - 45%) of external indebtedness, denominated in U.S. dollars and £1,022.9 million (2018 - £413.3 million), or 9% (2018 - 3%) of external indebtedness, denominated in euros (see note 17). The group has a programme in place to mitigate the risk of losses arising from adverse changes in foreign currency exchange rates which uses a number of derivative financial instruments. When taking into consideration cross currency interest rate swaps and foreign currency forward rate contracts, the majority of external debt is hedged against foreign currency exchange rate risk.

For the year ended 31 December 2019 the group had foreign currency gains of £200.7 million (2018 - losses of £326.1 million).

The gains for the year ended 31 December 2019 were primarily due to the strengthening of pound sterling relative to the U.S. dollar in respect of the U.S. dollar denominated debt issued by the group, partially offset by the U.S. dollar denominated debt advanced to group undertakings. The losses for the year ended 31 December 2018 were primarily due to the weakening of pound sterling relative to the U.S. dollar in respect of the U.S. dollar denominated debt issued by the group, partially offset by the U.S. dollar denominated debt advanced to group undertakings.

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20 Financial Risk Management Objectives and Policies (continued)

Sensitivity analysis of changes in foreign currency exchange rates

For the presentation of market risks, IFRS 7, 'Financial Instruments: Disclosures' requires sensitivity analysis that shows the effects of hypothetical changes of foreign currency exchange rates of relevant risk variables on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative of the year as a whole.

Currency risks are defined by IFRS 7 as arising on account of financial instruments being denominated in a currency other than the functional currency and being of a monetary nature. Relevant risk variables are generally all non-functional currencies in which the group has financial liabilities, excluding amounts due to parent undertakings.

The currency sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial instruments (liquid assets, receivables and finance lease liabilities) are directly denominated in the functional currency. There are therefore no foreign exchange fluctuations in respect of these instruments which have an effect on profit or loss or shareholders' equity. Interest income and expense from financial instruments are also either recorded in the functional currency or transferred to the functional currency using derivatives.

The group has a number of derivative instruments with various counterparties to manage its exposure to changes in foreign currency exchange rates. Exchange rate fluctuations, on which the financial instruments are based, affect gains or losses on derivatives in the finance income or finance costs lines, respectively, of the Group Income Statement.

The following table demonstrates the sensitivity to a reasonably possible change in the pound sterling against U.S. dollar and euro exchange rates with all other variables remaining constant, of the group's profit before tax. Due to foreign exchange translation of monetary assets and liabilities, the impact of translating the net assets of foreign operations into sterling is excluded from the sensitivity analysis:

	Increase/ decrease in exchange rates	Effect on profit/(loss) before tax £ million
2019		
Sterling/U.S. dollar	+20%	821.3
Sterling/U.S. dollar	-20%	(1,232.0)
Sterling/euro	+20%	266.2
Sterling/euro	-20%	(116.3)
2018		
Sterling/U.S. dollar	+20%	925.3
Sterling/U.S. dollar	-20%	(1,388.0)
Sterling/euro	+20%	70.3
Sterling/euro	-20%	(105.4)

Liquidity risk and capital management

The company is a wholly owned subsidiary and its ultimate parent company is Liberty Global plc. Capital management policies are operated at a Virgin Media group level by the management of Liberty Global plc. The agreements that govern the Virgin Media group's indebtedness set out financial maintenance tests and restrictive covenants, and it is the policy of the Virgin Media group to maintain adequate headroom against these tests and covenants.

Virgin Media Finance PLC
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20 Financial Risk Management Objectives and Policies (continued)

The Virgin Media group's business is capital intensive and the Virgin Media group is highly leveraged. The Virgin Media group has significant cash requirements for operating costs, capital expenditure and interest expense. The level of the Virgin Media group's capital and operating expenditures are affected by significant amounts of capital required to connect customers to the network, expand and upgrade the network and offer new services. Cash on hand, together with cash from operations and an undrawn credit facility, are expected to be sufficient for the Virgin Media group's cash requirements through to 12 months from the date of this report. The Virgin Media group has significant scheduled repayments that may need to be financed through means other than reliance on cash flow from operations, such as raising additional debt or equity, refinancing the existing facility, possible loans from parent undertakings or related parties, sale of assets or other means. It may not be possible to obtain adequate financing, or sell assets at all, or on favourable terms, or the terms of the senior credit facility or senior notes may prevent the Virgin Media group from incurring additional indebtedness or selling assets.

As of 31 December 2019 the group had £11,929.6 million of external debt (including finance leases, vendor financing and net of deferred finance costs) outstanding, compared to £12,371.0 million as of 31 December 2018 and cash and cash equivalents of £33.9 million compared to £16.2 million at 31 December 2018.

The principal amount outstanding under the senior credit facility at 31 December 2019 was £4,014.6 million (2018 - £3,563.7 million). The senior credit facility comprises two term facilities denominated in pounds sterling of £400.0 million and £499.0 million respectively (2018 - £400.0 million and £499.0 million), one term facility denominated in U.S. dollar of £2,482.0 million (2018 - £2,664.6 million), one term facility denominated in euro of £633.4 (2018 - £nil) and one revolving facility of £1,000.0 million (2018 - two revolving facilities of £625.0 million and £50.0 million). At 31 December 2019, £4,014.6 million (2018 - £3,539.8 million) of the term facilities net of issue costs had been drawn. The group had £675.0 million available of its revolving credit facilities for bank guarantees and standby letters of credit.

The group does not have any scheduled principal payments on its senior notes and senior credit facility until 2022. However, if the group was unable to meet repayment conditions or service these obligations through cash flows from operations, then it would need to secure additional funding such as raising additional debt or equity, refinancing the existing facility, selling assets or using other means. It may not be possible to obtain financing or sell assets, at all or on favourable terms, or the group may be contractually prevented by the terms of its senior notes or senior credit facility from incurring additional indebtedness or selling assets.

A maturity analysis of financial liabilities, outstanding at 31 December, showing the remaining contractual undiscounted amounts payable, including interest commitments, is shown below:

	Less than 1 year £ million	1 to 5 years £ million	Greater than 5 years £ million	Total £ million
2019				
Senior credit facility, senior notes and senior secured notes	545.3	3,160.3	9,959.7	13,665.3
Vendor financing	1,871.7	81.1	-	1,952.8
Finance lease and hire purchase contracts	8.6	28.2	134.6	171.4
Derivative contracts	65.8	198.6	272.0	536.4
2018				
Senior credit facility, senior notes and senior secured notes	593.3	3,560.2	10,187.8	14,341.3
Vendor financing	1,942.7	48.7	2.7	1,994.1
Finance lease and hire purchase contracts	9.6	28.5	135.5	173.6
Derivative contracts	10.9	79.8	283.9	374.6

The above amounts exclude other financial liabilities, such as trade payables, which are all repayable in less than one year. Amounts owed to parent and group undertakings have also been excluded as they are repayable on demand.

20 Financial Risk Management Objectives and Policies (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, trade receivables and derivative contracts.

At 31 December 2019, the group had £33.9 million (2018 - £16.2 million) in cash and cash equivalents. These cash and cash equivalents are on deposit with a number of major financial institutions and, as part of the Virgin Media group's cash management process, regular evaluations of the credit standing of these institutions are performed using a range of metrics. The group has not experienced any losses in cash balances and management do not believe it is exposed to any significant credit risk on its cash balances.

Concentrations of credit risk with respect to trade receivables are limited because of the large number of customers and their distribution across a wide geographic area. The Virgin Media group performs credit evaluations of its business customers' financial condition and generally does not require collateral. No single group or customer represents greater than 10% of total accounts receivable.

Concentrations of credit risk with respect to derivative contracts are focused within a limited number of international financial institutions with which the Virgin Media group transacts and relate only to derivatives with recorded asset balances. The Liberty Global group performs regular reviews of the financial institutions with which it transacts as to their credit worthiness and financial condition. The group includes a credit risk adjustment based upon the credit default swap spread in the valuation of derivative instruments, however, the group does not expect there to be any significant non-performance risks associated with its counterparties.

21 Financial Instruments

Derivative Instruments and Hedging Activities - financial risk management

The company and group have obligations in a combination of US dollars, euros, and pounds sterling at fixed and variable interest rates. As a result the group is exposed to variability in its cash flows and earnings resulting from changes in foreign currency exchange rates and interest rates.

The group's objective in managing its exposure to interest rates and foreign currency exchange rates is to decrease the volatility of its earnings and cash flows caused by changes in the underlying rates. The group has established policies and procedures to govern these exposures and has entered into derivative financial instruments including interest rate swaps, cross-currency interest rate swaps and foreign currency forward rate contracts. Subsidiaries of Virgin Media Finance PLC hold financial instruments which hedge the foreign currency risk of debt issued by its fellow group undertakings. It is the group's policy not to enter into derivative financial instruments for speculative trading purposes, nor to enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed. The amounts below include amounts relating to short term as well as long term payables.

With the exception of a limited number of foreign currency forward contracts, the group has elected not to designate derivative instruments as accounting hedges, although these remain economic hedges.

