

Registered number: 09058868

VIRGIN MEDIA MOBILE FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



VIRGIN MEDIA MOBILE FINANCE LIMITED

COMPANY INFORMATION

Directors	D Higgins R G McNeil S-P Pascu C B E Withers
Company secretary	G E James
Registered number	09058868
Registered office	500 Brook Drive Reading United Kingdom RG2 6UU
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

VIRGIN MEDIA MOBILE FINANCE LIMITED

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VIRGIN MEDIA MOBILE FINANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Principal activities and business review

The principal activity of the company during the year was, and will continue to be, the provision of financing to UK customers to facilitate the purchase of mobile handsets which are supplied to customers by Virgin Mobile Telecoms Limited, a fellow group undertaking.

The company has entered into a securitisation agreement with a maximum commitment of £200 million, secured against certain of its loan assets. The Variable Funding Notes (VFN's) are issued by VM Receivables Financing PLC, a company outside of the Virgin Media group, but which is reported within the company's results and balance sheet as a result of the variable interest created by the securitisation arrangement in which the company is the primary beneficiary.

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).

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

At 31 December 2019, the group provided services to 6 million residential cable customers on its network. The group is also one of the largest MVNO by number of customers, providing 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 U.K. 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.

Key performance indicators (KPIs)

The company's key financial and other performance indicators for the year are considered below:

	2019 £000	2018 £000	Commentary
Revenue	22,951	22,310	Revenue has increased by 2.9% driven by higher handset prices, in respect of the periods that revenue is recognised and the effective rate of the discount released.
Operating profit	11,229	10,460	Operating profit has increased in line with revenue and as a result of no exceptional costs being incurred.

The company reported an increase in both net current assets and net assets for the year ended 31 December 2019 as a result of normal operations. There was no movement in the called up equity share capital of the company.

Selected statistics for the company at 31 December 2019 and 31 December 2018 are shown in the table below:

	2019	2018
Number of loans at 31 December	840,111	852,599
Average loan value added (£)	661	672

VIRGIN MEDIA MOBILE FINANCE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

Financial and operational risk management is undertaken as part of the group operations as a whole. The company's operations expose it to a variety of operational and financial risks. These are considered in more detail in the Annual Report of Virgin Media Inc. which is available from the company secretary at Virgin Media, 500 Brook Drive, Reading, United Kingdom, RG2 6UU and are available at Liberty Global's website at www.libertyglobal.com.

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.

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 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.

Post balance sheet events

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.

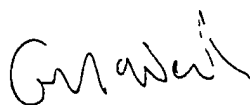
VIRGIN MEDIA MOBILE FINANCE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 Annual Report for 2019, which is available from the company secretary at Virgin Media, 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

This report was approved by the board and signed on 24 June 2020 and signed on its behalf.



R G McNeil
Director

VIRGIN MEDIA MOBILE FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Results and dividends

The profit for the year, after tax, amounted to £4,322,000 (2018 - £4,168,000).

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)

D Higgins (appointed 2 January 2019)

G R McNeil (appointed 9 March 2020)

S-P Pascu (appointed 3 March 2020)

H A Vollmer (resigned 2 January 2019)

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.

Disclosure of information to the auditor

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

Auditor

The auditor, KPMG LLP, will be reappointed under section 487(2) of the Companies Act 2006.

This report was approved by the board on 24 June 2020 and signed on its behalf.



C B E Withers
Director

VIRGIN MEDIA MOBILE FINANCE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic report, the Directors' report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

VIRGIN MEDIA MOBILE FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MEDIA MOBILE FINANCE LIMITED

Opinion

We have audited the financial statements of Virgin Media Mobile Finance Limited ("the company") for the year ended 31 December 2019 which comprise the Strategic report, the Directors' report, Profit and Loss account, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*, and
- 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 company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company'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 its 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").

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. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

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

VIRGIN MEDIA MOBILE FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MEDIA MOBILE FINANCE LIMITED (CONTINUED)

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

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

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



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

25 June 2020

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

	Note	2019 £000	2018 £000
Turnover		22,951	22,310
Gross profit		22,951	22,310
Administrative expenses		(11,722)	(11,621)
Exceptional administrative expenses	4	-	(229)
Operating profit	4	11,229	10,460
Other interest receivable and similar income	7	19	-
Interest payable and similar expenses	8	(6,899)	(6,261)
Profit before tax		4,349	4,199
Tax on profit	9	(27)	(31)
Profit for year		4,322	4,168

The notes on pages 11 to 23 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.

