

Registered number: 02495460

NTL KIRKLEES

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



NTL KIRKLEES

COMPANY INFORMATION

Directors

J L Boyle
M D Hardman

Company secretary

VMED O2 Secretaries Limited

Registered number

02495460

Registered office

500 Brook Drive
Reading
United Kingdom
RG2 6UU

NTL KIRKLEES

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NTL KIRKLEES

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Principal activities and business review

Ntl Kirklees, (the 'company') is a wholly-owned subsidiary of VMED O2 UK Limited (VMED O2) (the group).

The principal activity of the company during the year was, and will continue to be, the provision of broadband internet, video and fixed-line telephony to residential customers and businesses in the United Kingdom (UK).

VMED O2 UK Limited (VMED O2) (the group) is an integrated communications provider of mobile, broadband internet, video and fixed-line telephony to residential customers and businesses in the UK. As of 31 December 2021, the primary subsidiaries of VMED O2 include (i) Virgin Media Inc. and its subsidiaries (collectively, Virgin Media), (ii) VMED O2 UK Holdco 1 Limited and its subsidiaries (collectively, O2) and (iii) VMED O2 UK Financing I plc.

VMED O2 is a 50:50 joint venture formed on 1 June 2021 between Liberty Global plc (Liberty Global) and Telefonica, SA (Telefonica) (the JV Transaction). Combining the operations of Virgin Media Inc. and its subsidiaries in the UK with the operations of O2 Holdings Limited and its subsidiaries in the UK (the joint venture). Further detail of the joint venture is provided in the Consolidated Annual Report of VMED O2 UK Holdings Limited, which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

VMED O2 is an integrated communications provider of mobile, broadband internet, video and fixed-line telephony services to residential customers and businesses in the UK.

At 31 December 2021, the group's fixed-line network passed 15.6 million homes and served 5.8 million fixed-line customers with 5.6 million customers taking a broadband internet product. In addition, at 31 December 2021, the group served 32.2 million retail mobile connections and 10.0 million wholesale mobile connections.

Under the Virgin Media brand, the group provides broadband internet, video, fixed-line telephony, mobile ("Mobile - Virgin Media MVNO based offerings") and broadcasting services in the UK. The group is one of the UK's largest providers of residential communications services in terms of the number of customers. The group believes its advanced, deep-fibre cable access network enables the group to offer faster and higher quality broadband internet services than digital subscriber line (DSL) market participants. As a result, the group provides its customers with a leading next generation broadband internet service and one of the most advanced interactive television services available in the UK market.

Virgin Media provides mobile services to customers in the UK using third-party networks through mobile virtual network operator (MVNO) arrangements. Following the formation of the joint venture, these services will migrate to the group's own mobile network and these MVNO arrangements will be unwound.

In addition, through the Virgin Media Business brand, the group provides broadband internet, fixed-line and mobile telephony and other connectivity services to businesses, public sector organizations and service providers in the UK across its fixed-line network.

The group's mobile network is operated under the O2 brand and is a leading UK mobile network operator (MNO) whose primary business is providing mobile telecommunications and related services, to consumer and business customers. Under the premium O2 brand, the group offers a comprehensive range of mobile services and products to consumer and business customers, including mobile voice, messaging and data services, and sales of handsets, tablets, wearable devices and other hardware. In addition, the group offers a wide range of value-add services and products including Wi-Fi services, security services, cloud services, digital payment services, certain fixed-line services for businesses and insurance products. O2 has also developed innovative value-add services and products, including services and products relating to the 'Internet of Things', insurance, and big-data and insight services for businesses. Through its digital loyalty program, Priority, O2 offers its customers a range of exclusive deals and perks and this program was extended to our fixed-line customers in November 2021.

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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Principal activities and business review (continued)

In addition, O2 provides MVNO based offerings, through its digital brand giffgaff, providing telecommunications services to the consumer mobile segment.

Principal risks and uncertainties

Financial and operational risk management is undertaken as part of the group operations as a whole. The company's operations expose it to a variety of operational and financial risks. These are considered in more detail in the Consolidated Annual Report of VMED O2 UK Holdings Limited, which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

Brexit

Following the UK's departure from the European Union (EU), the group has not identified any material adverse effect on the group's business, financial condition, results of operations or liquidity. The group does not anticipate any material effect going forwards and will continue to monitor any potential risk that may arise as the government continues to negotiate trade deals.

