Registered number: 02591237

VIRGIN MEDIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY INFORMATION

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VIRGIN MEDIA LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

Virgin Media Limited (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, fixed-line telephony and video to residential customers and businesses in the United Kingdom (UK). The company is one of the principal employers within the group, and manages the majority of its working capital, finance leases, operating leases, capital commitments and construction in progress.

VMED O2 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).

As part of the formation of the joint venture, on 1 June 2021, Liberty Global and Telefonica (amongst other parties) entered into a shareholders agreement (the Joint Venture Shareholders Agreement) whereby Liberty Global and Telefonica directly or indirectly hold 50% of the issued share capital of VMED O2 UK Limited, our ultimate parent, and to which Liberty Global contributed the operations of Virgin Media (other than the Virgin Media businesses that were excluded from the transaction) (the Virgin Media Contribution) and Telefonica contributed O2 (the O2 Contribution and, together with the Virgin Media Contribution, the Contributions). VMED O2 UK Limited is managed by a leadership team, which has been selected and appointed by Liberty Global and Telefonica in accordance with the Joint Venture Shareholders Agreement (the Executive Management Team).

Since the formation of the joint venture, VMED O2 has focused on initiating the process of the integrating and combining the operations, infrastructure and businesses of Virgin Media and O2 in alignment with its fixed mobile convergence (FMC) strategy. VMED O2 has established a strong leadership team, to combine the operations of the joint venture. Within the joint venture however, certain operations continued to operate as Virgin Media and O2. As a result, information included in this Annual Report will refer to the combined operations of VMED O2, Virgin Media and O2 where necessary to make the distinction.

VMED O2's purpose is to "Reimagine Connectivity and Upgrade the UK". VMED O2 is committed to investing in the national recovery, helping the country to climb up the international connectivity league tables and creating a brighter, more prosperous future for every corner of the UK. VMED O2 is a customer-first business that brings a range of connectivity services together in one place with a clear mission to power the UK's digital future and create choice for all its customers. As connectivity continues to power the nation, VMED O2 remains committed to bringing together next-generation gigabit broadband and 5G services whilst expanding its network reach across the country, creating a more resilient, connected and sustainable future.

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.

For the purposes of this Annual Report, unless the context otherwise requires, the terms 'we' and 'our' refer to Virgin Media Limited (the 'company').

Business review

Virgin Media is a leading FMC brand, recognised for delivering the fastest widely available broadband connectivity in the UK underpinned by our unique fixed-line network, as well as providing video, fixed and mobile telephony services.

Consumer products and services

We offer our customers a choice of packages and tariffs within each of our fixed-line product categories. Our bundled packaging and pricing are designed to encourage our customers to purchase multiple services across our product portfolio by offering incentives to customers who subscribe to two or more of our products. The types and number of services that each customer uses, and the prices we charge for these services, drive our revenue. For example, broadband internet is more profitable than our television services and, on average, our "triple-play" customers are more profitable than "double-play" or "single-play" customers. At 31 December 2021, 97% of the group's 5.8 million fixed-line customers are broadband internet customers and fixed-mobile convergence penetration stood at 45% of our broadband internet customers. Fixed-mobile convergence penetration represents the number of customers who subscribe to both a broadband internet service and post-paid mobile telephony service from the group, divided by the number of customers who subscribe to our broadband internet service.

Broadband internet

As highlighted by the COVID-19 pandemic, all sectors of society, including families, businesses, education and healthcare, rely heavily on connectivity and the digital services that depend on it. To meet customers' expectations of seamless connectivity, we are developing a fully digital, cloud-based "Connectivity Ecosystem" leveraging our fibre-rich fixed-line broadband network and mobile network. The Connectivity Ecosystem is orchestrated by a fully cloud-based digital journey, enabling fast and flexible introduction of new hardware and services, as well as cloud-to-cloud open application programming interface integration, which simplifies the on-boarding of new services and devices. The devices used within our Connectivity Ecosystem are connected and protected through our security gateway and VPN, both at home and on the go. At home, our customers can benefit from the gigabit speeds enabled by our "Hub 4" router as well as "Intelligent WiFi" which has optimisation functionalities, such as the ability to adapt to the number of people and devices online at any given time, in order to improve and extend wireless connectivity reach and speeds. In addition, we introduced our first "Smart Home" bundles, enabling those customers to utilise enhanced entertainment, home automation and home security.