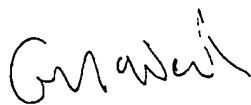
All results were derived from continuing operations.

VIRGIN MEDIA MOBILE FINANCE LIMITED
REGISTERED NUMBER:09058868

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	10	46	-
Current assets			
Debtors due after one year	11	168,665	150,880
Debtors due within one year	11	152,989	140,199
Cash at bank and in hand		553	492
		<u>322,207</u>	<u>291,571</u>
Creditors: amounts falling due within one year	12	(2,204)	(1,431)
Net current assets		<u>320,003</u>	<u>290,140</u>
Total assets less current liabilities		<u>320,049</u>	<u>290,140</u>
Creditors: amounts falling due after more than one year	13	(281,076)	(255,489)
Net assets		<u><u>38,973</u></u>	<u><u>34,651</u></u>
Capital and reserves			
Share capital	16	-	-
Share premium account	17	20,000	20,000
Retained earnings	17	18,973	14,651
Total shareholder's funds		<u><u>38,973</u></u>	<u><u>34,651</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 June 2020.



R G McNeil
Director

The notes on pages 11 to 23 form part of these financial statements.

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

	Share capital	Share premium account	Retained earnings	Total shareholder's funds
	£000	£000	£000	£000
At 1 January 2019	-	20,000	14,651	34,651
Comprehensive income for the year				
Profit for the financial year	-	-	4,322	4,322
At 31 December 2019	-	20,000	18,973	38,973

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

	Share capital	Share premium account	Retained earnings	Total shareholder's funds
	£000	£000	£000	£000
At 1 January 2018	-	20,000	10,483	30,483
Comprehensive income for the year				
Profit for the financial year	-	-	4,168	4,168
At 31 December 2018	-	20,000	14,651	34,651

The notes on pages 11 to 23 form part of these financial statements.

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

1. Company information

Virgin Media Mobile Finance Limited (the "company") is a private company incorporated, domiciled and registered in the UK. The registered number is 09058868 and the registered address is 500 Brook Drive, Reading 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 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:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and intangible assets;
- disclosures in respect of 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 Liberty Global 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, the disclosures required by IFRS 7 Financial Instrument Disclosures and disclosures required by IFRS 15 Revenue from Contracts with Customers.

2.2 Going concern

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. 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, 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 company's cash requirements through to at least 12 months from the approval of these financial statements.

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

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

2. Accounting policies (continued)

2.3 Revenue recognition

Loan assets are financial instruments that are measured at amortised cost. As per IFRS 9 the company classifies its financial assets at amortised cost (and are not designated as 'fair value through profit or loss' (FVPL)), as the assets are held with the objective to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition the loan assets are measured at amortised cost using the effective interest rate (EIR) method. The interest income is recorded as turnover in the financial statements. The EIR is the rate that discounts estimated future loan cash receipts through the expected life of the loan asset. The EIR is determined at the time of purchase of the loans and then reassessed and adjusted after the purchase of the loans to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. When an individual portfolio's carrying value is completely recovered, we recognise any subsequent collections as turnover as it is received.

Loan assets are analysed between falling due within one year and after one year in the balance sheet. The current asset is determined using the expected cash flows arising in the 12 months after the balance sheet date. The residual amount is classified as due after one year.

2.4 Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

2.5 Borrowing costs

All borrowing costs are recognised in retained earnings in the year in which they are incurred.

2.6 Impairment of loan assets

Loan assets are measured at amortised cost. Therefore impairment is assessed using the general approach to measuring expected credit losses (ECL). The company measures loss allowances at an amount equal to 12 month ECLs.

2.7 Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

2.8 Restricted cash

Restricted cash represents funds held by the company in bank accounts which cannot be withdrawn until certain conditions have been fulfilled. The aggregate restricted funds balance is disclosed by way of a note to these financial statements and is classified as a current asset based on the estimated remaining length of the restriction.

