

Registered number: 11118162

VIRGIN MEDIA OPERATIONS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



VIRGIN MEDIA OPERATIONS LIMITED

COMPANY INFORMATION

Directors

M O Hifzi
R G McNeil
S-P Pascu
L M Schuler
C B E Withers

Company secretary

G E James

Registered number

11118162

Registered office

500 Brook Drive
Reading
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RG2 6UU

VIRGIN MEDIA OPERATIONS LIMITED

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VIRGIN MEDIA OPERATIONS LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Principal activities and business review

The principal activity of the company during the period was and will continue to be, that of a holding company. The investments of the company are shown in note 17.

As part of a wider group reorganisation, on 30 November 2018, the company acquired the trade and certain assets of General Cable Limited, which it held for two days before disposing to a fellow group company. At acquisition the trade and assets met the criteria to be classified as held for sale. Accordingly that trade was presented as discontinued operations for the period up to disposal in the 2018 profit and loss account.

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 its advanced, deep-fibre cable access network enables it to offer faster and higher quality broadband services than its digital subscriber line, or DSL, competitors. As a result, it provides its customers with a leading, next-generation broadband service and one of the most advanced interactive television services available in the UK and Irish markets.

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

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

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

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

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

The directors do not use key performance indicators (KPIs) to assess the performance of the company as its principal activity is that of a holding company.

The company has received dividends of £1,897,023,000 from its subsidiaries during the year (2018 - £nil).

VIRGIN MEDIA OPERATIONS LIMITED

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

Principal risks and uncertainties

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

Brexit

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

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

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

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

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

COVID-19

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

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

Post balance sheet events

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

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

VIRGIN MEDIA OPERATIONS LIMITED

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

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 September 2020 and signed on its behalf



R G McNeil
Director

VIRGIN MEDIA OPERATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Results and dividends

The profit for the year, after tax, amounted to £1,976,336,000 (2018 - £3,949,211,000).

On 25 November, the company paid a dividend of £4,210,307,000 (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
T Mockridge (resigned 11 June 2019)
A C Murray (appointed 18 July 2019, resigned 5 August 2019)
L M Schuler
R G McNeil (appointed 9 March 2020)
S-P Pascu (appointed 3 March 2020)
C B E Withers (appointed 23 April 2020)

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

Going concern

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

Audit exemption

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

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



C B E Withers
Director

VIRGIN MEDIA OPERATIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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.

VIRGIN MEDIA OPERATIONS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

		Continuing operations 2019 £000	Discontinued operations 2019 £000	Total 2019 £000	Continuing operations 2018 £000	Discontinued operations 2018 £000	Total 2018 £000
Note							
	Revenue	-	-	-	-	10,679	10,679
	Cost of sales	-	-	-	-	(2,647)	(2,647)
	Gross profit	-	-	-	-	8,032	8,032
	Administrative expenses	-	-	-	-	(4,340)	(4,340)
	Exceptional administrative (expenses)/income	(4,694)	-	(4,694)	-	3,936,928	3,936,928
	Operating (loss)/profit	(4,694)	-	(4,694)	-	3,940,620	3,940,620
4							
	Income from shares in group undertakings	1,897,023	-	1,897,023	-	-	-
	Other interest receivable and similar income	92,318	-	92,318	9,307	-	9,307
7							
	Interest payable and similar expenses	(8,311)	-	(8,311)	(716)	-	(716)
8							
	Profit before tax	1,976,336	-	1,976,336	8,591	3,940,620	3,949,211
	Tax on profit	-	-	-	-	-	-
9							
	Profit for the financial period	1,976,336	-	1,976,336	8,591	3,940,620	3,949,211

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

The notes on pages 9 to 19 form part of these financial statements.

