

M&NW NETWORK II LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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M&NW NETWORK II LIMITED

COMPANY INFORMATION

Directors	R D Dunn M O Hifzi
Company secretary	G E James
Registered number	06765761
Registered office	Bartley Wood Business Park Hook Hampshire RG27 9UP

M&NW NETWORK II LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Directors' responsibilities statement	3
Profit and loss account and statement of other comprehensive income	4
Balance sheet	5
Statement of changes in equity	6
Notes to the financial statements	7 - 13

M&NW NETWORK II LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015

Business review

The principal activity of the company was, and will continue to be, to provide funding to a fellow group company

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), following the acquisition of a controlling interest in Virgin Media Ireland Limited from a fellow subsidiary of Liberty Global in February 2015

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

The group provides mobile services to its customers using third-party networks through mobile virtual network operator (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.

At 31 December 2015, the group provided services to approximately 5.6 million residential cable customers on its network. The group is also one of the largest MVNOs by number of customers, providing mobile telephony services to 2.3 million contract mobile customers and 0.7 million prepay mobile customers over third party networks. At 31 December 2015, 83% of residential customers on the group's cable network received multiple services and 63% were "triple-play" customers, receiving broadband internet, digital cable and fixed-line telephony services from the group.

Liberty Global is the largest international cable company. As at 31 December 2015, it had operations in 14 countries and its market-leading triple-play services are provided through next-generation networks and innovative technology platforms that connected 27 million customers subscribing to 56 million television, broadband internet and telephony services. In addition at 31 December 2015, Liberty Global served 5 million mobile subscribers and offered WiFi service across six million access points.

The directors do not use key performance indicators (KPIs) to assess the performance of the company as its principal activity is to provide funding to fellow group companies.

Results and dividends

The profit for the year, after tax, amounted to £1,072,000 (2014 - loss of £4,316,000).

The directors have not recommended an ordinary dividend (2014 - £nil).

Directors

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

R D Dunn
M O Hifzi

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 and obtaining the necessary assurances from Virgin Media Inc, a wholly owned subsidiary of Liberty Global plc and the intermediate holding company which heads the Virgin Media group, that sufficient resources will be made available to meet any liabilities as they fall due should the company's income not be sufficient, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. 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. On this basis the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

M&NW NETWORK II LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Future outlook

The directors will continue to review management policies in light of changing trading and market conditions. Further detail of the future outlook of the group is provided in Virgin Media Inc's financial statements and annual report for 2015, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

On 23 June 2016, the UK voted to leave the European Union, the implications of which are uncertain as of the date of signing these financial statements. Based on information currently available, we do not expect that this matter will have a material impact on our business. Accordingly, no adjustments have been made to these financial statements.

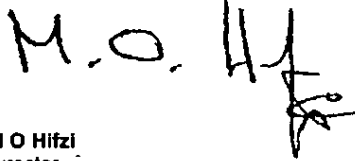
Audit exemption

Virgin Media Finance PLC issued a guarantee against all outstanding liabilities to which the company is subject as at 31 December 2015, 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 2015 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 27 June 2016 and signed on its behalf



M O Hifzi
Director

M&NW NETWORK II LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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 the directors 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

M&NW NETWORK II LIMITED

**PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

		2015 £000	2014 £000
Administrative expenses		(24,604)	(22,105)
Other operating income		47,876	45,298
		<hr/>	<hr/>
Operating profit	5	23,272	23,191
Interest payable and similar charges	7	(22,287)	(22,306)
		<hr/>	<hr/>
Profit on ordinary activities before tax		985	885
Tax on profit on ordinary activities	8	87	(5,201)
		<hr/>	<hr/>
Profit for the year		1,072	(4,316)
		<hr/>	<hr/>

The notes on pages 7 to 13 form part of these financial statements

There was no other comprehensive income or expenditure for 2015 or 2014 other than that included in the profit and loss account