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21 Financial Instruments (continued)

The fair values of derivative financial instruments recognised in the Group Balance Sheet are as follows:

	2019 £ million	2018 £ million
<i>Included within current assets:</i>		
<i>Fair value hedges</i>		
Interest rate swaps	17.7	17.1
Cross-currency interest rate swaps	5.8	10.0
<i>Derivatives not designated as hedges</i>		
Interest rate swaps	27.6	21.9
Cross-currency interest rate swaps	31.3	92.4
Foreign Currency Forward Contract	-	1.6
	82.4	143.0
<i>Included within non-current assets:</i>		
<i>Fair value hedges</i>		
Interest rate swaps	8.9	22.7
Cross-currency interest rate swaps	37.6	75.7
<i>Derivatives not designated as hedges</i>		
Interest rate swaps	73.5	37.7
Cross-currency interest rate swaps	310.9	605.8
	430.9	741.9
<i>Included within current liabilities:</i>		
<i>Derivatives not designated as hedges</i>		
Interest rate swaps	126.1	47.2
Cross-currency interest rate swaps	7.0	34.7
Foreign Currency Forward Contract	0.5	-
	133.6	81.9
<i>Included within non-current liabilities:</i>		
<i>Derivatives not designated as hedges</i>		
Interest rate swaps	241.0	242.3
Cross-currency interest rate swaps	161.8	50.4
	402.8	292.7

Cross-currency interest rate swaps - hedging the principal and interest payments of senior notes and senior credit facility

The terms of the group's outstanding cross-currency interest rate swaps, which are used to mitigate the interest and foreign exchange rate risks relating to the pound sterling value of principal and interest payments on U.S. dollar and euro denominated senior notes and senior secured notes at 31 December 2019, were as follows:

Final maturity date of hedges	Hedge type	Notional amount due from counterparty million	Notional amount due to counterparty million	Weighted average remaining life
January 2023	Not designated	\$246.3	€271.1	3.0
April 2019 - January 2025	Not designated	\$10,584.7	£7,835.0	5.8
January 2021	Fair value	\$272.9	£168.6	1.0
January 2025	Not designated	£2,296.2	\$3,300.0	5.1

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21 Financial Instruments (continued)

Interest rate swaps - hedging of interest rate sensitive obligations

As of 31 December 2019, the group had outstanding interest rate swap agreements to manage the exposure to variability in future cash flows on the interest payments associated with its senior credit facility which accrues at variable rates based on LIBOR. The group has also entered into interest rate swap agreements to manage its exposure to changes in the fair value of certain debt obligations due to interest rate fluctuations. The interest rate swaps allow the group to receive or pay interest based on six month LIBOR or fixed rates in exchange for payments or receipts of interest at six month LIBOR or fixed rates.

The terms of the group's outstanding interest rate swap contracts at 31 December 2019 were as follows:

Final maturity date of hedge	Hedge type	Pay fixed rate		Receive fixed rate	
		Notional million	Weighted average remaining life	Notional million	Weighted average remaining life
January 2020 - January 2025	Not designated	€1,114.5	2.1	€714.7	4.2
January 2025	Not designated	-	-	\$354.5	5.0
January 2020 - May 2027	Not designated	£15,352.9	2.7	£7,202.1	4.7
January 2021	Fair value	-	-	£628.4	1.0

The notional amounts of multiple derivative instruments that mature within the same calendar month are shown in aggregate.

Interest rate swaptions

The group has entered into various interest rate swap options (swaptions), which give the right, but no obligation, to enter into certain interest rate swap contracts at set dates in the future, with each such contract having a life of no more than three years. At the transaction date, the strike rate of each of these contracts was above the corresponding market rate.

The terms of outstanding interest rate swap option contracts at 31 December 2019 were as follows:

Final maturity date	Hedge type	Notional amount due from counterparty million	Underlying swap currency	Weighted average option expiration period
October 2022 - January 2026	Not designated	£5,342.4	£	1.0
January 2023 - January 2025	Not designated	£364.0	€	0.6

Basis Swaps

The terms of outstanding basis swap contracts at 31 December 2019 were as follows:

Final maturity date	Hedge type	Notional amount due from counterparty million	Notional amount due to counterparty million	Weighted average remaining life
July 2020	Not designated	£900.0	£900.0	0.5
July 2020	Not designated	\$3,300.0	\$3,300.0	0.5

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21 Financial Instruments (continued)

Foreign currency forward options and forward contracts

The group has entered into external foreign currency forward options and foreign currency forward contracts in order to manage foreign currency exposure risk with respect to Indian rupee (INR).

Foreign currency forward options

The following foreign currency forward options with a third party were in place at 31 December 2019:

Exchange currency	Notional amount million
Indian rupee	£3.5

Foreign currency forward contracts

The following foreign currency forward contracts with a related party were in place at 31 December 2019:

Maturity dates	Currency purchase forward million	Currency sold forward million
January 2020 - June 2020	\$10.0	£7.9

Cash flow hedges

The group has elected not to designate derivative instruments as accounting hedges, although these remain economic hedges. The group has recognised effective portion of gains on losses in the unrealised gains and losses in the Group Statement of Comprehensive Income as result of historic derivative instruments that were designated as cash flow hedges and hedges of commercial operational contracts.

Changes in the fair values of derivative instruments are recorded as gains or losses on derivative instruments in the Group Income Statement in the period in which they occur. The following table presents movements in Other Comprehensive Income related to cash flow hedges for the year ended 31 December 2019:

	Total £ million	Cross currency interest rate swaps £ million	Tax effect £ million
Balance at 31 December 2018	5.3	(15.6)	20.9
Amounts recognised in Statement of Comprehensive Income reclassified to earnings	5.4	5.4	-
Balance at 31 December 2019	<u>10.7</u>	<u>(10.2)</u>	<u>20.9</u>

Included within amounts reclassified to earnings is £5.4 million of net losses that have been recycled from the cash flow hedge reserve through the income statement in respect of swaps for which either designation was revoked, or the hedged instrument was settled as part of refinancing activities.

Fair value hedges

For derivative instruments that are designated and qualify as fair value accounting hedges, the gain or loss on derivatives is recognised in the Group Income Statement in the period in which they occur, together with any changes in the fair value of the hedged debt obligations due to changes in the hedged risks.

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21 Financial Instruments (continued)

Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying values and fair values of the group's financial assets and financial liabilities, where different, as at 31 December:

	2019	2019	2018	2018
	Carrying value	Fair value	Carrying value	Fair value
	£ million	£ million	£ million	£ million
Senior credit facility	(3,998.4)	(4,126.8)	(3,539.8)	(3,609.4)
5.25% U.S. dollar senior notes due 2022	(38.9)	(39.7)	(49.7)	(49.6)
4.875% U.S. dollar senior notes due 2022	(54.1)	(55.0)	(58.5)	(57.6)
5.125% pound sterling senior notes due 2022	(44.2)	(44.0)	(44.3)	(44.1)
6.375% pound sterling senior notes due 2024	-	-	(298.4)	(302.3)
6% U.S. dollar senior notes due 2024	(372.6)	(387.3)	(387.3)	(377.1)
4.5% euro senior notes due 2025	(386.7)	(400.7)	(409.9)	(409.7)
5.75% U.S. dollar senior notes due 2025	(291.4)	(302.5)	(311.7)	(296.2)
5.50% pound sterling senior secured notes due 2021	-	-	(106.9)	(113.7)
5.25% U.S. dollar senior secured notes due 2021	-	-	(354.6)	(348.0)
5.5% pound sterling senior secured notes due 2025	-	-	(385.8)	(386.0)
5.5% U.S. dollar senior notes due 2025	-	-	(277.3)	(274.2)
5.125% pound sterling senior secured notes due 2025	-	-	(298.0)	(298.4)
6.0% pound sterling senior secured notes due 2025	(539.9)	(575.6)	(532.7)	(579.4)
5.25% U.S. dollar senior secured notes due 2026	-	-	(786.0)	(723.0)
5.5% U.S. dollar senior secured notes due 2026	(561.7)	(595.9)	(583.9)	(549.0)
4.875% pound sterling senior secured notes due 2027	(523.6)	(549.9)	(523.4)	(494.8)
5.0% pound sterling senior secured notes due 2027	(672.1)	(717.6)	(671.6)	(639.5)
6.25% pound sterling senior secured notes due 2029	(360.7)	(385.3)	(400.8)	(402.9)
5.50% U.S. dollar senior secured notes due 2029	(1,077.3)	(1,142.4)	-	-
5.25% pound sterling senior secured notes due 2029	(340.1)	(368.9)	-	-
4.25% pound sterling senior secured notes due 2030	(396.4)	(408.5)	-	-

The carrying values of amounts not listed above approximate their fair values.

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities; or
Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active; or
Inputs other than quoted prices that are observable for the asset or liability.
- Level 3 Unobservable inputs for the asset or liability.

