Registered number: 07176280

VIRGIN MEDIA SFA FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

VIRGIN MEDIA SFA FINANCE LIMITED

COMPANY INFORMATION

Directors	M O Hifzi R G McNeil C B E Withers
Company secretary	G E James
Registered number	07176280
Registered office	500 Brook Drive Reading United Kingdom RG2 6UU

VIRGIN MEDIA SFA FINANCE LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and non-audited financial statements of the company for the year ended 31 December 2020.

Results and dividends

The loss for the year, after tax, amounted to £2,804,000 (2019 - profit of £19,388,000).

The directors have not recommended an ordinary dividend (2019 - £nil).

Directors

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

W T Castell (resigned 9 March 2020)
M O Hifzi
R G McNeil (appointed 9 March 2020)
L Milner (appointed 1 March 2021, resigned 31 August 2021)
S-P Pascu (appointed 3 March 2020, resigned 16 November 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 on-going impact of COVID-19 has not altered this conclusion.

Post balance sheet events

Joint venture transaction

On 7 May 2020, Liberty Global entered into a Contribution Agreement with, among others, Telefónica, SA (Telefónica). Pursuant to this agreement, Liberty Global and Telefónica agreed to form a 50:50 joint venture (UK JV). The joint venture combines the operations of Virgin Media Inc (Virgin Media) and its subsidiaries and the operations of O2 Holdings Limited and its subsidiaries (O2), to form Virgin Media O2. The formation of the joint venture was completed on 1 June 2021.

Prior to the completion of the UK JV, Virgin Media was a wholly owned subsidiary of Liberty Global plc.

Audit exemptions

Virgin Media Finance PLC issued a guarantee against all outstanding liabilities to which the company is subject as at 31 December 2020, 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 2020 by virtue of section 479A of the Companies Act 2006.

Small company provisions

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

This report was approved by the board on 28th September 2021 and signed on its behalf.

C B E Withers
Director

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Administrative (expense)/income		**(36,813)**	14,300
Operating (loss)/profit	4	**(36,813)**	14,300
Finance income	6	**170,403**	194,925
Finance costs	7	**(136,394)**	(189,837)
(Loss)/profit before tax		**(2,804)**	19,388
Income tax expense	8	-	-
(Loss)/profit for the year		**(2,804)**	19,388

There was no other comprehensive income or expenditure for 2020 or 2019 other than that included in the profit and loss account.

All results were derived from continuing operations.

The notes on pages 6 to 14 form part of these financial statements.

BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Current assets			
Debtors: amounts falling due after more than one year	9	**4,252,991**	4,293,091
Debtors: amounts falling due within one year	9	**1,888**	50
Cash and cash equivalents		**750**	1,986
		4,255,629	4,295,127
Creditors: amounts falling due within one year	10	**(43,354)**	(47,353)
Net current Liabilities		**4,212,275**	4,247,774
Creditors: amounts falling due after more than one year	11	**(3,978,784)**	(4,011,479)
Net assets		**233,491**	236,295
Capital and reserves			
Share capital	12	**170,000**	170,000
Retained earnings	13	**63,491**	66,295
Total shareholder's funds		**233,491**	236,295

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

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

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

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28th September 2021.

R G McNeil
Director

The notes on pages 6 to 14 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Retained earnings	Total shareholder's funds
	£000	£000	£000
Balance as at 1 January 2020	170,000	66,295	236,295
Comprehensive income for the year			
Loss for the year	-	(2,804)	(2,804)
Balance as at 31 December 2020	170,000	63,491	233,491

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

	Share capital	Retained earnings	Total shareholder's funds
	£000	£000	£000
Balance as at 1 January 2019	170,000	46,907	216,907
Comprehensive income for the year			
Profit for the year	-	19,388	19,388
Balance as at 31 December 2019	170,000	66,295	236,295

The notes on pages 6 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Company information

Virgin Media SFA Finance Limited (the "company") is a private company incorporated, domiciled and registered in the UK. The registered number is 07176280 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 Accounting Standards in conformity with the requirements of the Companies Act 2006, 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 of International Accounting Standards in conformity with the requirements of the Companies Act 2006 and are available to the public and may be obtained from 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

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

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of related party transactions with fellow group undertakings;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

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 O2'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 VMED O2 UK Limited wholly owned subsidiaries are managed on a Virgin Media O2 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 O2 group as a whole, indicate that cash on hand, together with cash from operations and undrawn revolving credit facilities, are expected to be sufficient for the Virgin Media O2 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. In addition VMED O2 UK Limited has formally indicated its intention to continue to support the company financially for at least this period.