All results were derived from continuing operations

M&NW NETWORK II LIMITED
REGISTERED NUMBER 06765761

BALANCE SHEET
AS AT 31 DECEMBER 2015

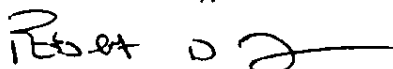
	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	9	217,657	224,636
Current assets			
Debtors due within one year	10	210,726	180,476
Creditors' amounts falling due within one year	11	(424,033)	(401,747)
Net current liabilities		(213,307)	(221,271)
Deferred taxation	12	(2,559)	(2,646)
Net assets		1,791	719
Capital and reserves			
Share capital	13	-	-
Profit and loss account	14	1,791	719
Shareholder's funds		1,791	719

For the year ended 31st December 2015 the company was entitled to exemption under section 479A of the Companies Act 2006 ("the Act") No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006

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

These accounts have been prepared 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 27 June 2016



R D Dunn
Director

The notes on pages 7 to 13 form part of these financial statements

M&NW NETWORK II LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital £000	Profit and loss account £000	Shareholder's funds £000
At 1 January 2015	-	719	719
Comprehensive Income for the year			
Profit for the year	-	1,072	1,072
Total comprehensive Income for the year	-	1,072	1,072
At 31 December 2015	-	1,791	1,791

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital £000	Profit and loss account £000	Shareholder's funds £000
At 1 January 2014	-	5,035	5,035
Comprehensive Income for the year			
Loss for the year	-	(4,316)	(4,316)
Total comprehensive Income for the year	-	(4,316)	(4,316)
At 31 December 2014	-	719	719

The notes on pages 7 to 13 form part of these financial statements

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Company information

M&NW Network II Limited (the "company") is a company incorporated and domiciled in the United Kingdom. The registered office of the company during the year was Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

2 Accounting policies

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

2.1 Basis of accounting and transition from UK GAAP

These financial statements were prepared under the historical cost convention in accordance with the Companies Act 2006 and the 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 the Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the company is provided in note 17.

The company's ultimate parent undertaking, Liberty Global plc, includes the company in its consolidated financial statements. The consolidated financial statements of Liberty Global plc are available to the public and may be obtained from Liberty Global's website at www.libertyglobal.com.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures, where required equivalent disclosures are included within the consolidated financial statements of Liberty Global plc:

- a cash flow statement and related notes,
- comparative period reconciliations for share capital and tangible fixed 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,
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy,
- disclosures in respect of the compensation of Key Management Personnel, and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

2.2 Changes in accounting policies

This is the first year in which the financial statements have been prepared in accordance with FRS 101. The date of transition to FRS 101 is 1 January 2014. An explanation of the transition is included in note 17 to the financial statements. In applying FRS 101 for the first time the company has applied early the amendment to FRS 101 which permits a first time adopter not to present an opening balance sheet at the beginning of the earliest comparative period presented.

2.3 Fundamental accounting concept

After making suitable enquiries and obtaining the necessary assurances from Virgin Media Inc., a wholly owned subsidiary of Liberty Global plc and the intermediate holding company which heads the Virgin Media group, that sufficient resources will be made available to meet any liabilities as they fall due should the company's income not be sufficient, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. 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. On this basis the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2 Accounting policies (continued)

2.4 Tangible fixed 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 - Other	3 - 12 years

No depreciation is provided on freehold land

Capitalised labour

Labour relating to the design, construction and development of the network, capital projects, and related services have been capitalised. Depreciation of capitalised labour is provided on a straight-line basis over 15 years or the life of the relevant assets

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

2.5 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

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2 Accounting policies (continued)

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

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

In the process of applying the company's accounting policies, 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.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and allowances to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4 Other operating income

	2015 £000	2014 £000
Income receivable from fellow group undertakings	47,876	45,296

Income receivable comprises charges to group undertakings for the use of the company's network assets as part of their underlying trading activities.