2.9 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such costs include those directly attributable to making the asset capable of operating as intended.

IT software costs are capitalised and amortised on a straight-line basis up to a maximum of five years.

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

2. Accounting policies (continued)

2.10 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.

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

2. Accounting policies (continued)

2.11 Derivative financial instruments

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.

An interest rate cap agreement has been entered into to cap the interest rate on the *Variable Funding Notes (VFNs)* at a maximum level but allowing the benefits from decreases in market interest rates below this level.

The interest rate cap is 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.

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.

2.12 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.

The company has entered into a securitisation agreement against certain of its loan assets. The loan assets were transferred to VM Receivables Financing PLC (VMRF), which funded this purchase through the issue of Variable Funding Notes ("VFN").

In 2017, the purchase of the loan assets was funded by Series 2016-1 VFN-1 Class A, which was issued to a third party, and Series 2016-1 VFN-1 Class B, which was issued to the company. This arrangement created a variable interest in which the company continued to recognise its loan assets and the VFN issued by VMRF. In July 2018, Series 2016-1 VFN-1 Class A and Series 2016-1 VFN-1 Class B were fully redeemed.

From July 2018, the purchase of the loan assets has been funded by Series 2018-1 VFN-1 Class A and Class B, which were issued to a third party, and Series 2018-1 VFN-1 Class C, which was issued to the company. This arrangement created a variable interest in which the company is the primary beneficiary, and accordingly the company has continued to recognise its loan assets and the VFN issued by VMRF.

The company retains substantially all of risks and rewards of ownership of the loan assets, therefore the asset would not meet the criteria for derecognition under IFRS 9.

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

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:

Estimation of future cash flows

Estimates of future cash flows are key elements of our revenue recognition and impairment of loan asset policies.

Revenue from loan assets is calculated using the EIR method. The EIR is determined at the time of purchase of the loans and then subsequently reassessed and adjusted to reflect refinements made to our estimates of future cash flows.

Adverse changes to estimates of future cash flows are a key indication of impairment of the carrying value of loan assets. Estimates of future cash flows are used in the calculation of the amount of any required impairment.

Estimates of future cash flows are based on the current ageing of loan assets, prior collection experience and future expectations of conditions that might impact recoverability. Estimates of future cash flows are reviewed on a regular basis.

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 14).

4. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Loss on debt extinguishment of Series 2016 VFN-1 Class A	-	229
Exceptional administrative expense		229
Amortisation of intangible assets	3	-

The exceptional administrative expense is made up as follows:

In July 2018 the company incurred a loss on debt extinguishment of £229,000 due to the redemption of Series 2016 VFN-1 Class A.

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

Certain expenses are specifically attributable to the company. Where costs are incurred by other group companies on behalf of the company, expenses are allocated to the company on a basis that, in the opinion of the directors, is reasonable.

5. Auditor's remuneration

Auditor's remuneration of £10,000 (2018 - £10,000) represents costs allocated to the company by fellow group undertakings that pay all auditor's remuneration on behalf of the group.

VIRGIN MEDIA MOBILE FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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6. Staff costs

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

7. Other interest receivable and similar income

	2019 £000	2018 £000
Other interest receivable	19	-
	<u>19</u>	<u>-</u>

8. Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on VFN	5,029	3,536
Interest on amounts owed to group undertakings	1,870	2,725
	<u>6,899</u>	<u>6,261</u>

9. Taxation

	2019 £000	2018 £000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Deferred tax	27	31
Total deferred tax	<u>27</u>	<u>31</u>
Tax on profit	<u>27</u>	<u>31</u>

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower 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 £000	2018 £000
Profit on ordinary activities before tax	4,349	4,199
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	826	798
Effects of:		
Changes in rate	(3)	(4)
Group relief claimed without payment	(796)	(763)
Total tax charge for the year	27	31

Factors that may affect 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 asset would have decreased by £14,000.