COVID-19

The global COVID-19 pandemic continues to adversely impact the economy of the UK. However, during the year ended 31 December 2021, the adverse impact on the group was relatively minimal as demand for products and services remained strong. It is not currently possible to estimate the duration and severity of the COVID-19 pandemic or the full adverse economic impact resulting from the preventative measures taken to contain or mitigate its outbreak, therefore no assurance can be given that an extended period of global economic disruption would not have a material adverse impact on the group's business, financial condition and results of operations in future periods.

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STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Key performance indicators (KPIs)

The company's key financial and other performance indicators for the year are considered below:

	2021 £000	£2020 £000	Commentary
Revenue	26,345	26,421	Revenue has decreased by 0.29%, primarily due to price increase, offset by a decrease in customer numbers.
Operating profit	2,973	3,157	Operating profit has decreased by 5.83%, primarily due to an increase in an allocation of costs from fellow group subsidiaries.

Selected statistics for residential cable customers served by the company at 31 December 2021 and 31 December 2020 are shown in the table below:

	2021	2020
Products:		
Broadband internet	44,099	42,800
Video	27,170	28,000
Fixed-line telephony	36,224	36,600
Total	107,493	107,400
Total customers	45,712	44,700
Products per customer	2.35	2.40

Each broadband internet, video and fixed-line telephone subscriber directly connected to the company's network counts as one product. Accordingly, a subscriber who receives both telephone and video services counts as two products. Products may include subscribers receiving some services for free or at a reduced rate in connection with promotional offers.

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 the Consolidated Annual Report of VMED O2 UK Holdings Limited, which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

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



M D Hardman
Director

Date: 22 September 2022

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the non-audited financial statements of the company for the year ended 31 December 2021.

Results and dividends

The profit for the year, after tax, amounted to £3,232,000 (2020 - £3,828,000).

The directors have not recommended an ordinary dividend (2020 - £nil).

Directors

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

J L Boyle (appointed 1 October 2021)
M D Hardman (appointed 1 October 2021)
M O Hifzi (resigned 1 November 2021)
R G McNeil (resigned 1 October 2021)
L Milner (appointed 1 March 2021, resigned 31 August 2021)
C B E Withers (resigned 1 October 2021)

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.

Political donations

The company did not make any political donations during the year (2020: £nil).

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

UK employee engagement statement

The company does not have any employees in its own right; the group's employees are employed by Telefonica UK Limited or Virgin Media Limited, both of which solely operate in the UK and their respective employees are based in the UK with the exception of a handful which are seconded to other group companies from time to time. As part of the group governance framework the Board has delegated its duties in respect of the group's employees to the Executive Management Team of the group. The Board and the Executive Management Team have regard to the interest of employees, including the outcome of any engagement where appropriate, in the decisions taken (in particular in principal decisions) by the group during the financial year. Examples of the group's engagement with its employees include:

- *CEO & executive live streams and roadshows:* Through 2021 we continued regular CEO and Executive Management Team digital livestreams, in addition to face to face Roadshows. These events are an opportunity for the Executive Management Team to share important updates and provide an opportunity for our people to ask questions and to make comments.
- *Employee network groups:* Our six employee network groups (Enrich, Proudly, Gender Equality, Ultraviolet, Extra Ordinary and We Care) work to ensure the views, needs and sentiment of our diverse populations are represented on an on-going basis within and across the business. There are both formal and informal collaborative working sessions.
- *Executive management team briefings:* Each month the Executive Management Team brings together VMED O2's senior leaders to discuss a range of commercial, customer and leadership priorities. These forums are opportunities to invite questions, feedback, views and insights from the wider senior leadership community.
- *Workplace:* Our internal social media platform actively drives and encourages openness, communication and collaboration. All of our people have access to Workplace and are able to post comments, questions, ideas and set up groups. Workplace is a key vehicle in our communications and employee engagement approach, supporting business updates, dissemination of key information e.g. COVID-19 updates, and bespoke campaigns centred on key topics e.g. internal career opportunities. Workplace provides an always-on forum for people to share updates, feedback, ideas and news from around the business.
- *Engagement survey and pulse surveys:* These tools gather our people's views and enable everyone to have a voice through the year. The results provide a company-wide view of our people's levels of motivation and identify what is going well and what can be improved.
- *Quarterly update:* Each quarter, members of the Executive Management Team share our commercial and financial results and business strategy updates with all of our people. These have been held digitally via Workplace through 2021, are accessible to all of our people and provide the opportunity for questions or comments.
- *Employee representatives for O2:* We work continuously and in partnership with our Trade Unions (CWU and Prospect) and employee representatives on a broad range of employee related matters to maintain a positive and collaborative industrial climate within the business.
- *Employee representatives for Virgin Media:* We work continuously and in partnership with our Voice Forum on a broad range of employee related matters to maintain a positive and collaborative industrial climate within the business.

