Registered number: 07108352

# VIRGIN MEDIA SECURED FINANCE PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

## VIRGIN MEDIA SECURED FINANCE PLC

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | M O Hfizi<br>R G McNeil<br>S-P Pascu<br>C B E Withers |
| **Company secretary** | G E James |
| **Registered number** | 07108352 |
| **Registered office** | 500 Brook Drive<br>Reading<br>United Kingdom<br>RG2 6UU |

VIRGIN MEDIA SECURED FINANCE PLC

CONTENTS

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 DECEMBER 2019

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

### Results and dividends

The loss for the year, after tax, amounted to £63,130,000 (2018 - profit £20,358,000).

The directors have not recommended an ordinary dividend (2018 - £nil)

### Directors

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 O Hfizi
R G McNeil (appointed 9 March 2020)
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.

### Going concern

After making suitable enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. Consideration of the potential impact of COVID-19 has not altered this conclusion

### Audit exemption

Virgin Media Finance PLC issued a guarantee against all outstanding liabilities to which the company is subject as at 31 December 2019, until they are satisfied in full. The guarantee is enforceable against Virgin Media Finance PLC by any person to whom the company is liable in respect of those liabilities. Since Virgin Media Finance PLC is the smallest group to which the company's accounts are consolidated, the company has taken advantage of the exemption from audit of its individual accounts for the year ended 31 December 2019 by virtue of section 479A of the Companies Act 2006.

### Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

### 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

### Virgin Media financing transactions

In June 2020, the company 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 and (3) £80 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.

## DIRECTORS' REPORT (CONTINUED)
## FOR THE YEAR ENDED 31 DECEMBER 2019

This report was approved by the board on September 2020 and signed on its behalf.

**C B E Withers**
Director

# DIRECTORS' RESPONSIBILITIES STATEMENT
# FOR THE YEAR ENDED 31 DECEMBER 2019

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

*Company law requires the directors to prepare non-audited financial statements for each financial year. Under that law they have elected* to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these non-audited financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 company and to prevent and detect fraud and other irregularities.

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019<br>£000 | 2018<br>£000 |
|---|---|---|---|
| Administrative income/(expenses) | | **116,606** | (44.361) |
| **Operating profit/(loss)** | 4 | **116,606** | (44.361) |
| Other interest receivable and similar income | 6 | **265,019** | 343.058 |
| Interest payable and similar expenses | 7 | **(439,975)** | (275.638) |
| **(Loss)/profit before tax** | | **(58,350)** | 23.059 |
| Tax on (loss)/profit | 8 | **(4,780)** | (2.701) |
| **(Loss)/profit for the year** | | **(63,130)** | 20.358 |

The notes on pages 7 to 20 form part of these financial statements.

There was no other comprehensive income or expenditure for 2019 or 2018 other than that included in the profit and loss account.

All results were derived from continuing operations.

## BALANCE SHEET
## AS AT 31 DECEMBER 2019

| | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| **Current assets** | | | |
| Debtors due after one year | 9 | **4,446,388** | 5.263.783 |
| Debtors due within one year | 9 | **222,035** | 841.408 |
| Cash at bank and in hand | | **8** | - |
| | | **4,668,431** | 6.105.191 |
| **Creditors: amounts falling due within one year** | 10 | **(130,785)** | (997.342) |
| **Net current assets** | | **4,537,646** | 5.107 849 |
| **Total assets less current liabilities** | | **4,537,646** | 5.107.849 |
| **Creditors: amounts falling due after more than one year** | 11 | **(4,478,791)** | (4.986.760) |
| Deferred taxation | 13 | **(896)** | - |
| **Net assets** | | **57,959** | 121.089 |
| **Capital and reserves** | | | |
| Share capital | 14 | **50** | 50 |
| Retained earnings | 15 | **57,909** | 121.039 |
| **Shareholder's funds** | | **57,959** | 121.089 |

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The company's financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

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

**R G McNeil**
Director

The notes on pages 7 to 20 form part of these financial statements.

