Registered number: 09058868

VIRGIN MEDIA MOBILE FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

VIRGIN MEDIA MOBILE FINANCE LIMITED

COMPANY INFORMATION

Directors	R D Dunn D Higgins
Company secretary	G E James
Registered number	09058868
Registered office	Bartley Wood Business Park Hook Hampshire RG27 9UP
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

VIRGIN MEDIA MOBILE FINANCE LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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).

The group provides video, broadband internet, fixed-line telephony and mobile services in the UK and Ireland to both residential and business-to-business (B2B) customers. The group is one of the largest providers of video, broadband internet and fixed-line telephony services in terms of the number of customers in the UK and Ireland. The group believes its advanced, deep-fibre cable access network enables it to offer faster and higher quality broadband services than its digital subscriber line, or DSL, competitors. As a result, it provides its customers with a leading, next-generation broadband service and one of the most advanced interactive television services available in the UK and Irish markets.

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

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

At 31 December 2018, the group provided services to over 5.9 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 2.7 million contract mobile customers and 0.4 million prepay mobile customers over third party networks. At 31 December 2018, over 84% of residential customers on the group's cable network received multiple services and 63% were "triple-play" customers, receiving broadband internet, video and fixed-line telephony services from the group.

Liberty Global is the world's largest international TV and broadband company with operations in 10 European countries. Its substantial scale and commitment to innovation enables it to develop market-leading products delivered through next-generation networks that, as of 31 December 2018, connected over 21 million customers subscribing to 45 million television, broadband internet and telephony services. In addition at 31 December 2018, Liberty Global served over 6 million mobile subscribers.

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 financial statements of Virgin Media Inc. which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP and are available on Liberty Global's website at www.libertyglobal.com.

The UK referendum advising for the exit of the UK 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". Following the failure to reach a separation deal by the original deadline of 29 March 2019, the EU granted the UK an extension until 31 October 2019. Uncertainty remains as to what kind of separation agreement, if any, may be agreed and approved by the UK Parliament. It is possible that the UK will again fail to agree to a separation agreement with the EU by the new 31 October 2019 deadline which, in the absence of another extension, would require the UK to leave the EU under a so-called "hard Brexit" or "no-deal Brexit" without 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 Virgin Media 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;
- 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;
- 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.

Key performance indicators (KPIs)

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

	2018 £000	2017 £000	Commentary
Turnover	**22,310**	16,457	Turnover has increased by 35.6% driven by higher handset prices and the effective rate of the discount released.
Operating profit before exceptional items	**10,689**	5,461	Operating profit before exceptional items has increased by 101.3%, primarily due to an increase in turnover and an increase in operating expenses.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Selected statistics for the company at 31 December 2018 and 31 December 2017 are shown in the table below:

	2018	2017
Number of loans at 31 December	**852,599**	954,250
Average loan value added (£)	**672**	488

The company reported an increase in both net current assets and net assets for the year ended 31 December 2018 as a result of normal operations. There was no movement in the called up equity share capital of the company.

Future outlook

The directors will continue to review management policies in light of changing trading and market conditions. Further detail of the future outlook of the group is provided in Virgin Media Inc.'s financial statements and annual report for 2018, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

This report was approved by the board and signed on 17 June 2019 and signed on its behalf.

Robert D D

R D Dunn
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year, after tax, amounted to £4,168,000 (2017 - £1,480,000).

The directors have not recommended an ordinary dividend (2017 - £nil).

Directors

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

M K Davidson (appointed 1 September 2017, resigned 9 February 2018)
R D Dunn
D Higgins (appointed 2 January 2019)
H A Vollmer (appointed 26 February 2018, resigned 2 January 2019)

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.

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 is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

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

This report was approved by the board 17 June 2019 and signed on its behalf.

Robert D Dunn

R D Dunn
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER 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 2018 which comprise the Strategic report, the Directors' report, Profit and Loss account and Statement of Other Comprehensive Income, 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 2018 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 applicable in the UK and Republic or Ireland; 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effect unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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.

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.