The group endeavours to utilise the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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21 Financial Instruments (continued)

As at 31 December 2019, the fair value of the financial instruments held by the group is as follows:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
<i>Financial assets at fair value</i>				
Cash, short term deposits and restricted cash	55.9	-	-	55.9
Cross-currency interest rate swaps	-	385.6	-	385.6
Interest rate swaps	-	127.7	-	127.7
	<u>55.9</u>	<u>513.3</u>	<u>-</u>	<u>569.2</u>
<i>Financial liabilities at fair value</i>				
Senior credit facility	4,126.8	-	-	4,126.8
Senior notes	1,229.2	-	-	1,229.2
Senior secured notes	2,824.3	-	-	2,824.3
Cross-currency interest rate swaps	-	168.8	-	168.8
Interest rate swaps	-	348.4	18.7	367.1
Foreign currency forward rate contracts	-	0.5	-	0.5
	<u>8,180.3</u>	<u>517.7</u>	<u>18.7</u>	<u>8,716.7</u>

In estimating the fair value of other financial instruments, the group used the following methods and assumptions:

Cash and short term deposits, and restricted cash: The carrying amounts reported in the Group Balance Sheet approximate fair value due to the short maturity and nature of these financial instruments.

Derivative financial instruments: As a result of the group's financing activities, it is exposed to market risks from changes in interest and foreign currency exchange rates, which may adversely affect its operating results and financial position. When deemed appropriate, the group minimises risks from interest and foreign currency exchange rate fluctuations through the use of derivative financial instruments. The foreign currency forward rate contracts, interest rate swaps (excluding swaptions) and cross-currency interest rate swaps are valued using broker quotations, or market transactions in either the listed or over-the counter markets, adjusted for non-performance risk. As such, these derivative instruments are classified within level 2 of the fair value hierarchy. Due to the lack of Level 2 inputs for the swaption valuations, the group believe these valuations fall under Level 3 of the fair value hierarchy.

Senior notes, senior secured notes and credit facility: The fair values of the senior credit facility, senior notes and senior secured notes in the above table are based on the quoted market prices in active markets for the underlying third party debt and incorporate non-performance risk. Accordingly, the inputs used to value the senior notes and senior secured notes are classified within level 1 of the fair value hierarchy.

During the year, there were no transfers between Level 1, Level 2 and Level 3.

22 Equity share capital

	2019 £ 000	2018 £ 000
<i>Allotted, called up and fully paid:</i>		
76,184 (2018 - 76,184) ordinary shares of £1 each	<u>76</u>	<u>76</u>

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23 Share-based payments

The group's employees are entitled to partake in Liberty Global plc share-based schemes. These share schemes consist of stock options and performance plans including stock appreciation rights ("SARs"), performance-based share appreciation rights ("PSARs"), restricted stock, restricted stock units ("RSUs") and performance share units ("PSUs"). The schemes provide share based compensation to individuals under the conditions describe below. The grant date fair values for options, share appreciation rights (SARs) and performance-based share appreciation rights (PSARs) are estimated using the Black-Scholes option pricing model, and the grant date fair values for restricted share units (RSUs) and performance-based restricted share units (PSUs) are based upon the closing share price of Liberty Global ordinary shares on the date of grant. We calculate the expected life of options and SARs granted by Liberty Global to employees based on historical exercise trends. The arrangements are equity settled with the employees. Liberty Global recharges the group for share schemes made available to the group employees.

Full detailed information on the group's share based payments are disclosed in the financial statements of Virgin Media Inc. which are available on Liberty Global's website at www.libertyglobal.com.

The income statement charge for share based payments for the year was £45.1 million (2018: £27.2 million).

Liberty Global Share Incentive Plans

As of December 31, 2019, we are authorised to grant incentive awards under the Liberty Global 2014 Incentive Plan and the Liberty Global 2014 Nonemployee Director Incentive Plan. Generally, we may grant non-qualified share options, SARs, PSARs, restricted shares, RSUs, cash awards, performance awards or any combination of the foregoing under either of these 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 our company. Awards may be granted at or above fair value in any class 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 and the Liberty Global 2014 Nonemployee Director Incentive Plan is 155 million (of which no more than 50.25 million shares may consist of Class B ordinary shares) and 10.5 million, respectively, in each case, subject to anti-dilution and other adjustment provisions in the respective plan. As of December 31, 2019, the Liberty Global 2014 Incentive Plan and the Liberty Global 2014 Nonemployee Director Incentive Plan had 71,262,640 and 8,652,029 ordinary shares available for grant, respectively.

Awards (other than performance-based awards) under the Liberty Global 2014 Incentive Plan 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. Awards (other than RSUs) issued under the Liberty Global 2014 Nonemployee Director Incentive Plan generally vest in three equal annual instalments, provided the director continues to serve as director immediately prior to the vesting date, and expire seven years after the grant date. RSUs vest on the date of the first annual general meeting of shareholders following the grant date. These awards may be granted at or above fair value in any class of ordinary shares.

Liberty Global 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 for which awards were granted under the Liberty Global Incentive Plan and the Virgin Media Incentive Plan.

Liberty Global PSUs

In March 2015, Liberty Global's compensation committee approved the grant of PSUs to executive officers and key employees (the 2015 PSUs). The performance plan for the 2015 PSUs covered a two-year period ending 31 December 2016 and included a performance target 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). The performance target was 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. Participants earned 99.5% of their targeted awards under the 2015 PSUs, which vested 50% on each of 1 April 2017 and 1 October 2017.

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23 Share-based payments (continued)

In February 2016, Liberty Global's compensation committee approved the grant of PSUs to executive officers and key employees (the 2016 PSUs) pursuant to a performance plan that is based on the achievement of a specified OCF CAGR during the three-year period ending December 31, 2018. The 2016 PSUs require delivery of a compound annual growth rate of our consolidated OCF CAGR of 6.0% during the three-year performance period, with over- and under-performance payout opportunities should the OCF CAGR exceed or fail to meet the target, as applicable. The performance payout may be adjusted at the compensation committee's discretion for events that may affect comparability, such as changes in foreign currency exchange rates and accounting principles or policies. The 2016 PSUs will vest 50% on each of 1 April 2019 and 1 October 2019. During 2018, the compensation committee of Liberty Global's board of directors approved the grant of PSUs to executive officers and key employees (the 2018 PSUs) pursuant to a performance plan that is based on the achievement of a specified Adjusted OIBDA CAGR during the two-year period ending 31 December 2019. The 2018 PSUs include over- and under-performance payout opportunities should the Adjusted OIBDA CAGR exceed or fail to meet the target, as applicable. A performance range of 50% to 125% of the target Adjusted OIBDA CAGR will generally result in award recipients earning 50% to 150% of their target 2018 PSUs, subject to reduction or forfeiture based on individual performance. The earned 2018 PSUs will vest 50% on 1 April 2020 and 50% on 1 October 2020. The target Adjusted OIBDA CAGR for the 2018 PSUs was determined on 26 October 2018 and, accordingly, associated compensation expense has been recognised prospectively from that date.

Liberty Global Challenge Performance Awards

Effective 24 June 2013, Liberty Global's compensation committee approved 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 represented the right to receive one Liberty Global or LiLAC Class A or Class C ordinary share, as applicable. The performance criteria for the Challenge Performance Awards was based on the participant's performance and achievement of individual goals in each of the years 2013, 2014 and 2015. As a result of satisfying performance conditions, 100% of the then outstanding Challenge Performance Awards vested and became fully exercisable on 24 June 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.

Virgin Media Stock Incentive Plans

Equity awards were granted to certain of the group's employees, prior to Liberty Global's acquisition of Virgin Media in June 2013, under certain incentive plans maintained and administered by the group and no new grants will be made under these incentive plans. The equity awards granted include stock options, restricted shares, RSUs and performance awards. Awards under the VM Incentive Plan have a 10-year term and become fully exercisable within five years of continued employment.

24 Reserves

Equity share capital

The balance classified as share capital represents the nominal value on issue of the company's equity share capital, comprising £1 ordinary shares.

Share premium account

Share premium represents the amount of consideration received for the company's equity share capital in excess of the nominal value of shares issued.

Treasury share reserve

The treasury share reserve was created in 2014 and subsequently cancelled in 2018 as a result of group wide restructures involving the company and fellow Virgin Media group companies.

Other capital reserves comprising merger reserve and capital contributions

The results of subsidiary undertakings acquired through group reorganisations have given rise to the requirement to make adjustments on consolidation in the merger reserve.

Unrealised gains and losses

This reserve records the portion of gain or loss on hedging instruments that are determined to be effective hedges, and the exchange differences on retranslation of foreign operations.

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24 Reserves (continued)

Foreign currency translation reserve

This reserve records the gain or loss on the retranslation of subsidiary undertakings with functional currencies other than pound sterling.

Retained earnings

This reserve records all current and prior period retained profit and losses.

25 Capital commitments

	2019	2018
	£ million	£ million
Amounts contracted for but not provided in the accounts	<u>331.7</u>	<u>314.3</u>

26 Contingencies

On 19 March 2014, the UK government announced a change in legislation with respect to the charging of VAT in connection with prompt payment discounts such as those that the group offer to fixed-line telephony customers. This change, which took effect on 1 May 2014, impacted the group and some of its competitors. The UK tax authority issued a decision in the fourth quarter of 2015 challenging the group's application of the prompt payment discount rules prior to the 1 May 2014 change in legislation. The group appealed this decision. As part of the appeal process, the group were required to make aggregate payments of £67.0 million, comprising of the challenged amount of £63.7 million (which the group paid during the fourth quarter of 2015) and related interest of £3.3 million (which the group paid during the first quarter of 2016). No provision was recorded by the group at that time as the likelihood of loss was not considered to be probable. The aggregate amount paid does not include penalties, which could be significant in the event that penalties were to be assessed. In September 2018, the court rejected the group's appeal and ruled in favour of the UK tax authority. Accordingly, during the third quarter of 2018, the group recorded a provision for litigation of £63.7 million and related interest expense of £3.3 million in the group's income statement. The First Tier Tribunal gave permission to appeal to the Upper Tribunal and the group submitted grounds for appeal on 22 February 2019.