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

| | Share capital | Retained earnings | Shareholder's funds |
|---|---|---|---|
| | £000 | £000 | £000 |
| At 1 January 2019 | 50 | 121,039 | 121,089 |
| **Comprehensive income for the year** | | | |
| Loss for the year | - | (63,130) | (63,130) |
| **At 31 December 2019** | 50 | 57,909 | 57,959 |

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

| | Share capital | Retained earnings | Shareholder's funds |
|---|---|---|---|
| | £000 | £000 | £000 |
| At 1 January 2018 | 50 | 100,681 | 100,731 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 20,358 | 20,358 |
| **At 31 December 2018** | 50 | 121,039 | 121,089 |

The notes on pages 7 to 20 form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2019

1. **Company information**

Virgin Media Secured Finance PLC (the "company") is a public limited company incorporated, domiciled and registered in the UK. The registered number is 07108352 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 have been prepared on a going concern basis, and under the historical cost basis in accordance with the Companies Act 2006 and 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 intermediate parent undertaking, Virgin Media Finance PLC includes the company in its consolidated financial statements The consolidated financial statements of Virgin Media Finance PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes,
- comparative period reconciliations for share capital;
- 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 Virgin Media Finance PLC include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

## 2. Accounting policies (continued)

### 2.2 Going concern

The financial statements have been approved on the assumption 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.

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. The group has indicated its intention to continue to make such funds available to the company as are needed

Whilst the detailed cash flow forecasts are prepared at the group level, the directors have also assessed the position of the company. 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.

### 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. Accounting policies (continued)

### 2.4 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 of 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 tax authority.

### 2.5 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. Where finance costs are incurred for borrowing facilities that may not be drawn, the costs are shown as financial assets within debtors. Deferred finance costs are amortised over the term of the related debt using the effective interest method.

**2. Accounting policies (continued)**

**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.

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 IAS 39, 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.

## 2. Accounting policies (continued)

### 2.7 Trade and other debtors

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

## 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:

***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

***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.

***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 12).

## 4. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting):

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Net gain/(loss) on foreign currency translation | **116,685** | (44,309) |

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

## 5. Staff costs

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

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 DECEMBER 2019

## 6. Other interest receivable and similar income

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Interest on amounts owed by group undertakings | **264,986** | 272.651 |
| Gain on derivative financial instruments | **-** | 68.908 |
| Bank interest receivable and other finance income | **33** | 1.499 |
| | **265,019** | 343.058 |

The loss on derivative instruments relates to fair value movements recorded within the profit and loss account.

## 7. Interest payable and similar expenses

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Interest payable and other finance costs on senior secured notes | **274,381** | 273.111 |
| Interest on amounts owed to group undertakings | **-** | 2.296 |
| Loss on derivative financial instruments | **9,373** | - |
| Loss on debt extinguishment | **156,221** | 231 |
| | **439,975** | 275.638 |

## 8. Tax on (loss)/profit

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| **Current tax** | - | - |
| **Total current tax** | - | - |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 4,780 | 2,701 |
| **Total deferred tax** | 4,780 | 2,701 |
| **Tax on (loss)/profit** | 4,780 | 2,701 |

*The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19.00% (2018 -* 19.00%). The differences are explained below:

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | (58,350) | 23,059 |
| (Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%) | (11,087) | 4,381 |
| **Effects of:** | | |
| Group relief surrendered/(claimed) without payment | 16,430 | (1,363) |
| Other timing differences | (563) | (317) |
| **Total tax charge for the year** | 4,780 | 2,701 |

### Factors affecting current and future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax assets and liabilities have been calculated using the rate of 17% as at the current balance sheet date (2018 – 17%).