VIRGIN MEDIA OPERATIONS LIMITED
REGISTERED NUMBER:11118162

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments in subsidiaries	10	14,357,569	14,357,792
Current assets			
Debtors due within one year	11	-	2,250,630
Creditors: amounts falling due within one year	12	(169,941)	(186,823)
Net current (liabilities)/assets		(169,941)	2,063,807
Net assets		14,187,628	16,421,599
Capital and reserves			
Share capital	13	1,633	1,633
Share premium account	14	-	16,332,227
Retained earnings	14	14,185,995	87,739
Shareholders' funds		14,187,628	16,421,599

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

The directors acknowledge their responsibility for complying with requirements of the Act with respect to accounting records and for the preparation of accounts.

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



R G McNeil
Director

The notes on pages 9 to 19 form part of these financial statements.

VIRGIN MEDIA OPERATIONS LIMITED

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

	Share capital	Share premium account	Retained earnings	Shareholders' funds
	£000	£000	£000	£000
At 1 January 2019	1,633	16,332,227	87,739	16,421,599
Comprehensive income for the year				
Profit for the year	-	-	1,976,336	1,976,336
Total comprehensive income for the year	-	-	1,976,336	1,976,336
Dividends paid	-	-	(4,210,307)	(4,210,307)
Capital reduction	-	(16,332,227)	16,332,227	-
At 31 December 2019	1,633	-	14,185,995	14,187,628

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

	Share capital	Share premium account	Retained earnings	Shareholders' funds
	£000	£000	£000	£000
At 19 December 2017	-	-	-	-
Comprehensive income for the 13 month period				
Profit for the 13 month period	-	-	3,949,211	3,949,211
Total comprehensive income for the period	-	-	3,949,211	3,949,211
Shares issued during the period	1,633	16,332,227	-	16,333,860
Loss on purchase of company trade and certain assets from fellow group undertakings	-	-	(3,861,472)	(3,861,472)
At 31 December 2018	1,633	16,332,227	87,739	16,421,599

The notes on pages 9 to 19 form part of these financial statements.

VIRGIN MEDIA OPERATIONS LIMITED

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

1. Company information

Virgin Media Operations Limited (the "company") is a private company incorporated, domiciled and registered in the UK. The registered number is 11118162 and the registered address is 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

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

VIRGIN MEDIA OPERATIONS LIMITED

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

2. Accounting policies (continued)

2.2 Going concern

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

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

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

Whilst the detailed cash flow forecasts are prepared at the group level, the directors have also assessed the position of the company. Notwithstanding net current liabilities of £169,941,000 as at 31 December 2019 and a profit for the year end of £1,976,336,000, this assessment indicates that, taking account of reasonably possible downsides, the company will have sufficient resources, through funding from fellow subsidiary companies to meet its liabilities as they fall due for that period.

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

2.3 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 digital cable, fixed-line telephony, broadband internet and other telecommunication services and to run certain telecommunication systems over which they are provided. Revenue is all 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.

2.4 Dividend income

Income is recognised when the company's right to receive payment is established.

2.5 Investments

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

2.6 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.

VIRGIN MEDIA OPERATIONS LIMITED

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

2. Accounting policies (continued)

2.7 Deferred tax

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

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

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

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

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

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

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

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

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

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

VIRGIN MEDIA OPERATIONS LIMITED

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

2. Accounting policies (continued)

2.8 Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to stocks, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the company's accounting policies. Intangible assets and tangible fixed assets once classified as held for sale or distribution are not amortised or depreciated.

This treatment, as regards the tangible fixed assets included in the disposal group, may be a departure from the requirements of the Companies Act concerning depreciation of tangible fixed assets. However, these tangible fixed assets are not held for consumption but for sale and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. The effect of this departure is to increase the company's profit for the prior financial period and tangible fixed assets by £3,692,000.

A discontinued operation is a component of the company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or held for distribution. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation has been discontinued from the start of the comparative period.