In April 2020, the Upper Tribunal rejected our appeal, ruling in favour of HMRC. The Group is currently seeking permission to appeal to the Court of Appeal; however, no assurance can be given as to the ultimate outcome of this matter.

27 Pension and other post-retirement benefits

The group operates two defined benefit schemes in the UK, the NTL Pension Plan and the 1999 ntl Pension Scheme, and one defined benefit scheme in Ireland, Virgin Media Ireland Limited Defined Benefit Plan, which provide both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service.

Defined contribution plans

The group contributes to the Virgin Media sponsored group personal pension plans of eligible employees. Contributions are charged to the Group Income Statement as they become payable, in accordance with the rules of the plans.

Contributions to the defined contribution plans during the period were £27.6 million (2018 - £24.5 million). The amount of outstanding contributions at 31 December 2019 included within current liabilities was £4.1 million (2018 - £3.6 million).

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27 Pension and other post-retirement benefits (continued)

Defined benefit plans

The group recognises any actuarial gains and losses in each period in the Group Statement of Comprehensive Income.

• **1999 ntl Pension Scheme**

A subsidiary, Virgin Media Limited, operates a funded pension plan providing defined benefits (“1999 ntl Pension Plan”). The plan has never been opened to new entrants except when the plan began and subsequently on 31 May 2007, on both occasions new members were transferred from other existing plans. The Plan was closed to future accrual on 31 January 2014. The assets of the plan are held separately from those of the company, being invested in units of exempt unit trusts. The plan is funded by the payment of contributions to separately administered trust funds. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method.

• **NTL Pension Plan**

A subsidiary, Virgin Media Limited, operates a funded pension plan providing defined benefits (“NTL Pension Plan”). The pension plan was closed to new entrants as of 6 April 1998. The Plan was closed to future accrual on 31 January 2014. The assets of the plan are held separately from those of the company, in an independently administered trust. The plan is funded by the payment of contributions to this separately administered trust. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method.

• **Virgin Media Ireland Limited Defined Benefit Plan**

A subsidiary, Virgin Media Ireland Limited, operates a funded pension plan providing defined benefits (“Virgin Media Ireland Limited Defined Benefit Plan” previously called the “UPC Communications Ireland Limited Defined Benefit Plan”). The Plan was closed to future accrual on 31 July 2015. The assets of the plan are held separately from those of the company, in an independently administered trust. The plan is funded by the payment of contributions to this separately administered trust. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method.

The plans’ assets are measured at fair value. The plans’ liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond.

The table below provides summary information on the group’s defined benefit plans:

	2019	2018
	£ million	£ million
Projected benefit obligation	(617.0)	(563.1)
Fair value of plan assets	695.5	645.0
Net asset	<u>78.5</u>	<u>81.9</u>
Net periodic pension cost	0.9	2.2
Net defined benefit asset represented by:		
Net defined benefit liability	(7.9)	(7.8)
Net defined benefit asset	<u>86.4</u>	<u>89.7</u>
	<u>78.5</u>	<u>81.9</u>

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27 Pension and other post-retirement benefits (continued)

Movements in the defined benefit assets and liabilities are as follows:

	Defined benefit obligation				Fair value of plan assets				Net defined benefit (liability)/asset			
	2019		2018		2019		2018		2019		2018	
	UK	Ireland	UK	Ireland	UK	Ireland	UK	Ireland	UK	Ireland	UK	Ireland
Balance at 1 January	(530.0)	(33.1)	(588.8)	(34.7)	619.7	25.3	659.4	25.4	89.7	(7.8)	70.6	(9.3)
Included in income statement												
Current Admin/service cost	-	-	-	-	(1.6)	-	(1.1)	-	(1.6)	-	(1.1)	-
Past service cost	-	-	(2.7)	-	-	-	-	-	-	-	(2.7)	-
Interest (cost)/income	(14.6)	(0.7)	(13.9)	(0.7)	17.0	0.5	15.7	0.5	2.4	(0.2)	1.8	(0.2)
Included in OCI												
Actuarial (loss)/gain arising from:												
Changes in demographic assumptions	(0.6)	-	3.3	-	-	-	-	-	(0.6)	-	3.3	-
Changes in financial assumptions	(60.5)	(4.9)	36.4	0.6	-	-	-	-	(60.5)	(4.9)	36.4	0.6
Experience adjustments	0.7	0.2	14.5	1.0	-	-	-	-	0.7	0.2	14.5	1.0
Return on plan assets excluding interest income	-	-	-	-	53.8	2.8	(45.8)	(1.5)	53.8	2.8	(45.8)	(1.5)
Other												
Contributions paid by the employer	-	-	-	-	0.9	1.7	12.7	1.7	0.9	1.7	12.7	1.7
Effects of movements in exchange rates	-	1.9	-	(0.5)	-	(1.6)	-	0.4	-	0.3	-	(0.1)
Benefits paid	24.0	0.6	21.2	1.2	(22.4)	(0.6)	(21.2)	(1.2)	1.6	-	-	-
Balance at 31 December	(581.0)	(36.0)	(530.0)	(33.1)	667.4	28.1	619.7	25.3	86.4	(7.9)	89.7	(7.8)

1999 ntl Pension Scheme and NTL Pension Plan have been disclosed within the “UK” figures.

Virgin Media Ireland Limited Defined Benefit Plan is shown within the “Ireland” figures.

The group’s pension plan weighted-average asset allocations by asset category at 31 December 2019 and 31 December 2018 were as follows:

2019	UK long	Ireland	
	term rate	long term	rate of
	of return	UK total	Ireland total
		£ million	£ million
Equities	5.3%	81.7	10.8
Property	5.3%	2.3	-
Corporate bonds	2.0%	196.7	13.2
Government bonds	1.3%	69.0	-
Hedge funds	4.8%	89.2	-
Insurance policy (buy-in)	2.0%	182.5	-
Cash and other	1.3%	46.0	4.1
Total market value of assets		<u>667.4</u>	<u>28.1</u>
Present value of plan liabilities		(581.0)	(36.0)
Net pension asset/(liability)		<u>86.4</u>	<u>(7.9)</u>

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27 Pension and other post-retirement benefits (continued)

2018	UK long term rate of return	UK total	Ireland long term rate of return	Ireland total
		£ million		£ million
Equities	5.8%	73.4	2.2%	9.8
Property	5.8%	3.0	-	-
Corporate bonds	2.8%	33.4	2.2%	11.3
Government bonds	1.8%	66.0	-	-
Hedge funds	5.3%	212.8	-	-
Insurance policy (buy-in)	2.8%	171.0	-	-
Cash and other	1.8%	60.1	2.2%	4.2
Total market value of assets		619.7		25.3
Present value of plan liabilities		(530.0)		(33.1)
Net pension asset/(liability)		89.7		(7.8)

The trustees of NTL Pension Plan purchased an insurance contract that will pay an income stream to the plan which is expected to match all future cash outflows in respect of certain liabilities. The fair value of this insurance contract is presented as an asset of the plan and is measured based on the future cash flows to be received under the contract discounted using the same discount rate used to measure the associated liabilities.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2019		2018	
	UK	Ireland	UK	Ireland
Discount rate	2.0%	1.2%	2.8%	2.2%
Future salary increases	2.9%	0.0%	3.2%	0.0%

The assumption for future salary increases is no longer applicable for the Virgin Media Ireland Limited Defined Benefit Plan after 31 July 2015 as the Plan was closed to future accrual from this date and benefits are no longer linked to salaries. Members of the UK pension schemes who remained employed by the group retain their salary link for revaluation of their deferred benefits.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows:

	UK	
	2019	2018
Current pensioner aged 60 (male)	27.3	27.2
Current pensioner aged 60 (female)	29.1	29.0
Future retiree upon reaching 60 (male)	28.8	28.7
Future retiree upon reaching 60 (female)	30.6	30.6

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

27 Pension and other post-retirement benefits (continued)

The assumptions for the Virgin Media Ireland Limited pension scheme are equivalent to expecting a 65-year old to live for a number of years as follows:

	Ireland	
	2019	2018
Current pensioner aged 65 (male)	22.5	22.4
Current pensioner aged 65 (female)	24.3	24.3
Future retiree upon reaching 65 (male)	24.2	24.1
Future retiree upon reaching 65 (female)	26.2	26.1

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 0.25 percent.

	2019		2018	
	UK	Ireland	UK	Ireland
Discount rate	(24.1)	(1.4)	(22.0)	(1.5)
Inflation	2.3	0.4	3.1	0.4

In valuing the assets of the UK pension fund at 31 December 2019, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2019 would have increased by £26.2 million before deferred tax for the UK pensions. Life expectancy sensitivity assessment has not been carried out on the Irish pension scheme.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2019 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The group expects to contribute £2.4 million to the defined benefit pension plans in 2020.