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

10. Intangible assets

	IT software £000
Cost	
Additions	49
At 31 December 2019	49
Amortisation	
Charge for the year	3
At 31 December 2019	3
Net book value	
At 31 December 2019	46
At 31 December 2018	-

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

11. Debtors

	2019 £000	2018 £000
Due after more than one year		
Loan assets	144,079	128,028
Series 2018 VFN-1 Class C	24,241	21,052
Derivative financial instruments	228	1,656
Deferred tax asset (note 15)	117	144
	<u>168,665</u>	<u>150,880</u>
	2019 £000	2018 £000
Due within one year		
Loan assets	150,399	133,165
Amounts owed by group undertakings	567	5,104
Other debtors	2,023	1,930
	<u>152,989</u>	<u>140,199</u>

Loan assets are repayable over the term of the loan, which is generally 24 or 36 months, and are stated net of provision for impairment.

The directors consider that there was no material difference between the carrying value and fair value of loan assets as at 31 December 2019.

Concentrations of credit risk with respect to loan assets are limited because of the large number of customers and their dispersion across geographic areas within the UK. Virgin Media performs credit checks on new customers and cash collections are continually monitored. The maximum credit risk exposure in relation to financial assets is £350,484,000 (2018 - £306,538,000).

Certain loans held in the company portfolio have been pledged as security in respect of the Series 2018 VFN-1 Class A and Class B.

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

Other debtors represents restricted cash.

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

12. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Accruals and deferred income	81	64
Amounts owed to group undertakings	2,123	1,367
	2,204	1,431

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

13. Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Series 2018-VFN Class A	189,842	168,733
Series 2018-VFN Class B	9,436	8,151
Series 2018-VFN Class C	24,241	21,052
Amounts owed to group undertakings	57,557	57,553
	281,076	255,489

In July 2018, Series 2018 VFN-1 Class A, Class B and Class C were issued in connection with the securitisation of certain off the company's loan assets. The maximum borrowing capacity under Series 2018 VFN-1 Class A was £190,692,000 and under Series 2018 VFN-1 Class B was £9,308,000 and the amount outstanding under these facilities at 31 December 2019, net of deferred finance costs was £199,278,000.

Series 2018 VFN-1 Class A

The Series 2018 VFN-1 Class A bears interest charges made up of a yield rate capped at 0.8947% and margin of 0.9000% on utilised amounts as well as 0.45% on unutilised amounts.

Series 2018 VFN-1 Class B

The Series 2018 VFN-1 Class B bears interest charges made up of a yield rate capped at 0.8947% and margin of 1.6000% on utilised amounts as well as 0.45% on unutilised amounts.

Series 2018 VFN-1 Class C

The Series 2018 VFN-1 Class C are non interest bearing.

The Series 2018 VFN-1 notes mature in July 2021 after which there is a 36 month amortisation period for settlement.

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

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

The analysis of amounts owed to group undertakings is:

	2019 £000	2018 £000
Loans advanced by group undertakings	56,661	57,152
Other amounts owed to group undertakings	896	401
	<u>57,557</u>	<u>57,553</u>

Loans advanced by group undertakings are unsecured, interest bearing at 3.93% and repayable in December 2021. Other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

14. Financial instruments

	2019 £000	2018 £000
Financial assets		
Financial assets measured at fair value through profit or loss	2,804	4,078
Financial assets that are debt instruments measured at amortised cost	319,286	287,349
	<u>322,090</u>	<u>291,427</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(283,280)	(256,920)

Financial assets measured at fair value through profit or loss comprise cash at bank, restricted cash and derivative financial instruments, relating to an interest cap agreement.

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

Financial liabilities measured at amortised cost comprise VFN Class A, B and C, accruals & deferred income and amounts owed to group undertakings.

An interest rate cap agreement has been entered into to cap the interest rate on the VFNs at a maximum level but allowing the benefits from decreases in market interest rates below this level. The notional amount of the interest rate cap was £200.0 million.

Derivative financial instruments are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

15. Deferred tax

	2019 £000	2018 £000
At 1 January	144	175
Charged to profit or loss	(27)	(31)
At 31 December	117	144

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Depreciation in excess of capital allowances	117	144

16. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1,020 (2018 - 1,020) Ordinary shares of £0.01 each	10	10

17. Reserves

Share premium account

Includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Retained earnings

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

18. Guarantees

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

VIRGIN MEDIA MOBILE FINANCE LIMITED

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

19. 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.

20. Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Media Inc.

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 group accounts referred to above which include the results of the company are available from the company secretary, Virgin Media, 500 Brook Drive, Reading 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.