Our Hub 3 and Hub 4 routers are our intelligent WiFi and telephony gateways that enables us to maximise the impact of our ultrafast broadband networks by providing reliable wireless connectivity anywhere in the home. This gateway can be self-installed and allows customers to customise their home WiFi service. We also offer our Connect App that, amongst other things, allows our customers to find their best WiFi access. In addition, we provide intelligent mesh WiFi boosters, which increase speed, reliability and coverage by adapting to the environment at home.

In the fourth quarter of 2021, we launched our new, next generation broadband router, called Hub 5, which comes with WiFi 6, the latest generation of wireless technology that brings faster and more reliable speeds. It is built from 100% post- consumer recycled plastic, promoting sustainability by design.

Internet speed is of crucial importance to our customers, as they spend more time streaming video and other bandwidth-heavy services on multiple devices. Our extensive broadband network enables us to deliver ultra high-speed internet service across our markets in the UK. Our residential subscribers access the internet via cable modems connected to their internet capable devices, or wirelessly via a WiFi gateway device.

Broadband internet (continued)

We currently offer six tiers of cable broadband internet services to new subscribers with unlimited downloads at speeds of up to 50 Mbps (megabits per second), 100 Mbps, 200 Mbps, 350 Mbps, 600 Mbps and 1.1 Gbps in the UK. We are now the largest gigabit speed provider in the UK with our Gig1 service available across our UK footprint, representing over 15 million premises. We won the Uswitch award for Fastest Broadband Provider in the UK in 2021.

We offer value-added broadband services for an incremental charge. These services include Intelligent WiFi features, security (e.g., anti-virus, anti-spyware, firewall and spam protection) and Smart Home services. Subscribers to our internet service pay a monthly fee based on the tier of service selected. In addition to the monthly fee, customers pay an activation service fee upon subscribing to an internet service.

We have deployed “Community WiFi” via routers in the home, which provide secure access to the internet for our customers. Community WiFi is enabled by a cable modem WiFi access point (WiFi modem) in either the Hub 3 or Hub 4 router. Community WiFi is created through sharing access to the public channel of customers' home wireless routers. The public channel is a separate network from the secure private network used by the customer within the home and is automatically enabled when the WiFi modem is installed. Public WiFi access points (covering train stations, hotels, bars, restaurants and other public places) are also available for no additional cost.

By leveraging our existing fibre-rich broadband networks and the Network Extension programme in the UK, we are in a position to deliver gigabit services by deploying the next generation DOCSIS 3.1 technology. DOCSIS 3.1 technology is an international standard that defines the requirements for data transmission over a cable system. Not only does DOCSIS 3.1 technology improve our internet speeds, but it also allows for network growth. On 29 July 2021, we announced our intention to upgrade our fixed-line network to full FTTP with completion expected in 2028. The upgrade plan will cover the vast majority of our network, taking into account our existing 1.4 million FTTP homes passed.

Television

Our digital cable platform includes access to over 230 linear television channels, advanced interactive features and a range of premium subscription-based and Pay Per View (PPV) services. In addition to our linear television services, which allow our customers to view television programming at a scheduled time, our digital cable customers also have access to a broad range of digital interactive services, including Virgin TV On Demand, one of the most comprehensive digital cable-on-demand services in the UK, and Virgin TV Go.

We also offer interactive “red button” applications enabling customers to receive additional interactive services, including multiple alternative broadcasts from the British Broadcasting Corporation (BBC) and other commercial broadcasters, such as Sky plc (Sky) and BT Group plc (BT).

Digital set-top boxes

We have a range of advanced digital set-top boxes in use with our customers, which include multiple tuners enabling recording of multiple programmes at the same time.

The Virgin Media V6 box combines support for UHD/4K video together with improved streaming functionalities and more processing power. It has eight tuners, allowing viewers to record six programmes while watching a seventh they previously recorded. Under a strategic partnership agreement, we also distribute the TiVo user interface software for our legacy set-top boxes. All of our boxes provide converged television and broadband internet capabilities in the UK. This enables us to support digital cable-on-demand delivery of television shows, movies and children's programmes in addition to supporting web video services such as Netflix, BBC iPlayer, Prime Video and YouTube.

