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Registered number: 01785381

VIRGIN MEDIA BUSINESS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

VIRGIN MEDIA BUSINESS LIMITED

COMPANY INFORMATION

Directors	M O Hifzi P J A Kelly R G McNeil S-P Pascu L Schüler C B E Withers
Company secretary	G E James
Registered number	01785381
Registered office	500 Brook Drive Reading United Kingdom RG2 6UU
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

VIRGIN MEDIA BUSINESS LIMITED

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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 marketing and sale of data telecommunication services and systems.

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

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

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

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

Liberty Global is an international provider of broadband internet, video, fixed-line telephony and mobile communications services to residential customers and businesses in Europe. Liberty Global's operations comprise businesses that provide residential and B2B communications services in (i) the 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 interest 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.

Principle risk 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 are 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;
- 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.

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.

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

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	**231,452**	237,607	Revenue has decreased by 2.6%, primarily due to a fall in sales of Internet Protocol Virtual Private Network (IPVPN) solutions and National Ethernet.
Operating profit	**50,141**	49,227	Operating profit has increased by 1.9%, primarily due to a decrease in costs recharged from fellow subsidiary companies.

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. During the year, no new external finance was arranged and there was no movement in the called up equity share capital of the company. Operations were financed through the company's inter-company balances with fellow group undertakings.

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.

Section 172 Statement

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

In line with group's goal of enhancing the long-term value for the benefit of its shareholders, the directors of the company have been elected by our shareholders to oversee the management of the company, to help assure that the interests of our shareholders are served. The following factors are considered as part of group operations as a whole, to maintain highest standards of corporate governance, essential to our business integrity and performance:

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

Consideration of these factors and other relevant matters is embedded into all Virgin Media group decision-making, strategy development and risk assessment throughout the year. Further information is considered in more detail in the Annual Report of Virgin Media Finance PLC 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 on 28 September 2020 and signed on its behalf.

R G McNeil
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

Results and dividends

The profit for the year, after tax, amounted to £56,537,000 (2018 - £55,449,000).

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

Directors

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

W T Castell (appointed 9 September 2019, resigned 9 March 2020)
R D Dunn (resigned 9 September 2019)
M O Hifzi
P J A Kelly (appointed 28 January 2019)
R G McNeil (appointed 9 March 2020)
A C Murray (appointed 18 July 2019, resigned 5 August 2019)
T Mockridge (resigned 11 June 2019)
L Schüler (appointed 14 June 2019)
S-P Pascu (appointed 3 March 2020)
C B E Withers (appointed 23 April 2020)

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

Going concern

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

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

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

This report was approved by the board on 28 September 2020 and signed on its behalf.

C B E Withers
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 MEMBERS OF VIRGIN MEDIA BUSINESS LIMITED

Opinion

We have audited the financial statements of Virgin Media Business 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.

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

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.
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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.

K L'Estrange

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
2 October 2020

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Revenue		**231,452**	237,607
Cost of sales		**(52,758)**	(54,075)
Gross profit		**178,694**	183,532
Administrative expenses		**(128,553)**	(134,305)
Operating profit	4	**50,141**	49,227
Other interest receivable and similar income	6	**7,163**	7,109
Interest payable and similar expenses	7	**-**	(328)
Profit before tax		**57,304**	56,008
Tax on profit	8	**(767)**	(559)
Profit for the year		**56,537**	55,449

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.

The notes on pages 11 to 21 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	9	**9,155**	6,643
Tangible assets	10	**171,704**	155,459
		180,859	162,102
Current assets			
Debtors due within one year	11	**251,115**	212,568
Finance lease receivable	12	**3,384**	-
Total current assets		**254,499**	212,568
Creditors: amounts falling due within one year	13	**(3,384)**	-
Net current assets		**251,115**	212,568
Total assets less current liabilities		**431,974**	374,670
Creditors: amounts falling due after more than one year	14	**(2,708)**	(1,941)
Net assets		**429,266**	372,729
Capital and reserves			
Share capital	15	**1**	1
Retained earnings	16	**429,265**	372,728
Total shareholder's funds		**429,266**	372,729

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

R G McNeil
Director

The notes on pages 11 to 21 form part of these financial statements.