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

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

Carrying value of investments

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

Recoverability of intercompany debtors

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

VIRGIN MEDIA OPERATIONS LIMITED

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

4. Operating (loss)/profit

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

	2019 £000	2018 £000
Provision for impairment of investment	4,694	-
Gain on sale of company trade and assets to fellow group undertakings	-	(3,936,928)
Exceptional administrative expense/(income)	4,694	(3,936,928)

The carrying value of investments are assessed annually. Based on these reviews, and following a wider group restructure, the directors concluded on a provision for impairment of £4,694,000 (2018 - £nil).

As part of a wider group reorganisation, on 30 November 2018, the company acquired the trade and certain assets of General Cable Limited. The company has accounted for the acquisition of trade and certain assets as a common control transfer at carry-over basis. The consideration paid was £7,724,710,000 for the trade and assets with a book value of £3,863,238,000 with the arising loss recognised directly in reserves.

At acquisition the trade and certain assets met the criteria to be classified as held for sale. Accordingly this trade is presented as discontinued operations for the period to disposal. On 1 December 2018 the company made a gain on the sale of the disposal group to Virgin Media Limited, a fellow group undertaking. The consideration paid was £5,720,242,000 for the trade and certain assets with a book value of £1,783,314,000 resulting in a gain on sale of £3,936,928,000.

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.

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

5. Staff costs

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

6. Income from shares in group undertakings

	2019 £000	2018 £000
Dividends received	1,897,023	-

On 25 November 2019 the company received dividends of £1,897,023,000 from Virgin Media Limited (2018: £nil).

7. Other interest receivable and similar income

	2019 £000	2018 £000
Interest on amounts owed by group undertakings	92,318	9,307

VIRGIN MEDIA OPERATIONS LIMITED

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

8. Interest payable and similar expenses

	2019 £000	2018 £000
Interest on amounts owed to group undertakings	8,311	716

9. Tax on profit

	2019 £000	2018 £000
Current tax		
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Tax on profit	-	-

The tax assessed for the period is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	1,976,336	3,949,211
Profit multiplied by standard rate of corporation tax in the UK of 19%	375,504	750,350
Effects of:		
Expenses not deductible for tax purposes	891	-
Income not taxable	(360,434)	(748,016)
Group relief claimed without payment	(15,961)	(1,484)
Adjustments on transfer of company trade and certain assets to fellow group undertakings	-	(850)
Total tax charge for the period	-	-

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. 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.

VIRGIN MEDIA OPERATIONS LIMITED

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

10. Investment in subsidiaries

	Investments in subsidiary undertakings £000
Cost or valuation	
At 1 January 2019	14,357,792
Additions	4,471
At 31 December 2019	14,362,263
Impairment	
Charge for the period	4,694
At 31 December 2019	4,694
Net book value	
At 31 December 2019	14,357,569
At 31 December 2018	14,357,792

Subsidiary undertakings

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

During the year the company subscribed to additional shares in ntl Business Limited for consideration of £4,471,000.

The carrying value of investments are assessed annually. Based on these reviews, and following a wider group restructure, the directors concluded on a provision for impairment of £4,471,000 in respect of ntl Business Limited, £203,000 in respect of ntl Glasgow Holdings Limited and £20,000 in respect of Virgin Media PCHC Limited (2018 - £nil).

The investments in which the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are shown in note 16.

11. Debtors due within one year

	2019 £000	2018 £000
Amounts owed by group undertakings	-	2,250,630

VIRGIN MEDIA OPERATIONS LIMITED

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

11. Debtors due within one year (continued)

	2019 £000	2018 £000
Loans advanced to group undertakings	-	2,246,938
Other amounts owed by group undertakings	-	3,692
	<u>-</u>	<u>2,250,630</u>

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

12. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to group undertakings	<u>169,941</u>	<u>186,823</u>
	2019 £000	2018 £000
Loans advanced by group undertakings	165,470	186,823
Other amounts owed to group undertakings	4,471	-
	<u>169,941</u>	<u>186,823</u>

Amounts owed to group undertakings include loan notes which had a carrying amount of £165,470,000 (2018 - £186,823,000) at the balance sheet date. Loan notes are denominated in sterling which bear interest of 4.638% and are repayable on demand.

13. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
1,633,386 (2018 - 1,633,386) Ordinary shares of £1 each	<u>1,633</u>	<u>1,633</u>

14. 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.

During the year the company cancelled its share premium of £16,332,227,000 and transferred the amount to the profit and loss account.

Retained earnings

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

VIRGIN MEDIA OPERATIONS LIMITED

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

15. 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.

16. Parent undertaking and controlling party

The company's immediate parent undertaking is General Cable 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.

VIRGIN MEDIA OPERATIONS LIMITED

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

17. List of investments

Name of company		Holdings	Proportion held	Nature of business
Direct shareholdings				
ntl Business Limited		Ordinary	100%	Telecoms
ntl (CWC) Limited		Ordinary	100%	Dormant
ntl Glasgow	Σ / μ	Ordinary	29.2%	Telecoms
ntl Glasgow Holdings Limited	μ	Ordinary	51%	Dormant
ntl Kirklees	μ	Ordinary	2.5%	Telecoms
ntl Kirklees Holdings Limited	μ	Ordinary	51%	Dormant
Virgin Media Business Limited		Ordinary	100%	Telecoms
Virgin Media Limited		Ordinary	100%	Telecoms
Virgin Media PCHC Limited		Ordinary	100%	Dormant
Virgin Media Wholesale Limited		Ordinary	100%	Telecoms
Virgin Mobile Telecoms Limited		Ordinary	100%	Telecoms
Indirect shareholdings				
Birmingham Cable Limited		Ordinary	100%	Dormant
CableTel Herts and Beds Limited		Ordinary	100%	Dormant
CableTel Northern Ireland Limited	β	Ordinary	100%	Dormant
CableTel Surrey and Hampshire Limited		Ordinary	100%	Dormant
Channel 6 Broadcasting Limited	ψ	Ordinary	100%	Telecoms
Cullen Broadcasting Limited	ψ	Ordinary	100%	Telecoms
Kish Media Limited	ψ	Ordinary	100%	Telecoms
ntl CableComms Surrey		Ordinary	100%	Dormant
ntl National Networks Limited		Ordinary	100%	Non-Trading
ntl Pension Trustees II Limited		Ordinary	100%	Corporate Trustee
ntl Pension Trustees Limited		Ordinary	100%	Corporate Trustee
ntl South Central Limited		Ordinary	100%	Dormant
ntl Telecom Services Limited		Ordinary	100%	Non-Trading
ntl Trustees Limited		Ordinary	100%	Corporate Trustee
Tuillamore Beta Limited	ψ	Ordinary	100%	Holding
TV Three Enterprises Limited	ψ	Ordinary	100%	Dormant
TV Three Sales Limited	ψ	Ordinary	100%	Dormant
Virgin Media Payments Limited		Ordinary	100%	Collections
Virgin Media PCHC II Limited		Ordinary	100%	Dormant

VIRGIN MEDIA OPERATIONS LIMITED

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

16. List of investments (continued)

Name of company	Holdings	Proportion held	Nature of business
Indirect shareholdings (continued)			
Virgin Media Secretaries Limited	Ordinary	100%	Finance
Virgin Media Television Limited	Ψ Ordinary	100%	Telecoms
Virgin WiFi Limited	Ordinary	100%	Telecoms

Ψ Macken House, 39/40 Mayor Street Upper, Dublin 1, D01 C9W8

Σ 1 South Gyle Crescent Lane, Edinburgh, EH12 9EG

β Unit 3, Blackstaff Road, Kennedy Way Industrial Estate, Belfast, BT11 9AP

μ Remainder of shares held by group undertakings

18. Post balance sheet events

COVID-19

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

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

Pending joint venture transaction

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

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