Broadband internet (continued)

Virgin TV 360
Virgin Media introduced its latest TV platform, Virgin TV 360, in November 2020 offering customers a seamless and more personal entertainment experience. Virgin TV 360 boasts all of the top TV channels and streaming apps such as Netflix, Amazon Prime Video and BBC iPlayer, all with UHD/4K and high dynamic range viewing capabilities. The upgraded platform also offers a host of new features including a voice activated remote-control, Profiles, a new Mini box and Startover. Virgin TV 360 is powered by Horizon, the next-generation entertainment platform developed by Liberty Global, and with access to regular updates and innovations, is Virgin Media's most advanced and intuitive TV platform to date.

Stream from Virgin Media
We have recently launched Stream from Virgin Media, a new flexible and seamless entertainment service that brings together customers' favourite entertainment subscriptions under one roof – with an easy-to-use interface and the flexibility to change a subscription anytime. This way, our customers can easily access the content they love, only pay for what they plan to use each month and get one simple bill for all of it. Subscription-based streaming is how many people are watching TV now – some consumers aren't looking to buy the full TV packs we currently offer. Stream will help us reach this audience by giving them a simpler way to manage all their subscriptions and, even better, power their entertainment with our lightning-fast broadband.

Virgin TV on demand
Our digital cable-on-demand service provides our customers with instant access to a wide selection of premium movies and television programmes. Content is available in a variety of broadcast formats including standard definition (SD), high definition (HD) and ultra high definition (UHD/4K). Our HD content is available to all of our digital cable customers who have an HD box, at no additional charge, however the exact channels available depend on the particular customer's package. Viewers can watch programmes instantly, without the need for buffering, and can freeze-frame, fast-forward and rewind the content as required.

The primary categories of content available within Virgin TV On Demand are "catch-up" television programming, boxsets, children's programming and movies (on a PPV and premium subscription basis). A selection of content, including our "catch- up" television service, is available free of charge to all our television customers. The BBC iPlayer is the largest catch-up television service we offer, but we also offer catch-up television content from ITV Hub, All 4, My5 and other pay TV linear channels.

Subscription video on demand
We offer our television customers basic subscription digital cable-on-demand (SVOD) with a selection of content that increases in volume in line with the customer's digital cable subscription tier.

The offering includes 'Virgin TV Ultra HD' which is a linear entertainment channel broadcasting a selection of high-quality TV series to eligible Virgin TV customers in UHD. The Sky On Demand service allows our customers to access a library of approximately 1,000 hours of television content from across Sky's range of entertainment channels, and an additional 1,000 UHD movie titles being made available to eligible Virgin Media subscribers of Sky Cinema.

Virgin media store
The Virgin Media Store offers hundreds of titles from all the major studios and most independent distributors. Customers can buy or rent the latest movies on demand, straight from the cinema and also buy much loved TV Box Sets (including series from HBO and Showtime). They can also get early access to premium rentals available to watch at home, the same time as in cinemas. Both Virgin TV and Non-Virgin TV customers can register and use our Virgin Media Store application (app) to buy content and watch on up to five devices. Virgin TV customers can also rent and buy movies to watch on their TV via a Virgin TV box. Rental is only available on Virgin TV and a may be viewed multiple times within a 48-hour window.

Broadband internet (continued)

Virgin TV Go & Virgin TV control
Our Virgin TV Go app allows our television customers to stream more than 100 live television channels (depending on their TV package) on up to five devices at no extra cost through their web browser or via mobile apps for compatible Android, iOS and Window devices. In addition, our Virgin TV 360 customers can use the Virgin TV Go app to control their set-top box and can also watch selected recordings from their Virgin TV 360 box.

Our Virgin TV Control app allows our TiVo or V6 box customers with iOS or Android mobile devices to manage their set- top box remotely. When in the home, mobile devices can act as a remote control for their set-top boxes. Customers with compatible iOS or Android devices and a V6 box can also watch selected recordings from their V6 box within the home or download them to their devices for offline viewing using the Virgin TV Control app.

Virgin TV Go and Virgin TV Control are available at no extra cost to our digital cable customers. Virgin Media subscribers of Sky Sports are able to stream these premium channels online or on iOS and Android mobile devices through Sky-provided services.