28 Related party transactions

During the year, the group entered into transactions in the ordinary course of business with other related parties. Transactions entered into during the year, and trading balances outstanding at 31 December with other related parties, are as follows:

<i>Related party</i>	Services rendered by related party	Interest charged to related party	Interest charged by related party	Amounts owed by related party	Amounts owed to related party
	£ million	£ million	£ million	£ million	£ million
Parent undertakings					
2019	-	-	-	-	(52.2)
2018	-	-	-	-	(33.0)
Fellow subsidiary undertakings					
2019	-	-	-	1.6	-
2018	-	-	-	-	(3.7)
Liberty Global group undertakings					
2019	(225.4)	283.8	-	35.3	(48.9)
2018	(156.9)	313.4	(0.3)	46.8	(63.9)

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

28 Related party transactions (continued)

Parent undertakings

The group is headed by Virgin Media Inc. and has been indebted to the group, which receives interest income according to the terms of each loan agreement. The group recharges the ultimate parent company for certain costs directly attributed to the operations of that company including allocable payroll and related expenses.

Fellow subsidiary undertakings

The net recovery of debts by Virgin Media Limited relating to the customers of fellow subsidiary undertakings, namely Virgin Media Mobile Finance Limited, through centralised debt collection and treasury operations, generates trading balances which are offset by operating expenses and capital purchases that are also recharged by Virgin Media Limited. Virgin Media Limited is an indirect subsidiary of the company whilst Virgin Media Mobile Finance Limited is outside the group headed by the company.

Liberty Group undertakings

The company's ultimate parent is Liberty Global plc which also controls the group and the Virgin Media group. Certain debt raised by the group has been passed up to Liberty Global entities that sit outside the Virgin Media group. The debt of £4,926.4 million (see note 12) attracts interest which Liberty Global entities pay to the group according to the terms of each loan arrangement.

Terms and conditions of transactions with related parties

The terms of the loans payable to parent undertakings are as outlined in note 18. Certain expenses are specifically attributable to each company in the group. Where costs are incurred by Virgin Media Limited on behalf of other group companies, expenses are allocated to the other group companies on a basis that, in the opinion of the directors, is reasonable.

Compensation of key management personnel (including directors)

The compensation paid or payable to key management for employee services is shown below:

	2019	2018
	£ million	£ million
Short-term employee benefits	10.5	4.2
Post-employment benefits	0.1	-
Non-equity incentive plan	3.3	3.4
Share based payments	4.6	1.9
	<u>18.5</u>	<u>9.5</u>

Key management represents directors and members of Virgin Media's Executive Committee.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

29 Principal subsidiary undertakings

The investments in which the group held at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows. All are registered in England and Wales unless otherwise noted.

<i>Subsidiary</i>		<i>Proportion of voting rights and shares held</i>	<i>Principal activities</i>
Direct shareholdings of Virgin Media Finance PLC			
Virgin Media Investment Holdings Limited		Ordinary 100%	Finance
Indirect shareholdings			
NTL (Triangle) LLC	Ξ	Common Stock 100%	Holding
ntl Business Limited		Ordinary 100%	Telecoms
ntl CableComms Group Limited		Ordinary 100%	Holding
ntl Glasgow	Σ	Ordinary 56%	Telecoms
ntl Kirklees		Ordinary 52%	Telecoms
Virgin Media Business Limited		Ordinary 100%	Telecoms
Virgin Media Investments Limited		Ordinary 100%	Finance
Virgin Media Ireland Limited	Ψ	Ordinary 100%	Telecoms
Virgin Media Limited		Ordinary 100%	Telecoms
Virgin Media Payments Limited		Ordinary 100%	Collections
Virgin Media Senior Investments Limited		Ordinary 100%	Holding
Virgin Media Wholesale Limited		Ordinary 100%	Telecoms
Virgin Mobile Telecoms Limited		Ordinary 100%	Telecoms
Indirect shareholdings - guaranteed under section 349 (C) of the Companies Act 2006			
BCMV Limited		Ordinary 100%	Dormant
Birmingham Cable Corporation Limited		Ordinary 100%	Dormant
Birmingham Cable Limited		Ordinary 100%	Dormant
Cable London Limited		Ordinary 100%	Dormant
CableTel Herts and Beds Limited		Ordinary 100%	Dormant
CableTel Northern Ireland Limited	β	Ordinary 100%	Dormant
CableTel Surrey and Hampshire Limited		Ordinary 100%	Dormant
Eurobell (Holdings) Limited		Ordinary 100%	Holding
ntl (B) Limited		Ordinary 100%	Holding
ntl (Broadland) Limited		Ordinary 100%	Dormant
ntl (CWC) Corporation Limited		Ordinary 100%	Dormant
ntl (South East) Limited		Ordinary 100%	Dormant
ntl (V)		Ordinary 100%	Dormant
ntl CableComms Surrey		Ordinary 100%	Dormant
ntl Midlands Limited		Ordinary 100%	Dormant
ntl National Networks Limited		Ordinary 100%	Dormant

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

29 Principal subsidiary undertakings (continued)

Indirect shareholdings - guaranteed under section 349 (C) of the Companies Act 2006 (continued)

<i>Subsidiary</i>	<i>Proportion of voting rights and</i>	<i>Principal activities</i>
<i>Subsidiary</i>	<i>Ordinary</i>	<i>100%</i>
ntl Pension Trustees II Limited	Ordinary	100%
ntl Pension Trustees Limited	Ordinary	100%
ntl South Central Limited	Ordinary	100%
ntl Telecom Services Limited	Ordinary	100%
ntl Trustees Limited	Ordinary	100%
Telewest Communications (Dundee & Perth) Limited	Σ Ordinary	100%
Telewest Communications (Glenrothes) Limited	Σ Ordinary	100%
Telewest Communications (Midlands and North West) Limited	Ordinary	100%
Telewest Communications (North East) Limited	Ordinary	100%
Telewest Communications (Scotland) Limited	Σ Ordinary	100%
Telewest Communications (South East) Limited	Ordinary	100%
Telewest Communications (South West) Limited	Ordinary	100%
Telewest Communications (Tyneside) Limited	Ordinary	100%
Telewest Communications Cable Limited	Ordinary	100%
Theseus No.1 Limited	Ordinary	100%
Theseus No.2 Limited	Ordinary	100%
Virgin Media Employee Medical Trust Limited	Ordinary	100%
Virgin Media PCHC II Limited	Ordinary	100%
Virgin Media PCHC Limited	Ordinary	100%
VM Transfers (No 4) Limited	Ordinary	100%
Yorkshire Cable Communications Limited	Ordinary	100%

The company will issue a guarantee under Section 394(C) of the Companies Act 2006 for the year ended 31 December 2019 in respect of the wholly owned dormant subsidiaries listed above in section "Indirect shareholdings – guaranteed under Section 394(C) of the Companies Act 2006". The company guarantees all outstanding liabilities to which the subsidiary company is subject to at 31 December 2019, until they are satisfied in full and the guarantee is enforceable against the company by any person to whom the subsidiary company is liable in respect of those liabilities. These dormant subsidiaries have taken advantage of the exemption from preparing individual accounts for the year ended 31 December 2019 by virtue of Section 394(A) of the Companies Act 2006.

The guarantee under Section 394(C) of the Companies Act 2006 is in respect of the above subsidiaries, the majority of which are 100% owned, either directly or indirectly.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

29 Principal subsidiary undertakings (continued)

Indirect shareholdings - guaranteed under section 479 (A) of the Companies Act 2006

<i>Subsidiary</i>		<i>Holding</i>	<i>Proportion of voting rights and shares held</i>		<i>Principal activities</i>
Bitbuzz UK Limited		Ordinary	100%		Telecoms
Cable on Demand Limited		Ordinary	100%		Dormant
Casey Cablevision Limited	Ψ	Ordinary	100%		Telecoms
Channel 6 Broadcasting Limited	Ψ	Ordinary	100%		Telecoms
Cullen Broadcasting Limited	Ψ	Ordinary	100%		Telecoms
Diamond Cable Communications Limited		Ordinary	100%		Holding
Flextech Limited		Ordinary	100%		Dormant
General Cable Limited		Ordinary	100%		Holding
Kish Media Limited	Ψ	Ordinary	100%		Dormant
Matchco Limited		Ordinary	76%		Dormant
ntl (CWC) Limited		Ordinary	100%		Dormant
NTL CableComms Group, LLC	Ξ	Common stock	100%		Dormant
ntl Communications Services Limited		Ordinary	100%		Holding
ntl Glasgow Holdings Limited	μ	Ordinary	51%		Holding
ntl Kirklees Holdings Limited	μ	Ordinary	51%		Holding
ntl Rectangle Limited		Ordinary	100%		Holding
P.B.N. Holdings	Ψ	Ordinary	100%		Holding
Telewest Communications Networks Limited		Ordinary	100%		Holding
Telewest Limited		Ordinary	100%		Holding
Tullamore Beta Limited	Ψ	Ordinary	100%		Holding
TV Three Enterprises Limited	Ψ	Ordinary	100%		Dormant
TV Three Sales Limited	Ψ	Ordinary	100%		Dormant
UPC Broadband Ireland Limited	Ψ	Ordinary	100%		Holding
Virgin Media Bristol LLC	Ξ	Common stock	100%		Finance
Virgin Media Finco Limited		Ordinary	100%		Finance
Virgin Media Operations Limited		Ordinary	100%		Holding
Virgin Media Secretaries Limited		Ordinary	100%		Dormant
Virgin Media Secured Finance PLC		Ordinary	100%		Finance
Virgin Media SFA Finance Limited		Ordinary	100%		Finance
Virgin Media Television Limited	Ψ	Ordinary	100%		Telecoms
Virgin WiFi Limited		Ordinary	100%		Telecoms
VM Ireland Group Limited		Ordinary	100%		Holding