In the 11 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 Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £105,000.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2019

### 9. Debtors

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Due after one year** | | |
| Amounts owed by group undertakings | **4,332,183** | 5.071.574 |
| Deferred tax asset (note 13) | **-** | 3.884 |
| Derivative financial instruments (note 12) | **114,205** | 188,325 |
| | **4,446,388** | 5.263.783 |

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Due within one year** | | |
| Amounts owed by group undertakings | **208,917** | 827.607 |
| Derivative financial instruments (note 12) | **13,118** | 13.801 |
| | **222,035** | 841.408 |

The analysis of amounts owed by group undertakings is:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Loans advanced to group undertakings | **4,514,814** | 5,739.433 |
| Other amounts owed to group undertakings | **26,286** | 159.748 |
| | **4,541,100** | 5.899.181 |

The amounts owed by group undertakings due after one year. comprise loan notes which incur interest within the range of rates of 4.64% to 5.63% (2018 - 5.31% to 5 58%) and are repayable between the period January 2025 to April 2026

*With the exception of the amounts due after one year. loans advanced to group undertakings are repayable on demand but are not* expected to be recovered in full within one year

Other amounts owed by group undertakings are unsecured and amounts due within one year are repayable on demand

**10. *Creditors: amounts falling due within one year***

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Amounts owed to group undertakings | **61,180** | 886.646 |
| Interest payable on senior secured notes | **69,183** | 110.696 |
| Derivative financial instruments (note 12) | **422** | - |
| | **130,785** | 997.342 |

The analysis of amounts owed to group undertakings is:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Loans advanced by group undertakings | - | 827.331 |
| Other amounts owed to group undertakings | **61,180** | 59.315 |
| | **61,180** | 886.646 |

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

## 11. Creditors: amounts falling due after more than one year

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Senior secured notes | **4,471,776** | 4.986.760 |
| *Derivative financial instruments (note 12)* | ***7,015*** | - |
| | **4,478,791** | 4.986.760 |

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Amounts falling due between one and five years** | | |
| 5.25% senior secured notes due 2021 (principal at maturity $448 million) | - | 402 708 |
| 5.5% senior secured notes due 2021 (principal at maturity £107 million) | - | 125.674 |
| **Amounts falling due more than after five years** | | |
| 5.5% senior notes due 2025 (principal at maturity $425 million) | - | 278.126 |
| 5.5% senior secured notes due 2025 (principal at maturity £387 million) | - | 387.000 |
| 5.125% senior secured notes due 2025 (principal at maturity £300 million) | - | 300.000 |
| 5.25% senior notes due 2026 (principal at maturity $1.000 million) | - | 787.373 |
| 4.875% senior secured notes due 2027 (principal at maturity £525 million) | **525,000** | 525.000 |
| 6.25% senior secured notes due 2029 (principal at maturity £360 million) | **361,981** | 402.374 |
| 5.5% senior secured notes due 2026 (principal at maturity $750 million) | **565,483** | 588.420 |
| 5.0% senior secured notes due 2027 (principal at maturity £675 million) | **675,000** | 675.000 |
| 6.0% senior secured notes due 2025 (principal at maturity £521 million) | **540,116** | 533.241 |
| 5.5% senior secured notes due 2029 (principal at maturity $1.425 million) | **1,081,941** | - |
| 5.25% senior secured notes due 2029 (principal at maturity £340 million) | **341,160** | - |
| 4.25% senior secured notes due 2030 (principal at maturity £400 million) | **400,000** | - |
| **Carrying value of bank and other borrowings** | **4,490,681** | 5.004.916 |
| Less: issue costs | **(18,905)** | (18.156) |
| **Senior secured notes** | **4,471,776** | 4.986.760 |

The senior secured notes due January 2021 were held at fair value, all other notes are held at historical cost.

In May 2019 the company issued 2029 senior secured notes with principal amounts of £300 million and $825 million 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. The net proceeds were used to redeem in full £387 0 million and $354.5 million outstanding principal amounts of existing 2025 senior secured and secured notes.

In July 2019. the company issued an additional $600 0 million (£452 4 million) principal amount of 2029 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 senior secured notes and (ii) £107.1 million outstanding principal amount under the senior secured notes. In August 2019. the company issued an additional £40.0 million principal amount of 2029 5.25% 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 6.25% senior secured notes.