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

	Share capital	Retained earnings	Total shareholder's funds
	£000	£000	£000
At 1 January 2019	1	372,728	372,729
Comprehensive income for the year			
Profit for the year	-	56,537	56,537
At 31 December 2019	1	429,265	429,266

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

	Share capital	Retained earnings	Total shareholder's funds
	£000	£000	£000
At 1 January 2018	1	317,279	317,280
Comprehensive income for the year			
Profit for the year	-	55,449	55,449
At 31 December 2018	1	372,728	372,729

The notes on pages 11 to 21 form part of these financial statements.

1. Company information

Virgin Media Business Limited (the "company") is a private company incorporated, domiciled and registered in the UK. The registered number is 01785381 and the registered address is 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

2. Accounting policies

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

2.1 Basis of accounting

These financial statements have been prepared on a going concern basis, and under the historical cost basis in accordance with the Companies Act 2006 and Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

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

The company's intermediate parent undertaking, Virgin Media Finance PLC includes the company in its consolidated financial statements. The consolidated financial statements of Virgin Media Finance PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

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

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible assets and intangible assets;
- disclosures in respect of related party transactions with fellow group undertakings;
- disclosures in respect of capital management;
- the effect of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel;
- disclosures of transactions with a management entity that provides key management personnel services to the company; and
- certain disclosures required by IFRS 15 Revenue from Contracts with Customers.

2.2 Going concern

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

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

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

Whilst the detailed cash flow forecasts are prepared at the group level, the directors have also assessed the position of the company. This assessment indicates that, taking account of reasonably possible downsides, the company will have sufficient resources, through funding from fellow subsidiary companies to meet its liabilities as they fall due for that period. Virgin Media Inc has indicated its intention to continue to make such funds available to the company as are needed.

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

2. Accounting policies (continued)

2.3 Revenue

Revenue represents the value of services provided, stated net of value added tax and discounts, and is attributable to continuing activities, being the provision of video, fixed-line telephony, broadband internet and other telecommunication services and to run certain telecommunication systems over which they are provided. All revenue is derived from operations in the United Kingdom and is recognised as the services are provided to customers. The directors consider this to be a single class of business.

Revenue recognition

Revenue is recognised to the extent that it is realised or realisable and earned. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT. The following criteria must also be met before revenue is recognised:

• persuasive evidence of an arrangement exists between the company and the company's customer;
• delivery has occurred or the service has been rendered;
• the price for the service is fixed or determinable; and
• recoverability is reasonably assured

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

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

Revenue line	Performance obligation	Revenue recognition policy
Installation and other upfront fees	When the group enters into contracts to provide services to customers, the group often charges installation and other upfront fees. The group is obliged to ensure it can supply services to the customer premise as per the customer contract. This includes cable plant and equipment installation at the customers premise. Installation is not considered as a separate performance obligation	The fees are recognised as revenue and amortised over the contractual period, or longer if the upfront fee results in a material renewal right.
B2B revenue	Provision of data, voice and network solution services, including the sale and maintenance of equipment to business customers. Installation charges are charged in relation to the provision of services. The group is obliged to provide the customer with the connectivity services and or equipment stipulated the customer contract. Installation is not considered as a separate performance obligation	The group defer upfront installation and certain nonrecurring fees received on business-to-business contracts where we maintain ownership of the installed equipment. The deferred fees are amortised into revenue on a straight-line basis, generally over the longer of the term of the arrangement or the expected period of performance.

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

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

2. Accounting policies (continued)

2.3 Revenue (continued)

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

Certain upfront costs associated with contracts that have substantive termination penalties and a term of one year or more are recognised as assets and amortised to operating costs and expenses over the applicable period benefited.

2.4 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Separately identifiable intangible assets, such as IT software, are amortised over their useful economic lives, up to a maximum of five years, on a straight line basis.

2.5 Tangible assets

Depreciation is provided on all tangible fixed assets, other than land, so as to write off the cost of a tangible fixed asset on a straight line basis over the expected useful economic life of that asset as follows:

Network assets	3 - 30 years
Other fixed assets:	
- Leasehold property	Period of lease
- Other	3-12 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

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

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

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

2.6 Trade and other debtors

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

The Group's trade and other receivables are non-interest bearing.

2.7 Finance lease receivable

The company has entered into lease agreements for the provision of dark fibre to third parties. It is considered that substantially all of the risks and rewards of the arrangements have been transferred to the lessee, therefore the lease arrangements are classified and accounted for as finance leases under IFRS 16 'Leases' which became effective as of 1 January 2019 and was adopted by the company on a prospective basis from this date. The company has not entered into lease arrangements as a lessor in previous years and so no adjustments were required to be made on adoption of IFRS 16.