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

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

2. Accounting policies (continued)

2.3 Finance income

Finance income is recognised as interest accrues according to the effective interest rate method, which uses the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount.

2.4 Trade receivables and other debtors

Trade receivables and other debtors are initially measured at fair value and subsequently reported at amortised cost, net of an allowance for impairment of trade receivables.

The company uses a forward looking impairment model which uses a lifetime expected loss allowance which is estimated based upon our assessment of anticipated loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions, and specific customer credit risk. The allowance is maintained until either payment is received or the likelihood of collection is considered to be remote.

2.5 Cash and cash equivalents

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

2.6 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

2.7 Loans and borrowings

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs.

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

Borrowings are classified as creditors: amounts falling due within one year unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year.

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 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are taken to the profit and loss account.

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

In preparing these financial statements, management has made estimates and judgements that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and assumptions

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

4. Operating (loss)/profit

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

	2020 **£000**	2019 £000
(Loss)/gain on foreign currency translation	**(36,812)**	14,300

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 2020 and 2019 was paid and disclosed in the financial statements of Virgin Media Limited.

5. Employees

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

6. Finance income

	2020 **£000**	2019 £000
Interest on amounts owed by group undertakings	**170,399**	194,919
Other finance income	**4**	6
	170,403	194,925

7. Finance costs

	2020 **£000**	2019 £000
Interest on amounts owed to group undertakings	**83,812**	131,248
Other finance charges	**52,582**	58,589
	136,394	189,837

8. Income tax expense

Tax expense included in profit or loss:

	2020 £000	2019 £000
Current tax	-	-
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Tax on loss	-	-

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit before tax	**(2,804)**	19.388
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	**533**	3.684
Effects of:		
Group relief claimed without payment	**(533)**	(3.684)
Total tax charge for the year	-	-

Factors affecting current and future tax charges

IIn the 11 March 2020 Budget it was announced that the UK tax rate will remain at 19% and not reduce to 17% from 1 April 2020. The 19% rate was substantively enacted in the Finance Bill 2020 on 17 March 2020. In the 3 March 2021 Budget, it was announced that the UK tax rate would increase to 25% from 1 April 2023, substantively enacted on 24 May 2021. This will have a consequential effect on the company's future tax charge.

9. Debtors

	2020 £000	2019 £000
Due after one year		
Amounts owed by group undertakings	**4,252,991**	4,293,091
Due within one year		
Amounts owed by group undertakings	**1,888**	50
	4,254,879	4,293,141

The analysis of amounts owed by group undertakings is:

	2020 £000	2019 £000
Loans advanced by group undertakings	**4,252,991**	4,293,091
Other amounts owed by group undertakings	**1,888**	50
	4,254,879	4,293,141

Amounts owed by group undertakings falling due after more than one year include loan notes which had a carrying value of £4,252,991,000 (2019 - £4,293,091,000) at the balance sheet date. Loan notes are denominated in sterling and U.S. dollar, which bear interest ranging from 2.77% to 4.95% and mature between 2026 and 2028.

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

10. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Amounts owed to group undertakings	**38,246**	42,211
Accruals and deferred income	**5,108**	5,142
	43,354	47,353

The analysis of amounts owed to group undertakings is:

	2020 £000	2019 £000
Loans advanced from group undertakings	**6,687**	5,793
Other amounts owed to group undertakings	**31,559**	36,418
	38,246	42,211

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

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

	2020 £000	2019 £000
Bank loans	**1,561,379**	1,523,354
Amounts owed to group undertakings	**2,417,405**	2,488,125
	3,978,784	4,011,479

Amounts owed to group undertakings falling due after more than one year represents loan notes which had a carrying value of £2,417,405,000 (2019 - £2,488,125,000) at the balance sheet date. Loan notes are denominated in U.S.dollar, which bear interest of 4.95% and mature in 2026.