KLEstrange

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

24 June 2019

PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Turnover		**22,310**	16,457
Gross profit		**22,310**	16,457
Administrative expenses		**(11,621)**	(10,996)
Exceptional administrative expenses		**(229)**	-
Operating profit	4	**10,460**	5,461
Interest payable and similar expenses	7	**(6,261)**	(4,042)
Profit before tax		**4,199**	1,419
Tax on profit	8	**(31)**	61
Profit for the year		**4,168**	1,480

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

There was no other comprehensive income or expenditure for 2018 or 2017 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 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	9	-	-
Current assets			
Debtors due after one year	10	**150,880**	96,119
Debtors due within one year	10	**140,199**	130,375
Cash at bank and in hand		**492**	558
		291,571	227,052
Creditors: amounts falling due within one year	11	**(1,431)**	(9,458)
Net current assets		**290,140**	217,594
Total assets less current liabilities		**290,140**	217,594
Creditors: amounts falling due after more than one year	12	**(255,489)**	(187,111)
Net assets		**34,651**	30,483
Capital and reserves			
Share capital	15	-	-
Share premium account	16	**20,000**	20,000
Profit and loss account	16	**14,651**	10,483
Shareholder's funds		**34,651**	30,483

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 June 2019.

Robert D Dunn

R D Dunn
Director

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

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

	Share capital	Share premium account	Profit and loss account	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 year	-	-	4,168	4,168
Total comprehensive income for the year	-	-	4,168	4,168
At 31 December 2018	-	20,000	14,651	34,651

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium account	Profit and loss account	Shareholder's funds
	£000	£000	£000	£000
At 1 January 2017	-	20,000	9,003	29,003
Comprehensive income for the year				
Profit for the year	-	-	1,480	1,480
Total comprehensive income for the year	-	-	1,480	1,480
At 31 December 2017	-	20,000	10,483	30,483

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

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 Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

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 and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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 and after making enquiries, 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.

2. Accounting policies (continued)

2.3 Revenue recognition

Loan assets are financial instruments that are measured at amortised cost using the effective interest rate (EIR) method. The EIR method is a method of calculating the amortised cost of a loan asset and of allocating interest income over the expressed life of the loan; the allocated 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 the profit and loss account in the year in which they are incurred.

2.6 Impairment of loan assets

Loans are reviewed for any possible indications of impairment at the balance sheet date. Where loans exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the asset. If the forecast loan collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the asset and is included in income.

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 depreciated on a straight-line basis up to a maximum of five years.

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

2. Accounting policies (continued)

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.

2.11 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. Accounting policies (continued)

2.12 Interest bearing loans and borrowings

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

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

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

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

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.

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.

Turnover 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.

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

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

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 13).

4. Operating profit

The operating profit is stated after charging:

	2018 £000	2017 £000
Loss on debt extinguishment of Series 2016 VFN-1 Class A	**229**	-
Amortisation of intangible assets	-	585

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 (2017 - £10,000) represents costs allocated to the company by fellow group undertakings that pay all auditor's remuneration on behalf of the group.

6. Staff costs

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

7. Interest payable and similar expenses

	2018 £000	2017 £000
Interest payable on VFN	**3,536**	2,380
Interest on amounts owed to group undertakings	**2,725**	1,662
	6,261	4,042

8. Tax on profit

	2018 £000	2017 £000
Current tax		
Total current tax	-	-
Deferred tax		
Deferred tax	31	(61)
Total deferred tax	31	(61)
Tax on profit	31	(61)

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit before tax	4,199	1,419
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	798	273
Effects of:		
Depreciation in excess of capital allowances	-	8
Changes in tax rates	(4)	-
Group relief claimed without payment	(763)	(342)
Total tax charge / (credit) for the year	31	(61)

Factors affecting current and future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities have been calculated using the now enacted rate of 17% (2017 – 17%).