5. Operating profit

The operating profit is stated after charging

	2015 £000	2014 £000
Depreciation of tangible fixed assets	24,604	22,105

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

6 Staff costs

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

M&NW NETWORK II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7 Interest payable and similar charges

	2015 £000	2014 £000
Interest on amounts owed to group undertakings	22,287	22,306

8 Tax on profit on ordinary activities

	2015 £000	2014 £000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(87)	5,201
Total deferred tax	(87)	5,201
Taxation on profit on ordinary activities	(87)	5,201

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%). The differences are explained below

	2015 £000	2014 £000
Profit on ordinary activities before tax	985	885
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	199	190
Effects of		
Adjustments to tax charge in respect of prior periods	-	5,024
Net affect of tax rate change on deferred tax liability	(286)	(13)
Total tax charge for the year	(87)	5,201

Factors affecting current and future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 8 July 2015. This will reduce the company's future current tax charge accordingly. The deferred tax assets have been calculated using the enacted rate of 18% (2014 - 20%). A further reduction to 17% (effective from 1 April 2020) was announced in Budget 2016. This represents an additional 1% reduction on top of the previously announced rate reductions. The future rate reduction to 17% is expected to be included in Finance Bill 2016 which was not substantively enacted at the balance sheet date, therefore this has not been reflected in these financial statements.

M&NW NETWORK II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

9 Tangible fixed assets

	Network assets	Other	Total
	£000	£000	£000
Cost			
At 1 January 2015	332,459	464	332,923
Additions	15,311	2,315	17,626
Disposals	(1,889)	-	(1,889)
At 31 December 2015	345,881	2,779	348,660
Depreciation			
At 1 January 2015	108,272	15	108,287
Charge for the year	24,248	357	24,605
Disposals	(1,889)	-	(1,889)
At 31 December 2015	130,631	372	131,003
Net book value			
At 31 December 2015	215,250	2,407	217,657
At 31 December 2014	224,187	449	224,636

10 Debtors

	2015	2014
	£000	£000
Due within one year		
Amounts owed by group undertakings	210,726	180,476

Amounts owed by group undertakings are unsecured and repayable on demand

11. Creditors amounts falling due within one year

	2015	2014
	£000	£000
Amounts owed to group undertakings	424,033	401,747

Amounts owed to group undertakings are unsecured and repayable on demand

M&NW NETWORK II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12 Deferred taxation

	Deferred taxation £000
At 1 January 2015	(2,646)
Credited to the profit or loss	87
At 31 December 2015	(2,559)

In respect of prior year

	Deferred taxation £000
At 1 January 2014	2,555
Charged to the profit or loss	(5,201)
At 31 December 2014	(2,646)

The deferred taxation asset is made up as follows

	2015 £000	2014 £000
Accelerated capital allowances	87	(5,201)

13 Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

14. Reserves

Profit and loss account

Includes all current and prior year retained profits and losses

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

15 Contingent liabilities

Fellow group undertakings are party to a senior secured credit facility with a syndicate of banks. As at 31 December 2015, this comprised term facilities that amounted to £2,198 million (2014 - £3,083 million) and an outstanding balance of £148 million (2014 - £nil) which was borrowed under a revolving facility of £675 million (2014 - £660 million). Borrowings under the facilities are secured against the assets of certain members of the group.

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 2015 amounted to £5,132 million (2014 - £3,760 million). Borrowings under the notes are secured against the assets of certain members of the group.

On 31 March 2016, a fellow group undertaking entered into two new term loan facilities with an aggregate principal amount of euros 100 million (£79 million). The new term facilities will rank *pari passu* with the group's existing senior secured notes and senior secured credit facility, and subject to certain exemptions, share in the same guarantees and security granted in favour of its existing senior secured notes.

On 26 April 2016, a fellow group undertaking issued senior secured notes with a principal amount of US dollars 750 million (£514 million). The new senior secured notes rank *pari passu* with the group's existing senior secured notes and senior secured credit facility, and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing senior secured notes.

16 Controlling party

The company's immediate parent undertaking is Telewest Communications (Midlands and North West) 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 2015 are Virgin Media Finance PLC and Liberty Global plc, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2015 was Liberty Global plc.

Copies of group accounts referred to above which include the results of the company are available from the Company Secretary, Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

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

17 First time adoption of FRS 101

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not had an impact on equity or profit or loss.