All companies are registered at 500 Brook Drive, Reading, United Kingdom, RG2 6UU, unless otherwise noted below:

- β Unit 3, Blackstaff Road, Kennedy Way Industrial Estate, Belfast, BT11 9AP
- Ψ Macken House, 39/40 Mayor Street Upper, Dublin 1, D01 C9W8
- Σ 1 South Gyle Crescent Lane, Edinburgh, EH12 9EG
- Ξ 251 Little Falls Drive, Wilmington, DE 19808. These entities are registered in the USA.
- Ω 1550 Wewatta Street, Suite 1000, Denver, CO 80202

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

29 Principal subsidiary undertakings (continued)

The company has issued a guarantee under Section 479(C) of the Companies Act 2006 for the year ended 31 December 2019 in respect of the subsidiaries listed above in section "Indirect shareholdings – guaranteed under Section 479(C) of the Companies Act 2006". The company guarantees all outstanding liabilities to which the subsidiary company is subject to at 31 December 2019, until they are satisfied in full and the guarantee is enforceable against the company by any person to whom the subsidiary company is liable in respect of those liabilities. These active subsidiaries have taken advantage of the exemption from audit of individual accounts for the year ended 31 December 2019 by virtue of Section 479(A) of the Companies Act 2006.

The guarantee under Section 479(C) of the Companies Act 2006 is in respect of the above subsidiaries, the majority of which are 100% owned, either directly or indirectly.

30 Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Media Communications Limited.

The smallest and largest group of which the company is a member and in to which the company's accounts were consolidated at 31 December 2019 are Virgin Media Inc. and Liberty Global plc, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2019 was Liberty Global plc.

Copies of the Virgin Media group accounts referred to above which include the results of the company are available from the company secretary, Virgin Media, 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

In addition copies of the consolidated Liberty Global plc accounts are available on Liberty Global's website at www.libertyglobal.com or from the company secretary, Liberty Global plc, Griffin House, 161 Hammersmith Road, London, United Kingdom W6 8BS.

31 Post Balance Sheet Events

COVID-19

In March 2020, the World Health Organization declared the recent outbreak of a novel strain of coronavirus (COVID-19) to be a global pandemic. In response to the COVID-19 pandemic, emergency measures have been imposed by governments worldwide, including travel restrictions, restrictions on social activity and the shutdown of non-essential businesses.

These measures have adversely impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. While it is not currently possible to estimate the duration and severity of the COVID-19 pandemic or the adverse economic impact resulting from the preventative measures taken to contain or mitigate its outbreak, an extended period of global economic disruption could have a material adverse impact on our business, financial condition and results of operations in future periods.

Pending joint venture transaction

On 7 May 2020, Liberty Global entered into a Contribution Agreement with, among others, Telefonica, SA (Telefonica). Pursuant to this agreement, Liberty Global and Telefonica agreed to form a 50:50 joint venture, which will combine Virgin Media's operations in the UK with Telefonica's mobile business in the UK to create a nationwide integrated communications provider.

The completion of this transaction is subject to certain conditions, including competition clearance by the applicable regulatory authorities. It is anticipated that the transaction will close around the middle of 2021. The Contribution Agreement also includes customary termination rights, including a right of the parties to terminate the agreement if the transaction has not closed within twenty-four months following the date of the agreement, which may be extended by six months under certain circumstances.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2019

31 Post Balance Sheet Events (continued)

Financing transactions

In May 2020, Virgin Media Trade Receivables Financing plc, a third-party special purpose financing entity, was created for the purpose of facilitating the offering of certain notes. These notes are collateralised by certain trade receivables of Virgin Media, creating a variable interest in which Virgin Media is the primary beneficiary and, accordingly, Virgin Media, and ultimately Liberty Global, are required to consolidate Virgin Media Trade Receivables Financing plc. The offering of these notes resulted in net proceeds of £214.4 million.

In June 2020, Virgin Media completed various financing transactions, as further described below.

Senior notes transactions

The group issued 2030 senior notes with principal amounts of \$675 million. The net proceeds, together with the May 2020 proceeds were used to redeem in full €460 million and \$388.7 million outstanding principal amount of 2025 senior notes.

The group issued an additional 2030 senior notes with principal amounts of \$250 million €500 million. The net proceeds from the issuance of these notes were used (1) to redeem in full \$497 million outstanding principal amounts of existing 2024 senior notes and \$123.1 million and £44.1 million outstanding principal amounts of existing 2022 senior notes and (2) for general corporate purposes.

The new secured notes rank pari-passu with the group's existing secured notes and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing secured notes.

Senior secured notes transactions

The group issued 2030 senior secured notes with principal amounts of \$650 million and £450 million. The net proceeds from the issuance of these notes were used (1) to redeem in full £525 million outstanding principal amounts of existing 2027 senior secured notes, (2) to redeem in full £360 million outstanding principal amounts of existing 2029 senior secured notes, (3) £80.0 million of the £521.3 million outstanding principal amount of existing 2025 senior secured notes.

The new senior secured notes rank pari-passu with the group's existing senior secured notes and senior secured credit facility, and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing senior secured notes.

Vendor financing notes transactions

Virgin Media Vendor Financing Notes III Designated Activity Company (Virgin Media Financing III Company) and Virgin Media Vendor Financing Notes IV Designated Activity Company (Virgin Media Financing IV Company, and together with Virgin Media Financing III Company, the 2020 VM Financing Companies) were created for the purpose of issuing certain vendor financing notes. The 2020 VM Financing Companies are third-party special purpose financing entities that are not consolidated by Virgin Media or Liberty Global.

Virgin Media Financing III Company issued vendor financing notes with principal amounts of £500 million and £400 million. Virgin Media Financing IV Company issued vendor financing notes with principal amounts of \$500 million. The net proceeds from the June 2020 Vendor Financing Notes were used by the 2020 VM Financing Companies to purchase certain vendor-financed receivables of Virgin Media and its subsidiaries from previously-existing third-party special purpose financing entities (the Original VM Financing Companies) and various other third parties.

Virgin Media Finance PLC
Company Balance Sheet
as at 31 December 2019

	Notes	2019 £ million	2018 £ million
Fixed assets			
Investments	5	4,699.4	4,699.4
Current assets			
Debtors due after one year	6	2,000.0	2,650.3
Debtors due within one year	6	33.9	55.7
Cash at bank and in hand		1.4	-
		<u>2,035.3</u>	<u>2,706.0</u>
Creditors: amounts falling due within one year	7	(329.5)	(410.6)
		<u>1,705.8</u>	<u>2,295.4</u>
Net current assets			
		<u>6,405.2</u>	<u>6,994.8</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	8	(9,013.5)	(9,177.0)
		<u>(2,608.3)</u>	<u>(2,182.2)</u>
Net liabilities			
Capital and reserves			
Share capital	10	0.1	0.1
Share premium account	11	625.9	625.9
Capital contribution	11	5.0	5.0
Accumulated losses	11	(3,239.3)	(2,813.2)
		<u>(2,608.3)</u>	<u>(2,182.2)</u>
Shareholders' deficit			

The notes on pages 78 to 87 form part of the financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 September 2020.



R G McNeil
Director

Company Registration Number: 05061787

Virgin Media Finance PLC
Company Statement of Changes in Equity
for the year ended 31 December 2019

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £ million	Share premium account £ million	Capital contribution £ million	Treasury shares reserve £ million	Profit and loss account £ million	Total £ million
At 1 January 2019	0.1	625.9	5.0	-	(2,813.2)	(2,182.2)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(426.1)	(426.1)
As at December 2019	<u>0.1</u>	<u>625.9</u>	<u>5.0</u>	<u>-</u>	<u>(3,239.3)</u>	<u>(2,608.3)</u>

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £ million	Share premium account £ million	Capital contribution £ million	Treasury shares reserve £ million	Profit and loss account £ million	Total £ million
At 1 January 2018	0.1	3,323.2	5.0	(2,880.2)	(2,317.6)	(1,869.5)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(495.6)	(495.6)
Shares issued during the year	-	182.9	-	-	-	182.9
Shares cancelled during the year	-	(2,880.2)	-	2,880.2	-	0.0
Total transactions with owners	-	<u>(2,697.3)</u>	-	<u>2,880.2</u>	-	<u>182.9</u>
As at December 2018	<u>0.1</u>	<u>625.9</u>	<u>5.0</u>	<u>-</u>	<u>(2,813.2)</u>	<u>(2,182.2)</u>

The notes on pages 78 to 87 form part of these financial statements.