9. Intangible assets

	IT software £000
Cost	
At 1 January 2018	**1,913**
At 31 December 2018	**1,913**
Amortisation	
At 1 January 2018	**1,913**
At 31 December 2018	**1,913**
Net book value	
At 31 December 2018	**-**
At 31 December 2017	-

10. Debtors

	2018 £000	2017 £000
Due after one year		
Loan assets	**128,028**	84,378
Series 2016 VFN-1 Class B	**-**	11,229
Series 2018 VFN-1 Class C	**21,052**	-
Derivative financial instruments	**1,656**	337
Deferred tax asset (note 14)	**144**	175
	150,880	96,119

	2018 £000	2017 £000
Due within one year		
Loan assets	**133,165**	129,157
Amounts owed by group undertakings	**5,104**	-
Other debtors	**1,930**	1,211
Derivative financial instruments	**-**	7
	140,199	130,375

The analysis of amounts owed by group undertakings is:

	2018 £000	2017 £000
Other amounts owed by group undertakings	**5,104**	-

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, where considered necessary.

The directors consider that there was no material difference between the carrying value and fair value of loan assets as at 31 December 2018.

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 £306,538,000 (2017 - £245,709,000).

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.

11. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Accruals and deferred income	**64**	89
Amounts owed to group undertakings	**1,367**	9,369
	1,431	9,458

The analysis of amounts owed to group undertakings is:

	2018 £000	2017 £000
Other amounts owed to group undertakings	**1,367**	9,369

Other amounts to group undertakings are unsecured, interest free and repayable on demand.

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

	2018 £000	2017 £000
Series 2016-VFN1 Class A	-	118,362
Series 2016-VFN1 Class B	-	11,229
Series 2018-VFN1 Class A	168,733	-
Series 2018-VFN1 Class B	8,151	-
Series 2018-VFN1 Class C	21,052	-
Amounts owed to group undertakings	57,553	57,520
	255,489	187,111

In November 2016, Series 2016 VFN-1 Class A and Class B were issued in connection with the securitisation of certain off the company's loan assets. The maximum borrowing capacity under Series 2016 VFN-1 Class A was £125,000,000 and the amount outstanding under this facility at 31 December 2018, net of deferred finance costs was £nil (2017 - £118,362,000).

In July 2018, Series 2016 VFN-1 Class A & B were fully redeemed.

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 £190,784,000 and under Series 2018 VFN-1 Class B was £9,216,000 and the amount outstanding under these facilities at 31 December 2018, net of deferred finance costs was £176,884,000.

Series 2016 VFN-1 Class A
The Series 2016 VFN-1 Class A bore interest charges made up of a yield rate capped at 0.9715% and margin of 0.9500% on utilised amounts as well as 0.4500% on unutilised amounts.

Series 2016 VFN-1 Class B
Under the terms of the securitisation arrangement the company was required to contribute to the funding of VMRF PLC via Series 2016 VFN-1 Class B to maintain certain specified asset ratios. The Series 2016 VFN-1 Class B were non interest bearing.

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 0.4500% 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 0.4500% on unutilised amounts.

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

The analysis of amounts owed to group undertakings is:

	2018 £000	2017 £000
Loans advanced by group undertakings	57,152	56,925
Other amounts owed to group undertakings	401	595
	57,553	57,520

Loans advanced by group undertakings are unsecured, interest bearing at 3.93% and repayable in December 2021.

13. Financial instruments

	2018 £000	2017 £000
Financial assets		
Financial assets measured at fair value through profit or loss	**4,078**	2,113
Financial assets that are debt instruments measured at amortised cost	**287,349**	224,764
	291,427	226,877
Financial liabilities		
Financial liabilities measured at amortised cost	**(256,920)**	(196,569)

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.

The derivative financial instruments held by the company are recorded at fair value on the balance sheet in accordance with IAS 39 "Financial instruments: recognition and measurement". 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.

14. Deferred tax

	2018 £000	2017 £000
At 1 January	**175**	114
(Credited) / charged to profit or loss	**(31)**	61
At 31 December	**144**	175

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Depreciation in excess of capital allowances	**144**	175

15. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,020 Ordinary shares of £0.01 each	**10**	10

16. 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.

Profit and loss account

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

17. Guarantees

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

18. 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 2018 are Virgin Media Inc. and Liberty Global plc, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2018 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, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

In addition copies of the consolidated Liberty Global plc accounts are available on Liberty Global's website at www.libertyglobal.com.