2. Accounting policies (continued)

2.8 Deferred tax

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

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

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside of profit or loss.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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:

Property, plant and equipment
Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis at rates calculated to write off the cost of each asset over the shorter of its leasing period or estimated useful life. The estimation of an asset's useful economic life has a significant effect on the annual depreciation charge.

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.

4. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	**27,738**	28,102
Amortisation of intangible assets	**3,903**	1,700

Auditor's remuneration of £17,500 (2018 - £17,500) has been borne by a fellow group undertaking and not recharged.

The directors received no remuneration for the qualifying services as directors of this company. All directors' remuneration for those which were in office during 2019 and 2018 was paid by and disclosed in the financial statements of Virgin Media Limited.

Certain expenses are specifically attributed 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. Staff costs

The company does not have any directly employed staff but is charged an allocation of staff costs by the group. Details of staff numbers and staff costs of the group are disclosed in the group accounts of Virgin Media Finance PLC.

6. Other interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from group companies	**7,163**	7,109

7. Interest payable and similar expenses

	2019 £000	2018 £000
Other finance charges	**-**	328

8. Tax on profit

	2019 £000	2018 £000
Current tax		
Total current tax	**-**	-
Deferred tax		
Origination and reversal of temporary differences	**767**	559
Total deferred tax	**767**	559
Tax on profit	**767**	559

8. Tax on profit (continued)

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 before tax	**57,304**	56,008
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	**10,888**	10,642
Effects of:		
Changes in tax rates	**(90)**	(64)
Group relief surrendered without payment	**(10,031)**	(10,029)
Adjustment in respect of prior periods	**-**	10
Total tax charge for the year	**767**	559

Factors affecting current and future tax charges

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

In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £319,000.

9. Intangible assets

	IT software £000
Cost	
At 1 January 2019	**9,007**
Additions	**6,415**
At 31 December 2019	**15,422**
Amortisation	
At 1 January 2019	**2,364**
Charge for the year	**3,903**
At 31 December 2019	**6,267**
Net book value	
At 31 December 2019	**9,155**
At 31 December 2018	6,643

10. Tangible assets

	Network assets £000	Other £000	Total £000
Cost or valuation			
At 1 January 2019	285,547	6,355	291,902
Additions	43,341	643	43,984
Disposals	(23,918)	(416)	(24,334)
At 31 December 2019	304,970	6,582	311,552
Depreciation			
At 1 January 2019	133,100	3,343	136,443
Charge for the year on owned assets	26,464	1,274	27,738
Disposals	(23,918)	(415)	(24,333)
At 31 December 2019	135,646	4,202	139,848
Net book value			
At 31 December 2019	169,324	2,380	171,704
At 31 December 2018	152,447	3,012	155,459

11. Debtors due within one year

	2019 £000	2018 £000
Due within one year		
Amounts owed by group undertakings	251,115	212,568

11. Debtors due within one year (continued)

The analysis of amounts owed by group undertakings is:

	2019 £000	2018 £000
Loans advanced to group undertakings	**165,470**	158,306
Other amounts owed by group undertakings	**85,645**	54,262
	251,115	212,568

Amounts owed by group undertakings due within one year include loan notes which had a carrying value of £165,740,000 (2018 - £158,306,000) at the balance sheet date. Loan notes are denominated in sterling, which bear interest of 4.6%, and are repayable on demand.

Other amounts owed by group undertakings are unsecured and repayable on demand.

12. Finance lease receivable

During the year, the company entered into finance lease agreements as a lessor. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2019 £000	2018 £000
Finance lease receivable	**3,384**	-

13. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to group undertakings	**3,384**	-

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

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

	2019 £000	2018 £000
Deferred tax		
At 1 January	**1,941**	1,382
Charged to the profit and loss account	**767**	559
At 31 December	**2,708**	1,941

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

The deferred tax liability is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	**2,708**	1,941

15. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1,000 Ordinary shares fully paid of £1 each	**1,000**	1,000

16. Retained earnings

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

17. Guarantees

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

In addition, a fellow group undertaking has issued senior secured notes which, subject to certain exceptions, share the same guarantees and security which have been granted in favour of the senior secured credit facility. The amount outstanding under the senior secured notes at 31 December 2019 amounted to £4,491 million (2018 - £4,938 million). Borrowings under the notes are secured against the assets of certain members of the group including those of this company.

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

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

18. Parent undertaking and controlling party

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

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

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

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

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

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.