

M&NW NETWORK II LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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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

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M&NW NETWORK II LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Business review

The principal activity of the company during the year was, and will continue to be, the development and operation of its broadband communications network.

The company is a wholly owned subsidiary undertaking of Virgin Media Inc. (Virgin Media) which is itself a wholly owned subsidiary of Liberty Global plc (Liberty Global).

The Virgin Media Inc. consolidated group (the group) operates under the Virgin Media brand in the United Kingdom (UK) and Republic of Ireland (Ireland).

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

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

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

At 31 December 2016, the group provided services to approximately 5.7 million residential cable customers on its network. The group is also one of the largest MVNO by number of customers, providing mobile telephony services to 2.4 million contract mobile customers and 0.6 million prepay mobile customers over third party networks. At 31 December 2016, 83% 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 the largest international cable company with operations in more than 30 countries and its market-leading triple-play services are provided through next-generation networks and innovative technology platforms that connected 25 million customers subscribing to 50 million television, broadband internet and telephony services. In addition at 31 December 2016, Liberty Global served 10 million mobile subscribers and offered WiFi service across 5 million access points.

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, including consideration of the impact of the UK referendum in June 2016 and the withdrawal from the European Union, is provided in Virgin Media Inc.'s financial statements and annual report for 2016, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

Results and dividends

The profit for the year, after tax, amounted to £903,000 (2015 - £1,072,000).

The directors have not recommended an ordinary dividend (2015 - £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.

M&NW NETWORK II LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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.

Audit exemption

Virgin Media Finance PLC issued a guarantee against all outstanding liabilities to which the company is subject as at 31 December 2016, 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 2016 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 20 June 2017 and signed on its behalf.

M. O. Hifzi

M O Hifzi
Director

M&NW NETWORK II LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 they are 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 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.

M&NW NETWORK II LIMITED

**PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
Administrative expenses		(27,369)	(24,604)
Other operating income	4	51,231	47,876
Operating profit	5	23,862	23,272
Interest payable and similar expenses	7	(22,769)	(22,287)
Profit before tax		1,093	985
Tax on profit	8	(190)	87
Profit for the year		903	1,072

The notes on pages 7 to 14 form part of these financial statements.

There was no other comprehensive income or expenditure for 2016 or 2015 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 2016

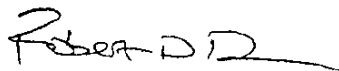
	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	9	212,607	217,657
Current assets			
Debtors due within one year	10	239,639	210,726
Creditors: amounts falling due within one year	11	(446,803)	(424,033)
Net current liabilities		(207,164)	(213,307)
Deferred tax	12	(2,749)	(2,559)
Net assets		2,694	1,791
Capital and reserves			
Share capital	13	-	-
Profit and loss account	14	2,694	1,791
Shareholder's funds		2,694	1,791

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 company's financial statements have been prepared in accordance with the provisions applicable to entities 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 20 June 2017.



R D Dunn
Director

The notes on pages 7 to 14 form part of these financial statements.

M&NW NETWORK II LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital	Profit and loss account	Shareholder's funds
	£000	£000	£000
At 1 January 2016	-	1,791	1,791
Comprehensive income for the year			
Profit for the year	-	903	903
Total comprehensive income for the year	-	903	903
At 31 December 2016	-	2,694	2,694

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

	Share capital	Profit and loss account	Shareholder's funds
	£000	£000	£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

The notes on pages 7 to 14 form part of these financial statements.

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Company information

M&NW Network II Limited (the "company") is a private company incorporated, registered and domiciled in the UK. The registered number is 06765761 and the registered address is Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

2. Accounting policies

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

2.1 Basis of accounting

These financial statements have been prepared on a going concern basis, and under the historical cost basis in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

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

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 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;
- 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 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 2016

2. Accounting policies (continued)

2.3 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.

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

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

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

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

2.4 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.

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

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.

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 assets useful economic life has a significant effect on the annual depreciation charge.

Recoverability of intercompany debtors

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

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.

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Other operating income

	2016 £000	2015 £000
Income receivable from fellow group undertakings	51,231	47,876

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:

	2016 £000	2015 £000
Depreciation of tangible fixed assets	27,368	24,604

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.

7. Interest payable and similar expenses

	2016 £000	2015 £000
Interest on amounts owed to group undertakings	22,769	22,287

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Tax on profit

	2016 £000	2015 £000
Current tax		
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	190	(87)
Total deferred tax	190	(87)
Tax on profit	190	(87)

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit before tax	1,093	985
Profit multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	219	199
Effects of:		
Net effect of tax rate change on deferred tax liability	(29)	(286)
Total tax charge/(credit) for the year	190	(87)

Factors affecting current and future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September and fully enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets have been calculated using the now enacted rate of 17% (2015 - 18%).

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. Tangible assets

	Network assets £000	Other £000	Total £000
Cost			
At 1 January 2016	345,881	2,779	348,660
Additions	19,657	2,661	22,318
Disposals	(2,336)	-	(2,336)
At 31 December 2016	363,202	5,440	368,642
Depreciation			
At 1 January 2016	130,631	372	131,003
Charge for the year	26,513	855	27,368
Disposals	(2,336)	-	(2,336)
At 31 December 2016	154,808	1,227	156,035
Net book value			
At 31 December 2016	208,394	4,213	212,607
At 31 December 2015	215,250	2,407	217,657

10. Debtors due within one year

	2016 £000	2015 £000
Due within one year		
Amounts owed by group undertakings	239,639	210,726

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

11. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to group undertakings	446,803	424,033

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 2016**

12. Deferred tax

	2016 £000	2015 £000
At 1 January	(2,559)	(2,646)
(Charged) / credited to the profit and loss account	(190)	87
At 31 December	<u>(2,749)</u>	<u>(2,559)</u>

The deferred tax liability is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	(2,749)	(2,559)
	<u>(2,749)</u>	<u>(2,559)</u>

13. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

14. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

M&NW NETWORK II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Contingent liabilities

Fellow group undertakings are party to a senior secured credit facility with a syndicate of banks. As at 31 December 2016, this comprised term facilities that amounted to £3,595 million (2015 - £2,198 million) and an outstanding balance of £nil (2015 - £148 million) which was borrowed under a revolving facility of £675 million (2015 - £675 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 2016 amounted to £5,024 million (2015 - £5,132 million). Borrowings under the notes are secured against the assets of certain members of the group.

In January 2017, a fellow group undertaking issued senior secured notes with a principal amount of £675 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. The net proceeds were used to redeem in full £640.0 million outstanding principal amounts of existing senior secured notes.

In February 2017, a fellow group undertaking entered into a new term loan facility with an aggregate principal amount of £865 million. The new term loan facility 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. The net proceeds were used to repay in full £849.4 million outstanding principal amounts under the senior secured credit facility.

In March 2017, a fellow group undertaking completed an offer to exchange existing senior secured notes with an aggregate principal amount of £521 million due January 2021 for new senior secured notes with an aggregate principal amount of £521 million due January 2025. 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. Parent undertaking and controlling party

The company's immediate parent 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 as at 31 December 2016 are Virgin Media Finance PLC and Liberty Global plc, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2016 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.