Apps
As well as our Virgin TV Go, Virgin TV Control and Virgin Media Store apps, we provide our television customers with a large array of third-party apps. Virgin TV was the first platform in the UK to integrate the Netflix streaming service onto the set-top box and over time we have added a large number of apps offering a wide range of content. We provide all the public service broadcaster apps, including BBC iPlayer, ITV Hub, All 4, My5 and STV which, are all available to use via the Virgin TV remote. We also feature Amazon's Prime Video, YouTube, YouTube Kids and Pluto TV. In addition, our TV platforms provide access to music apps including Vevo, BBC Sounds and Radioline, news apps from around the world as well as games to entertain. We continue to improve and broaden our portfolio of apps and each year we are committed to bringing the very best new launches to the Virgin TV platforms.

Fixed-line telephony
We provide local, national and international telephony services to our residential customers over our twisted copper, hybrid fibre coaxial cable and fibre-to-the-premises (fibre-to-the-home/-cabinet/-building/-node is referred to herein as FTTx) networks. We also provide telephony services through voice over internet protocol (VoIP) technology, across our fibre network. We offer a basic line rental service to our cable customers for a fixed monthly fee. In addition, we also offer tiered bundles of call tariffs, features and services, including calling plans that enable customers to make unlimited national landline calls and calls to mobile telephones either during specified periods or anytime, for an incremental fixed monthly fee. Our fixed-line customers can also make calls to mobile customers free of charge and may also subscribe to additional services such as call waiting, call blocking, call forwarding, three-way calling, advanced voicemail and anonymous caller rejection services for an additional fee.

Key performance indicators (KPIs)

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

	2021	2020	
	£000	£000	Commentary
Revenue	**3,431,257**	3,421,408	Revenue has increased by 0.3%, primarily due to an increase in the number of broadband internet subscribers, and selective price increases, offset by a decrease in the number of telephony and video subscribers.
Operating profit	**375,469**	276,549	Operating profit has increased by 35.8%, primarily due to a decrease in administrative expenses in 2021 and an increase in revenue.

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	**5,185,600**	5,137,200
Fixed-line telephony	**4,133,700**	4,253,300
Video	**3,187,300**	3,352,500
Total	**12,506,600**	12,743,000
Total customers	**5,344,000**	5,329,700

Each broadband internet, fixed-line telephony and video 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.

The company reported an increase in both net current assets and net assets for the year ended 31 December 2021. During the year, no new external finance was arranged and there was no movement in the called up equity share capital of the company. Operations were financed through the company's inter-company balances with fellow group undertakings.

Virgin Media patents, trademarks, copyrights and licences

Virgin Media owns or has the right to use patents, copyrights and registered trademarks, which in some cases are, and in other cases may be, of material importance to our business. This includes the exclusive right to use the "Virgin" name and logo under licences from Virgin Enterprises Limited in connection with our corporate activities and the activities of our consumer and business operations. These licences, which expire in April 2036, are exclusive to us within the UK, Northern Ireland, the Isle of Man and Channel Islands, and are subject to renewal on terms to be agreed. They entitle us to use the "Virgin" name for the broadband internet, television, fixed-line telephony and mobile telephony services we provide to our consumer and business customers, and in connection with the sale of certain communications equipment, such as set-top boxes and cable modems. That exclusivity includes the use of "Virgin Media" for the provision of consumer communication services and "Virgin Media Business" for the provision of business communication services.

Customer service

We are committed to providing an excellent end-to-end customer experience. We strive to continually improve our customer experience by listening to our customers and understanding how we can deliver the best possible experience across all our service touch points. Customers have access to multiple interactive service channels (voice, online, web chat, asynchronous messaging (ASM) and social media), which allow them to resolve a range of queries through their preferred method of contact. The customer journeys and customer service operations teams have continued working together to drive improvements in self-serve and the end-to-end customer experience for the growing volume of customers that choose self-serve as their first point of contact. Customers continue to utilise online and self-service channels to seek help, providing a simple and effective way for them to resolve their query and leaving assisted channels to handle more complex requests.

Insight from our customers is an important element of how we improve end to end customer experiences and deliver against our business KPIs. Customer feedback in the form of Voice of the Customer surveys, formal complaints and call reasoning analysis help us to identify opportunities where we can optimise our service and journeys. This year we also launched customer journey surveys that enable us to devise focussed action plans for journey improvements.