Further examples of how the group has had regard to the interests of its employees and the effect this has had on the decisions taken by the group can be found in the Consolidated Annual Report of VMED O2 UK Holdings Limited, which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Corporate governance

The company adopts the same governance framework for the group and full details of the governance arrangement can be found in the Corporate Governance Statement of VMED O2 UK Holdings Limited Consolidated Annual Report, which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

Stakeholder statement

From the board's perspective, as a result of the group's governance structure (the board being part of the group's Executive Management Team), stakeholder engagement generally takes place at the group's operational level. This is the most efficient and effective approach which helps the group (including the company) achieve greater positive impact on environmental, social and other issues that are relevant to the company. Also details of the company's approach to modern Slavery and Payment Practices are published in accordance with statutory obligations. Further details of the group's stakeholder relationships and engagements are set out in the Corporate Governance Statement of VMED O2 UK Holdings Limited's Consolidated Annual Report, which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

Energy and carbon report

Disclosures concerning greenhouse gas emission, energy consumption and energy efficiency are done at a group level and are contained in the Streamlined Energy and Carbon Statement of VMED O2 UK Holdings Limited's Consolidated Annual Report, which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

Going concern

After making suitable enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. 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.

Audit exemption

VMED O2 UK Holdings Limited issued a guarantee against all outstanding liabilities to which the company is subject as at 31 December 2021, until they are satisfied in full. The guarantee is enforceable against VMED O2 UK Holdings Limited by any person to whom the company is liable in respect of those liabilities. Since VMED O2 UK Holdings Limited 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 2021 by virtue of section 479A of the Companies Act 2006.

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



J L Boyle
Director

Date: 22 September 2022

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**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 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 also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Revenue		26,345	26,421
Cost of sales		(6,657)	(6,464)
Gross profit		19,688	19,957
Administrative expenses		(16,715)	(16,800)
Operating profit	4	2,973	3,157
Income tax benefit	6	259	671
Profit for the year		3,232	3,828

The notes on pages 11 to 22 form part of these financial statements.

There was no other comprehensive income or expenditure for 2021 or 2020 other than that included in the profit and loss account.

All results were derived from continuing operations.

NTL KIRKLEES
REGISTERED NUMBER: 02495460

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	7	12	58
Property, plant and equipment	8	27,807	25,503
		<u>27,819</u>	<u>25,561</u>
Current assets			
Debtors: amounts falling due after more than one year	9	11,761	11,502
Debtors: amounts falling due within one year	9	10,416	9,701
		<u>22,177</u>	<u>21,203</u>
Net assets		<u><u>49,996</u></u>	<u><u>46,764</u></u>
Capital and reserves			
Share capital	11	-	-
Retained earnings	12	49,996	46,764
Total shareholder's funds		<u><u>49,996</u></u>	<u><u>46,764</u></u>

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 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 by:

Mark Hardman

M D Hardman
 Director

Date: 22 September 2022

The notes on pages 11 to 22 form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £000	Retained earnings £000	Total shareholder's funds £000
Balance as at 1 January 2021	-	46,764	46,764
Comprehensive income for the year			
Profit for the year	-	3,232	3,232
Balance as at 31 December 2021	-	49,996	49,996

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

	Share capital £000	Retained earnings £000	Total shareholder's funds £000
Balance as at 1 January 2020	-	42,936	42,936
Comprehensive income for the year			
Profit for the year	-	3,828	3,828
Balance as at 31 December 2020	-	46,764	46,764

The notes on pages 11 to 22 form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Company information

The principal activity of ntl Kirklees (the 'company') is the provision of broadband internet, video, fixed-line telephony as well as running some of the telecommunication services over which they are provided.

The company is a private company incorporated, domiciled and registered in the UK. The registered number is 02495460 and the registered address is 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

2. Accounting policies**2.1 Basis of accounting**

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

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 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's intermediate parent undertaking, VMED O2 UK Holdings Limited, includes the company in its consolidated financial statements. The consolidated financial statements of VMED O2 UK Holdings Limited are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and are available from the company secretary at 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, property, plant and equipment, intangible assets;
- disclosures in respect of related party transactions with fellow group undertakings;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel;
- disclosures of transactions with a management entity that provides key management personnel services to the company; and
- Certain disclosures required under IFRS 15 revenue from contracts with customers, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.2 Going concern**

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

It is VMED 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 VMED 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, which take into account of reasonably possible downsides in trading performance, prepared for the group as a whole, indicate that cash on hand, together with cash from operations and revolving credit facilities, are expected to be sufficient for the 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.