## 12. Financial instruments

| | **2019** **£000** | 2018 £000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets measured at amortised cost | **4,541,100** | 5.899.181 |
| Financial assets measured at fair value through profit or loss | **127,323** | 202.126 |
| | **4,668,423** | 6 101.307 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | **4,602,139** | 5.455.720 |
| Financial instruments measured at fair value through profit or loss | **7,437** | 528.382 |
| | **4,609,576** | 5.984.102 |

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

Financial assets measured at fair value through profit or loss comprise cash at bank and derivative financial instruments. Financial liabilities measured at amortised cost comprise senior secured notes not measured at fair value through profit or loss. issue costs of all senior secured notes. interest payable on senior secured notes. amounts owed to group undertakings. accruals and deferred income

Financial liabilities measured at fair value through profit or loss comprise senior secured notes which are fair value hedged. this included $448 million 5.25% due 2021 and sterling 107 million 5.5% due 2021. These were settled in May 2019.

The group manages its treasury operations on a group basis and consequently derivative financial instruments are designed to mitigate the risks experienced by the group as a whole rather than a specific company The group has obligations in a combination of US dollars and sterling at fixed and variable interest rates. As a result. the group is exposed to volatility 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 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.

The fair values of derivative financial instruments recognised in the balance sheet of the company are as follows:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Non current assets (note 9)** | | |
| Cross currency swaps | **110,387** | 188.325 |
| Interest rate swaps | **3,818** | - |
| **Current assets (note 9)** | | |
| Cross currency swaps | **13,118** | 13.801 |
| **Non current liabilities (note 11)** | | |
| Cross currency swaps | **(6,039)** | - |
| Interest rate swaps | **(976)** | - |
| **Current liabilites (note 10)** | | |
| Interest rate swaps | **(422)** | - |
| **Aggregate net fair value of derivative financial instruments** | **119,886** | 202.126 |

**Cross currency swaps**

The company has entered into cross currency swaps with principal amounts of $1.420 million (2018 - $1.355 million).

The terms of the outstanding cross currency swaps that are used to mitigate the foreign exchange and interest rate risk relating to the pound sterling value of interest payments on US dollar denominated senior notes at 31 December 2019 were as follows:

| Final maturity date | Hedge type | Notional amount due from counterparty $000 | Notional amount due to counterparty £000 | Weighted average interest rate due from counterparty | Weighted average interest rate due to counterparty |
|---|---|---|---|---|---|
| May 2027 | Not designated | 420.000 | 323.200 | 5.500% | LIBOR+3.24% |
| April 2023 | Not designated | 1.000.000 | 641.313 | 6.375% | 6.000% |
| | | 1.420.000 | 964.513 | | |

**Interest rate swaps**

At 31 December 2019, the company had outstanding interest rate swap agreements to manage the exposure to volatility in future cash flows on interest payments, which accrue on a variable basis based on LIBOR.

The terms of the outstanding interest rate swaps that are used to mitigate the foreign exchange and interest rate risk relating to the pound sterling value of interest payments on US dollar denominated senior notes at 31 December 2019 were as follows:

| Final maturity date | Hedge type | Notional amount due from counterparty 000 | Notional amount due to counterparty 000 | Weighted average interest rate due from counterparty | Weighted average interest rate due to counterparty |
|---|---|---|---|---|---|
| May 2023 | Not designated | £146 000 | £146.000 | 1.1125% | LIBOR+0.00% |
| January 2025 | Not designated | $354.500 | $354.500 | 2.2669% | LIBOR+0.00% |

## 13. Deferred tax

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| At 1 January 2019 | 3,884 | 6.585 |
| Charged to profit or loss | (4,780) | (2.701) |
| **At 31 December 2019** | (896) | 3.884 |

The deferred tax (liability)/asset is made up as follows:

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Short term temporary timing differences | (896) | 3.884 |

## 14. Share capital

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 50.000 (2018 - 50.000) Ordinary shares of £1 each | 50,000 | 50.000 |

## 15. Retained earnings

Includes all current and prior year retained profits and losses net of dividends paid.

## 16. 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

## 17. Parent undertaking and controlling party

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

## 18. 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 financing transactions

In June 2020, the company 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 and (3) £80 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.