Analysis of the maturity of bank loans:

	2020 £000	2019 £000
Amounts falling due after more than five years		
VM Facility L due 15 January 2027	**400,000**	400,000
VM Facility M due 15 November 2027	**500,000**	500,000
VM Facility O due 31 January 2029	**671,682**	634,981
	1,571,682	1,534,981
Total principal amount of bank and other borrowings		
Less: unamortised discounts	**(2,250)**	(2,420)
Less: issue costs	**(8,053)**	(9,207)
Carrying value of bank and other borrowings	**1,561,379**	1,523,354

Bank loans comprise borrowings under the senior secured credit facility held by the group, of which the company is a borrower, along with fellow group undertakings.

In November 2017 the company entered into a £400 million term loan ("VM Facility L") that bears interest at LIBOR plus 3.25% and matures on 15 January 2027 and a £500 million term loan ("VM Facility M") that bears interest at LIBOR plus 3.25% and matures on 15 November 2027. Both facilities are subject to a LIBOR floor of 0%. In October 2019 the company entered into a €750 million term loan ("VM Facility O") that bears interest at EUROLIBOR plus 2.5% and matures on 31 January 2029. This facility is subject to a EUROLIBOR floor of 0%.

Borrowings under the facilities are secured against the assets of certain members of the group including those of this company. The group is subject to financial maintenance tests in respect of the senior secured credit facility and these are detailed in the financial statements of Virgin Media Inc. which are available from the company secretary at Virgin Media, 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
170,000,002 (2019 - 170,000,002) Ordinary shares fully paid of £1.00 each	**170,000,002**	170,000,002

13. Retained earnings

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

14. 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 2020, this comprised term facilities that amounted to £3,982 million (2019 - £4,015 million) and revolving credit facilities of £1,000 million (2019 - £1,000 million), which were undrawn as at 31 December 2019 and 2020. 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 2020 amounted to £4,400 million (2019 - £4,491 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 2020 amounted to approximately £1,127 million (2019 - £1,194 million).

Following the formation of the UK JV (see note 16), the group form part of the Virgin Media O2 group, as result the group is party to the below loans and borrowings.

In September 2020, a fellow group undertaking outside the Virgin Media Inc. group, entered into (a) a £1,500 million term loan facility and (b) a €750 million term loan facility. A subsidiary of the group entered into a $1,300 million term loan facility. As at 31 December, the term loan facilities were undrawn and only available to be drawn and utilised upon consummation of the UK JV.

In addition, a fellow group undertaking outside the Virgin Media Inc. group, entered into (a) $1,350 million senior secured notes, (b) €950 million senior secured notes and (c) £600 million senior secured notes.

In July 2021, a fellow group undertaking outside the Virgin Media Inc. group, entered into (a) $1,400 million senior secured notes, (b) £675 million senior secured notes.

The new term loan facilities and senior secured notes rank pari-passu with the group's existing senior secured notes and senior secured credit facilities, and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing senior secured notes.

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

15. *Controlling parties*

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

The smallest and largest group of which the company is a member and in to which the company's accounts were consolidated at 31 December 2020 are Virgin Media Finance PLC and Liberty Global plc, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2020 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.

16. Post balance sheet events

Joint venture transaction

On 7 May 2020, Liberty Global entered into a Contribution Agreement with, among others, Telefónica, SA (Telefónica). Pursuant to this agreement, Liberty Global and Telefónica agreed to form a 50:50 joint venture (UK JV). The joint venture combines the operations of Virgin Media Inc (Virgin Media) and its subsidiaries and the operations of O2 Holdings Limited and its subsidiaries (O2), to form Virgin Media O2. The formation of the joint venture was completed on 1 June 2021.

Prior to the completion of the UK JV Virgin Media was a wholly owned subsidiary of Liberty Global plc.