Virgin Media Finance PLC
Notes to the Company Financial Statements
for the year ended 31 December 2019

1 Company information

Virgin Media Finance PLC (the “company”) is a private company incorporated, domiciled and registered in the UK. The registered number is 05061787 and the registered address is 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

2 Accounting policies

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

2.1 Basis of accounting

These financial statements were prepared on a going concern basis and under the historical cost basis in accordance with the Companies Act 2006 and the Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company’s ultimate parent undertaking, Liberty Global plc, includes the company in its consolidated financial statements. The consolidated financial statements of Liberty Global plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Liberty Global’s website at www.libertyglobal.com.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures, where required equivalent disclosures are included within the company’s consolidated financial statements:

- a cash flow statement and related notes;
- disclosures in respect of related party transactions with fellow group undertakings;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of the company include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

No profit and loss account is presented by the company as permitted by Section 408 of the Companies Act 2006.

2.2 Going concern

The financial statements have been approved on the basis that the company remains a going concern. The following paragraphs summarise the basis on which the directors have reached their conclusion.

It is Virgin Media’s practice for operational and financial management to be undertaken at a group level rather than for individual entities that are wholly owned by the group. Treasury operations and cash management for all of Liberty Global’s wholly owned subsidiaries are managed on a Liberty Global group basis. As part of normal business practice, regular cash flow forecasts for both short and long term commitments are undertaken at group level.

Virgin Media Finance PLC
Notes to the Company Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

2.2 Going concern (continued)

Forecasts and projections prepared for the Virgin Media group as a whole, indicate that cash on hand, together with cash from operations, repayment of amounts due to Virgin Media from the Liberty Global group and undrawn revolving credit facilities, are expected to be sufficient for the Virgin Media group's and hence the company's cash requirements through to at least 12 months from the approval of these financial statements.

Whilst the detailed cash flow forecasts are prepared at the group level, the directors have also assessed the position of the company. Notwithstanding net liabilities of £2,608.3 million as at 31 December 2019 and a loss for the year end of £426.1 million, this assessment indicates that, taking account of reasonably possible downsides, the company will have sufficient resources, through funding from fellow subsidiary companies to meet its liabilities as they fall due for that period. Virgin Media Inc has indicated its intention to continue to make such funds available to the company as are needed.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have prepared the financial statements on a going concern basis. Consideration of the potential impact of COVID-19 has not altered this conclusion.

2.3 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are taken to the profit and loss account.

2.4 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs.

Finance costs which are incurred in connection with the issuance of debt are deferred and set off against the borrowings to which they relate. Deferred finance costs are amortised over the term of the related debt using the effective interest method.

2.5 Investments

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

2.6 Derivative financial instruments and hedging

The group has established policies and procedures to govern the management of its exposure to interest rate and foreign currency exchange rate risks, through the use of derivative financial instruments, including interest rate swaps, cross-currency interest rate swaps and foreign currency forward rate contracts.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Virgin Media Finance PLC
Notes to the Company Financial Statements
for the year ended 31 December 2019

Derivatives are recognised as financial assets when the fair value is positive and as liabilities when the fair value is negative.

2 Accounting policies (continued)

2.6 Derivative financial instruments and hedging (continued)

The foreign currency forward rate contracts, interest rate swaps and cross-currency interest rate swaps are valued using internal models based on observable inputs, counterparty valuations or market transactions in either the listed or over-the-counter markets, adjusted for non-performance risk. Non-performance risk is based upon quoted credit default spreads for counterparties to the contracts and swaps. Derivative contracts which are subject to master netting arrangements are not offset and have not provided, nor require, cash collateral with any counterparty.

While these instruments are subject to the risk of loss from changes in exchange rates and interest rates, these losses would generally be offset by gains in the related exposures. Financial instruments are only used to hedge underlying commercial exposures. The group does not enter into derivative financial instruments for speculative trading purposes, nor does it enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed.

For derivatives which are designated as hedges, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

The group designates certain derivatives as either fair value hedges, when hedging exposure to variability in the fair value of recognised assets or liabilities or firm commitments, or as cashflow hedges, when hedging exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Derivatives that are not part of an effective hedging relationship, as set out in IFRS 9, must be classified as held for trading and measured at fair value through profit or loss.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends upon the nature of the hedging relationship and are treated as follows:

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are reclassified to the profit and loss account when the hedged transaction is recognised in profit or loss, such as when a forecast sale or purchase occurs, in the same line of the profit and loss account as the recognised hedged item. Where the hedged item is the cost of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred to the initial measurement of the cost of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs and are reclassified to the profit and loss account.

Fair value hedges

For fair value hedges, the changes in the fair value of the hedging instrument are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the profit and loss account relating to the hedged item.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, then the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

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3 Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies which are described above, management has not made any critical judgements that have a significant effect on the amounts recognised in the financial statements, except for:

Carrying value of investments

Investments are held at cost less any necessary provision for impairment. Where the impairment assessment did not provide any indication of impairment, no provision is required. If any such indications exist, the carrying value of an investment is written down to its recoverable amount.

Recoverability of intercompany debtors

Intercompany debtors are stated at their recoverable amount less any necessary provision. Recoverability of intercompany debtors is assessed annually and a provision is recognised if any indications exist that the debtor is not considered recoverable.

Fair value measurement of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 9).

4 Loss attributable to members of the parent company

The loss in the accounts of the parent company was £426.1 million (2018: loss of £495.6 million).

5 Investments

	£ million
Cost and net book value:	
At 1 January 2019	4,699.4
At 31 December 2019	<u>4,699.4</u>
Net book value:	
At 31 December 2019	<u>4,699.4</u>
At 31 December 2018	<u>4,699.4</u>

Details of the principal investments in which the group or the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, can be seen in note 29 to the consolidated financial statements.

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

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6 Debtors

	2019	2018
	£ million	£ million
Due after one year		
Loan notes due from group undertakings	1,833.0	2,277.8
Derivative financial assets	167.0	372.5
	<u>2,000.0</u>	<u>2,650.3</u>
Due within one year		
Derivative financial assets	33.9	55.7
	<u>33.9</u>	<u>55.7</u>

Amounts owed by group undertakings due after one year represent loan notes which had a carrying value of £1,833.0 million (2018 - £2,277.8 million) at the balance sheet date. Loan notes are denominated in sterling, bear interest of 4.89% (subject to adjustment) and mature in April 2026.

7 Creditors: amounts falling due within one year

	2019	2018
	£ million	£ million
Derivative financial liabilities	6.6	5.5
Interest on loan notes due to group undertakings	49.2	19.9
Interest payable on senior notes	23.1	28.6
Amounts owed to group undertakings	74.8	75.6
Loan notes due to group undertakings	175.8	281.0
	<u>329.5</u>	<u>410.6</u>

Loan notes due to group undertakings due within one year include loan notes which had a carrying value of £175.8 million (2018 - £281.0 million) at the balance sheet date. Loan notes are denominated in sterling and US dollar, bear interest ranging from 1.32% to 7.53% and are repayable on demand.

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

8 Creditors: amounts falling due after more than one year

	2019	2018
	£ million	£ million
Loan notes due to group undertakings	7,789.7	7,608.4
Senior notes	1,187.3	1,558.7
Derivative financial liabilities	36.5	9.9
	<u>9,013.5</u>	<u>9,177.0</u>

Loan notes due to group undertakings falling due after more than one year had a carrying value of £7,789.7 million (2018 - £7,608.4) at the balance sheet date. Loan notes are denominated in sterling and US dollar, bear interest at 4.89% (subject to adjustment), and mature between April 2026 and January 2028.

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8 Creditors: amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	2019 £ million	2018 £ million
Amounts falling due:		
In more than two years but not more than five years	509.2	151.5
In more than five years	8,504.3	9,025.5
	<u>9,013.5</u>	<u>9,177.0</u>

Borrowings not wholly repayable within five years are as follows:

	2019 £ million	2018 £ million
Loan notes due to group undertakings	7,789.7	7,608.4
Senior notes	678.1	1,407.2
Derivatives liabilities	36.5	9.9
	<u>8,504.3</u>	<u>9,025.5</u>

Total borrowings comprise:

	2019 £ million	2018 £ million
5.25% U.S. dollar senior notes due 2022	38.8	49.6
4.875% U.S. dollar senior notes due 2022	54.0	58.3
5.125% Sterling senior notes due 2022	44.1	44.1
6.00% U.S. dollar senior notes due 2024	374.7	390.0
6.375% Sterling dollar senior notes due 2024	-	300.0
5.75% US dollar senior notes due 2025	293.1	313.8
4.5% Euro senior notes due 2025	389.4	413.3
	<u>1,194.1</u>	<u>1,569.1</u>
Less issue costs	(6.8)	(10.4)
Total senior notes	<u>1,187.3</u>	<u>1,558.7</u>

Financial instruments

The company has the following senior notes in issue as at 31 December 2019:

- 1) 5.25% senior notes due 15 February 2022 – the principal amount at maturity is \$51.5 million. Interest is payable semi-annually on 15 February and 15 August commencing 15 August 2012.
- 2) 4.875% senior notes due 15 February 2022 – the principal amount at maturity is \$71.6 million. Interest is payable semi-annually on 15 February and 15 August commencing 15 February 2013.
- 3) 5.125% senior notes due 15 February 2022 – the principal amount at maturity is £44.1 million. Interest is payable semi-annually on 15 February and 15 August commencing 15 February 2013.
- 4) 6.00% senior notes due 15 October 2024 – the principal amount at maturity is \$497.0 million. Interest is payable semi-annually on 15 April and 15 October commencing 15 April 2015.
- 5) 5.75% senior notes due 15 January 2025 – the principal amount at maturity is \$388.7 million. Interest is payable semi-annually on 15 January and 15 July commencing 15 July 2015.
- 6) 4.50% senior notes due 15 January 2025 – the principal amount at maturity is €460.0 million. Interest is payable semi-annually on 15 January and 15 July commencing 15 July 2015.