NTL KIRKLEES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.3 Revenue**

Revenue represents the value of services provided, stated net of value added tax and discounts, and is attributable to continuing activities, being the provision of video, fixed-line telephony, broadband internet and other telecommunication services and to run certain telecommunication systems over which they are provided. All revenue is derived from operations in the United Kingdom and is recognised as the services are provided to customers. The directors consider this to be a single class of business.

Revenue recognition

Revenue is recognised to the extent that it is realised or realisable and earned. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT. The following criteria must also be met before revenue is recognised:

- persuasive evidence of an arrangement exists between the company and the company's customer;
- delivery has occurred or the service has been rendered;
- the price for the service is fixed or determinable; and
- recoverability is reasonably assured

Revenue earned from contracts is recognised in line with performance obligations based on a five-step model.

On inception of the contract we identify a "performance obligation" for each of the distinct goods or services we have promised to provide to the customer. The consideration specified in the contract is allocated to each performance obligation based on their relative standalone selling prices, and is recognised in revenue as they are satisfied. The following table summarises the performance obligations we have identified for our major revenue lines and provides information on the time of when they are satisfied and the related revenue recognition policy.

NTL KIRKLEES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.3 Revenue (continued)**

Revenue line	Performance obligation	Revenue recognition policy
Service revenue – Cable Networks	Provision of video, broadband internet and fixed-line telephony services over our cable network to customers. Performance obligations are identified for each distinct service for which the customer has contracted and are considered to be satisfied over the time period that these services are delivered.	Revenue for these types of services is recognised evenly over the period of the agreement as the services are provided
B2B revenue	Provision of data, voice and network solution services, including the sale and maintenance of equipment to business customers. Installation charges are charged in relation to the provision of services. The group is obliged to provide the customer with the connectivity services and or equipment stipulated the customer contract. Installation is not considered as a separate performance obligation.	The group defer upfront installation and certain nonrecurring fees received on business-to-business contracts where we maintain ownership of the installed equipment. The deferred fees are amortised into revenue on a straight-line basis, generally over the longer of the term of the arrangement or the expected period of performance

There are no material obligations in respect of returns, refunds or warranties.

Incremental revenue is generated based on usage for video on demand. The company has a right to consideration from the customer at an amount that corresponds directly with the value to the customer of the entity's performance completed to date, therefore the entity recognises revenue to the extent which it has a right to invoice.

For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognised uniformly over the contractual period if the contract has substantive termination penalties. If a contract does not have substantive termination penalties, revenue is recognised only to the extent of the discounted monthly fees charged to the subscriber, if any.

Certain upfront costs associated with contracts that have substantive termination penalties and a term of one year or more are recognised as assets and amortised to operating costs and expenses over the applicable period benefited.

NTL KIRKLEES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.4 Intangible assets**

Our primary intangible assets relate to software costs.

Separately identifiable intangible assets such as software costs are amortised over their useful economic lives, up to a maximum of five years, on a straight line basis.

2.5 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 economic life as follows:

Network assets	3 - 30 years
Other fixed assets:	
- Leasehold property	Period of lease
- Other	3 - 12 years

The carrying values of property, plant and equipment 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 and business process outsourcing 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.

2.6 Debtors

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.7 Deferred tax**

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

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

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

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

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

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

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

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

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

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

NTL KIRKLEES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 is assessed annually and a provision is recognised if any indications exist that the receivables are not considered recoverable.

Useful economic life of 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. The useful life and carrying values are reviewed annually for impairment and where adjustments are required, these are made prospectively.

Judgements***Recoverability of 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. Operating profit

The operating profit is stated after charging:

	2021	2020
	£000	£000
Depreciation of property, plant and equipment	4,230	4,267
Amortisation of intangible assets	46	68
	4,276	4,335

The directors received no remuneration for the qualifying services as directors of this company. All directors' remuneration for those which were in office during 2021 and 2020 is disclosed in the Consolidated Annual Report of VMED O2 UK Holdings Limited, which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

5. Employees

The company does not have any directly employed staff but is charged an allocation of staff costs by the group. Details of staff numbers and staff costs of the group are disclosed in the Consolidated Annual Report of VMED O2 UK Holdings Limited which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

NTL KIRKLEES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. Income tax benefit

Tax benefit included in profit or loss:

	2021	2020
	£000	£000
Current tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	3,373	603
Effect of tax rate change on opening balance	(3,632)	(1,274)
Total deferred tax	(259)	(671)
Tax on profit	(259)	(671)

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021	2020
	£000	£000
Profit before tax	2,973	3,157
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	565	600
Effects of:		
Remeasurement of deferred tax for changes in tax rates	(2,822)	(1,274)
Group relief surrendered	2,070	-
Fixed asset differences	(72)	3
Tax benefit	(259)	(671)

Factors that may affect future tax charges

In March 2021, legislation was introduced to increase the UK corporate income tax rate from 19% to 25% from 1 April 2023. This rate change was substantively enacted on 24 May 2021 and enacted on 10 June 2021 (Finance Bill 2021). The effect of the increased tax rate on our deferred tax balances is reflected in our statement of financial position at 31 December 2021.

NTL KIRKLEES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Intangible assets

	IT Software £000
Cost	
At 1 January 2021	343
Reclassification to property, plant and equipment	(202)
At 31 December 2021	141
Accumulated amortisation	
At 1 January 2021	285
Amortisation	46
Reclassification to property, plant and equipment	(202)
At 31 December 2021	129
Net book value	
At 31 December 2021	12
At 31 December 2020	58

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Property, plant and equipment

	Network assets £000	Other £000	Total £000
Cost			
At 1 January 2021	100,704	444	101,148
Additions	6,534	-	6,534
Disposals	(15,974)	(1)	(15,975)
Reclassification from intangibles	-	202	202
At 31 December 2021	91,264	645	91,909
Depreciation			
At 1 January 2021	75,279	366	75,645
Disposals	(15,974)	(1)	(15,975)
Charge for the year on owned assets	4,188	42	4,230
Reclassification from intangibles	-	202	202
At 31 December 2021	63,493	609	64,102
Net book value			
At 31 December 2021	27,771	36	27,807
At 31 December 2020	25,425	78	25,503

Included in "Other" are the following net book value of land and buildings:

	2021 £000	2020 £000
Freehold	-	15

NTL KIRKLEES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Debtors

	2021 £000	2020 £000
Due after more than one year		
Deferred tax asset (note 10)	11,761	11,502
	<u>11,761</u>	<u>11,502</u>
Due within one year		
Amounts owed by group undertakings	10,416	9,701
	<u>10,416</u>	<u>9,701</u>

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

10. Deferred tax

	2021 £000	2020 £000
At 1 January 2021	11,502	10,831
Charged to profit or loss account	259	671
At 31 December 2021	11,761	11,502
	<u>11,761</u>	<u>11,502</u>

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Fixed asset temporary differences	11,761	11,502
	<u>11,761</u>	<u>11,502</u>

11. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
2,044 (2020 - 2,044) ordinary shares of £0.001 each	2	2
	<u>2</u>	<u>2</u>

NTL KIRKLEES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Reserves**Share capital**

The balance classified as share capital represents the nominal value on issue of the company's share capital, comprising £0.001 ordinary shares.

Retained earnings

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

13. Guarantees

Fellow group undertakings are party to a senior secured credit facility with a syndicate of banks. As at 31 December 2021, this comprised term facilities that amounted to £5,916 million (2020 - £3,982 million) and revolving credit facilities of £1,378 million (2020 - £1,000 million), which were undrawn as at 31 December 2020 and 2021. 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 2021 amounted to £8,066 million (2020 - £4,400 million). Borrowings under the notes are secured against the assets of certain members of the group.

Furthermore, a fellow group undertaking has issued senior notes for which certain fellow group undertakings, have guaranteed the notes on a senior subordinated basis. The amount outstanding under the senior notes as at 31 December 2021 amounted to approximately £1,103 million (2020 - £1,127 million).

The company is a member of the VMED O2 group, which manages its liquidity at the consolidated VMED O2 group level. As such, while the company is not itself a guarantor of the credit facilities, senior secured notes and senior notes discussed above, any action to enforce the guarantees and security given by fellow VMED O2 group undertakings could impact upon the company as a part of that group.

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

14. Controlling party

The company's immediate parent undertaking is ntl Kirklees Holdings 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 2021 are VMED O2 UK Holdings Limited and VMED O2 UK Limited, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2021 was VMED O2 UK Limited.

Copies of VMED O2 UK Limited and VMED O2 UK Holdings Limited accounts referred to above which include the results of the company are available from the company secretary, at Griffin House, 161 Hammersmith Road, London W6 8BS and 500 Brook Drive, Reading, United Kingdom, RG2 6UU respectively.