

VMIH SUB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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VMIH SUB LIMITED

COMPANY INFORMATION

Directors	R D Dunn M O Hifzi
Company secretary	G E James
Registered number	05316140
Registered office	Bartley Wood Business Park Hook Hampshire RG27 9UP

VMIH SUB LIMITED

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VMIH SUB LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Principal activities and business review

The principal activity of the company was, and will continue to be, to provide funding to and hold investments in fellow group companies. The investments of the company are shown in note 9.

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.

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, and hold investments in fellow group companies.

The company has not received any dividends from its subsidiaries during the period (2015 - £nil).

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.

This report was approved by the board on 20 June 2017 and signed on its behalf.



R D Dunn
Director

VMIH SUB 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.

Results and dividends

The profit for the year, after tax, amounted to £100,026,000 (2015 - £77,000).

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.

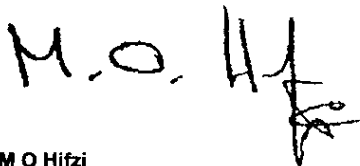
Going concern

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.

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.

This report was approved by the board on 20 June 2017 and signed on its behalf.



M O Hifzi
Director

VMIH SUB LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 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 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.

VMIH SUB LIMITED

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

	Note	2016 £000	2015 £000
Exceptional administrative income		100,221	-
Operating profit	4	100,221	-
Other interest receivable and similar income	6	25,208	31,458
Interest payable and similar expenses	7	(25,403)	(31,381)
Profit before tax		100,026	77
Tax on profit	8	-	-
Profit for the year		100,026	77

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.

VMIH SUB LIMITED
REGISTERED NUMBER: 05316140

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Investments	9	118,273	118,273
Current assets			
Debtors due within one year	10	9,441	478,857
Cash at bank and in hand		3	4
		9,444	478,861
Creditors: amounts falling due within one year	11	(6,764)	(576,207)
Net current assets/(liabilities)		2,680	(97,346)
Net assets		120,953	20,927
Capital and reserves			
Share capital	12	1	1
Share premium account	13	118,274	118,274
Profit and loss account	13	2,678	(97,348)
Shareholder's funds		120,953	20,927

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 20 June 2017.

R D Dunn
Director



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

VMIH SUB LIMITED

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

	Share capital	Share premium account	Profit and loss account	Shareholder's funds
	£000	£000	£000	£000
At 1 January 2016	1	118,274	(97,348)	20,927
Comprehensive income for the year				
Profit for the year	-	-	100,026	100,026
Total comprehensive income for the year	-	-	100,026	100,026
At 31 December 2016	1	118,274	2,678	120,953

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

	Share capital	Share premium account	Profit and loss account	Shareholder's funds
	£000	£000	£000	£000
At 1 January 2015	1	118,274	(97,425)	20,850
Comprehensive income for the year				
Profit for the year	-	-	77	77
Total comprehensive income for the year	-	-	77	77
At 31 December 2015	1	118,274	(97,348)	20,927

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

VMIH SUB LIMITED

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

1. Company information

VMIH Sub Limited (the "company") is a private company incorporated, domiciled and registered in the UK. The registered number is 05316140 and the registered address is Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

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"). 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;
- 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 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.

2.3 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.

2.4 Cash and cash equivalents

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

VMIH SUB 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 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.

VMIH SUB LIMITED

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

4. Operating profit

The operating profit is stated after crediting:

	2016 £000	2015 £000
Release of intercompany debtor impairment provision	100,221	-

Recoverability of intercompany debtors is assessed annually. Based on the impairment review of intercompany indebtedness as at 31 December 2016, and a wider group restructure, the directors concluded on a release of provision against amounts due from group undertakings totaling £100,221,000 (2015 - £nil).

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.

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. Other interest receivable and similar income

	2016 £000	2015 £000
Interest on amounts owed by group undertakings	25,208	31,458

7. Interest payable and similar expenses

	2016 £000	2015 £000
Interest payable on bank loans	-	800
Interest on amounts owed to group undertakings	25,403	30,581
	<u>25,403</u>	<u>31,381</u>

8. Tax on profit

	2016 £000	2015 £000
Current tax		
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit	<u>-</u>	<u>-</u>

VMIH SUB LIMITED

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

8. Tax on profit (continued)

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	100,026	77
Profit multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	20,005	16
Effects of:		
Income not taxable	(20,044)	-
Group relief surrendered/(claimed) without payment	39	(16)
Total tax charge for the year	-	-

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.

9. Investments

	Investments in subsidiary undertakings £000
Cost	
At 1 January 2016	118,273
At 31 December 2016	118,273
Net book value	
At 31 December 2016	118,273
At 31 December 2015	118,273

VMIH SUB LIMITED

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

9. Investments (continued)**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.

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 as follows:

Name of company	Holdings	Proportion held	Nature of business
Direct shareholdings			
ntl Internet Services Limited	Ordinary	100%	Telecoms
Diamond Cable Communications Limited	Ordinary	25%	Telecoms
Indirect shareholdings			
Jewel Holdings	Ordinary	25%	Holding
ntl Midlands Limited	Ordinary	25%	Holding
ntl Midlands Leasing Limited	Ordinary	25%	Leasing
Virgin Net Limited	Ordinary	100%	Telecoms

All companies are registered at Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

VMIH SUB LIMITED

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

10. Debtors

	2016 £000	2015 £000
Amounts owed by group undertakings	9,441	478,857

The analysis of amounts owed by group undertakings is:

	2016 £000	2015 £000
Loans advanced to group undertakings	3,213	564,969
Other amounts owed by group undertakings	6,228	14,109
Impairment provision on amounts owed by group undertakings	-	(100,221)
	9,441	478,857

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	6,764	576,207

The analysis of amounts owed to group undertakings is:

	2016 £000	2015 £000
Loans advanced by group undertakings	-	569,443
Other amounts owed to group undertakings	6,764	6,764
	6,764	576,207

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

VMIH SUB LIMITED

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

12. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
610 Ordinary shares of £1 each	<u>610</u>	<u>610</u>

13. 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.

Profit and loss account

Includes all current and prior year retained profits and losses.

14. Contingent liabilities

The company, along with fellow group undertakings, is 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 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 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 including those of this company.

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.

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

VMIH SUB LIMITED

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

15. Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Media Senior Investments 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 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.