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8 Creditors: amounts falling due after more than one year (continued)

Virgin Media Inc., a parent company of the company, and all the intermediate holding companies, guarantee the senior notes on a senior basis. Virgin Media Investment Holdings Limited, a direct wholly-owned subsidiary of the company, guarantees the senior notes on a senior subordinated basis and has no significant assets of its own other than its investments in its subsidiaries. The company has given a full and unconditional guarantee of all amounts payable under the terms of the Virgin Media group's senior secured credit facility and senior secured notes.

In June 2020, Virgin Media completed various financing transactions, see note 31 in the consolidated financial statements.

9 Financial instruments

	2019	2018
	£ million	£ million
Financial assets		
Financial assets measured at fair value through profit or loss	200.9	428.2
Financial assets that are debt instruments measured at amortised cost	<u>1,833.0</u>	<u>2,277.8</u>
	<u>2,033.9</u>	<u>2,706.0</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	(43.1)	(15.4)
Financial liabilities measured at amortised cost	<u>(9,299.9)</u>	<u>(9,572.2)</u>
	<u>(9,343.0)</u>	<u>(9,587.6)</u>

Financial assets measured at fair value through profit or loss comprise interest rate swaps and cross currency interest rate swaps.

Financial assets measured at amortised cost comprise amounts owed by group undertakings.

Financial liabilities measured at fair value through profit or loss comprise interest rate swaps and cross currency interest rate swaps and certain other loans.

Financial liabilities measured at amortised cost comprise senior secured notes net of issue costs, interest payable on senior notes, amounts owed to group undertakings, accruals and deferred income.

Derivative financial instruments are designed to mitigate the risks experienced by the company. The company has obligations in a combination of U.S. dollars and sterling at fixed and variable interest rates. As a result, the company is exposed to variability in its cash flows and earnings resulting from changes in foreign currency exchange rates and interest rates.

The group's objective in managing its exposure to interest rate and foreign currency exchange rates is to decrease the volatility of its earnings and cash flows caused by changes in the underlying rates. The group has established policies and procedures to govern these exposures and has entered into derivative financial instruments including interest rate swaps, cross-currency interest swaps and foreign currency forward rate contracts. It is the group's policy not to enter into derivative financial instruments for speculative trading purposes, nor to enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed. The amounts below include amounts relating to short term as well as long term creditors.

Financial and operational risk management is undertaken as part of the group's operations as a whole. These are considered in more detail in the consolidated financial statements of the group.

The derivative financial instruments held by the company are recorded at fair value on the balance sheet in accordance with IFRS 9 Financial Instruments. The fair values of these derivative financial instruments are valued using internal models based on observable inputs, counterparty valuations, or market transactions in either the listed or over-the-counter markets, adjusted for non-performance risk.

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9 Financial instruments (continued)

Cross currency swap contracts

The company holds the following outstanding swap agreements with another company within the Virgin Media group:

Final maturity date	Hedge type	Notional amount due to counterparty	Notional amount due from counterparty	Interest rate due to counterparty	Interest rate due from counterparty
		'000	'000		
Feb-22	Not designated	\$63,271	£44,462	5.3%	3.7%
Feb-22	Not designated	\$74,310	£52,219	4.9%	3.4%
Oct-24	Not designated	\$ 497,000	£349,250	6.0%	4.5%
Jan-26	Not designated	\$3,400,000	£2,389,234	3.5%	3.9%

Interest rate swap contracts

The company holds the following outstanding swap agreements with another company within the Virgin Media group:

Final maturity date	Hedge type	Notional amount due to counterparty	Notional amount due from counterparty	Interest rate due to counterparty	Interest rate due from counterparty
		'000	'000		
Jan-27	Not designated	£400,000	£400,000	4.29%	4.80%
Nov-27	Not designated	£500,000	£500,000	4.29%	4.83%

10 Share capital

	2019	2018
	£ 000	£ 000
<i>Allotted, called up and fully paid:</i>		
76,184 (2018: 76,184) ordinary shares of £1 each	76	76

11 Reserves

Share capital

The balance classified as share capital represents the nominal value on issue of the company's share capital, comprising £1 ordinary shares.

Share premium account

Share premium represents the amount of consideration received for the company's share capital in excess of the nominal value of shares issued.

Capital contribution

The £5 million capital contribution was received from Virgin Media Communications Limited as part of a comprehensive group restructuring in 2006.

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11 Reserves (continued)

Treasury shares reserve

The treasury share reserve represented the amount of the company's equity share capital together with share premium held by VMFH Limited, which was a wholly owned subsidiary of Virgin Media Finance PLC. VMFH Limited acquired 19.7% of the company's shares from Virgin Media Communications Limited on 29 December 2014. The company subsequently acquired 100% of the share capital of VMFH Limited from Virgin Media Communications Limited. During 2018, as result of a group wide restructure, VMFH distributed its shares in the company to the company which were subsequently cancelled.

Accumulated losses

Includes all current and prior period retained profits and losses.

12 Auditor's and directors' remuneration

Fees paid to KPMG LLP and its associates for non-audit services to the parent company itself are not disclosed in the individual accounts of Virgin Media Finance PLC because group financial statements are prepared which disclose such fees on a consolidated basis.

The directors received no remuneration for qualifying services as directors of this company. All directors' remuneration is paid and disclosed in the group's financial statements.

13 Guarantees

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks. As at 31 December 2019, this comprised term facilities that amounted to £4,015 million (2018 - £3,564 million) and an outstanding balance of £nil (2018 - £nil) which was borrowed under revolving facilities of £1,000 million (2018 - £675 million). Borrowings under the facilities are secured against the assets of certain members of the group including those of this 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 secured credit facility. The amount outstanding under the senior secured notes at 31 December 2019 amounted to £4,491 million (2018 - £4,938 million). Borrowings under the notes are secured against the assets of certain members of the group including those of this company.

Furthermore, a fellow group undertaking has issued senior notes for which the company, along with certain fellow group undertakings, has guaranteed the notes on a senior subordinated basis. The amount outstanding under the senior notes as at 31 December 2019 amounted to approximately £1,194 million (2018 - £1,570 million).

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

14 Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Media Communications Limited.

The smallest and largest groups of which the company is a member and in to which the company's accounts were consolidated at 31 December 2019 are Virgin Media Finance PLC and Liberty Global plc, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2019 was Liberty Global plc.

Copies of group accounts referred to above which include the results of the company are available from the company secretary, Virgin Media, 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

In addition copies of the consolidated Liberty Global plc accounts are available on Liberty Global's website at www.libertyglobal.com or from the company secretary, Liberty Global plc, Griffin House, 161 Hammersmith Road, London, United Kingdom W6 8BS.

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15 Post Balance Sheet Events

COVID-19

In March 2020, the World Health Organisation declared the recent outbreak of a novel strain of coronavirus (COVID-19) to be a global pandemic. In response to the COVID-19 pandemic, emergency measures have been imposed by governments worldwide, including travel restrictions, restrictions on social activity and the shutdown of non-essential businesses.

These measures have adversely impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. While it is not currently possible to estimate the duration and severity of the COVID-19 pandemic or the adverse economic impact resulting from the preventative measures taken to contain or mitigate its outbreak, an extended period of global economic disruption could have a material adverse impact on our business, financial condition and results of operations in future periods.

Pending joint venture transaction

On 7 May 2020, Liberty Global entered into a Contribution Agreement with, among others, Telefonica, SA (Telefonica). Pursuant to this agreement, Liberty Global and Telefonica agreed to form a 50:50 joint venture, which will combine Virgin Media's operations in the UK with Telefonica's mobile business in the UK to create a nationwide integrated communications provider.

The completion of this transaction is subject to certain conditions, including competition clearance by the applicable regulatory authorities. It is anticipated that the transaction will close around the middle of 2021. The Contribution Agreement also includes customary termination rights, including a right of the parties to terminate the agreement if the transaction has not closed within twenty-four months following the date of the agreement, which may be extended by six months under certain circumstances.

Financing transactions

In June 2020, Virgin Media completed various financing transactions, as further described below.

Senior notes transactions

The company issued 2030 senior notes with principal amounts of \$675 million. The net proceeds, together with the May 2020 proceeds were used to redeem in full €460 million and \$388.7 million outstanding principal amount of 2025 senior notes.

The company issued an additional 2030 senior notes with principal amounts of \$250 million €500 million. The net proceeds from the issuance of these notes were used (1) to redeem in full \$497 million outstanding principal amounts of existing 2024 senior notes and \$123.1 million and £44.1 million outstanding principal amounts of existing 2022 senior notes and (2) for general corporate purposes.

The new secured notes rank pari-passu with the group's existing secured notes and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing secured notes.