Our approach also involves proactively and holistically responding to unhappy customers and resolving their outstanding issues by "closing the loop". Customers who have expressed dissatisfaction via our Voice of the Customer surveys are given the opportunity to book a call back appointment with our specialist team at a time that suits them.

Additionally, our Social Media team push out regular service messages, providing a consistent feed to help and support our customers and in tandem, they proactively identify and respond to customer concerns and queries. Their approach is centred on elevating self-serve, improving the quality of help and support, keeping customers "in the know" via service messaging and growing community involvement.

Vulnerable customers

Our approach to vulnerable customers and those with disabilities is outlined in our Accessibility and Vulnerable Customer policy published on our website. We continue our work with regulators and external bodies to understand areas of vulnerability which may impact our customers. Our aim is to provide support to customers who may be vulnerable when they interact with us and ensure that they receive a consistent approach which considers their circumstances, meets their needs and delivers a great experience.

All of our customer facing colleagues complete training on the concept of vulnerability, how to identify customers who need additional support and how to encourage them to disclose the details of their situation. This enables us to respond to individual customer needs in the most appropriate way, including offering access to specialist teams who can offer more personalised and tailored support.

Vulnerable customers (continued)

Breathing space for financially vulnerable customers
In May 2021, we implemented processes to support Debt Respite, otherwise known as "Breathing Space," which is a government scheme to help relieve some of the pressure of dealing with creditors. This means customers who are struggling financially can focus on securing debt advice and setting up their debt solution without worrying about being chased for payment or incurring extra charges. A mental health crisis Breathing Space is only available to someone who is receiving mental health crisis treatment and it has some stronger protections. It lasts as long as the person's mental health crisis treatment, plus 30 days (no matter how long the crisis treatment lasts).

Competition

We face intense competition from a variety of entertainment and communications service providers, which offer broadband internet, television, and fixed-line telephony services. Technological advances and product innovations have increased, and are likely to continue to increase, the number of alternative providers available to our customers, which has in turn intensified the competitive environment.

The formation of VMED O2 has created a strong competitor with significant scale and financial strength to invest in UK digital infrastructure and give millions of consumers, business and public sector customers more choice and value.

People

Our people strategy is focused on creating an environment that enables and empowers our people to perform at their best. This is achieved through empowering our teams through new ways of working and technology, ensuring a focus on talent development, creating a diverse and inclusive organisation, and engaging and motivating our teams by listening to and acting upon their feedback in order to make our company a great place to work.

Diversity equity and inclusion

Our policies provide clear guidance regarding our approach to diversity, equality and inclusion, including a zero tolerance approach to discrimination. All employees have the right to be free from harassment, bullying, discrimination or unwanted behaviour regarding gender, gender identity, race, disability, age, nationality, marital status, caring responsibilities, sexuality or political or religious beliefs. We are committed to ensuring that all employees have the same opportunities to achieve their potential and contribute to our success. In addition, we have a number of people policies covering the full range of employee lifecycle situations including family friendly leave policies, employee benefits, performance management, disciplinary and grievance. All our policies are reviewed and revised regularly.

We are committed to championing Diversity, Equity and Inclusion (DE&I). Our employee networks have now come together to form 6 new employee resource networks Enrich, Proudly, Gender Equality, Ultraviolet, Extra Ordinary and We Care. Our networks have hosted some fantastic events on topics such as Black History Month, International Day of Persons with Disabilities, Carers Rights Day, World Aids Day, Pride, National Infertility Awareness Week and Neurodiversity Celebration Week.

As at 31 December 2021:

Percentage of females at middle management grade	30.7%
Percentage of black, asian and minority ethnic employees at middle management grade	9.8%
Percentage under 30s at middle management grade	6.0%

Diversity equity and inclusion (continued)

During National Inclusion Week we launched 'All In', our new DE&I brand and employees tuned in to our sessions on DE&I topics. We saw an increase of people within our new 'All In' workplace group during the week by almost 52% and received almost 1,000 comments, likes, shares and All In pledges from across the organisation. Our Executive team also led a DE&I Superstream to demonstrate our leadership commitment to driving a more diverse and inclusive organisation.

In October 2021, over 6,500 employees took part in the first ever Vibe DE&I survey. We announced our partnership with 2020 Change, an organisation providing hundreds of young people from underrepresented ethnic groups with coaching and advice, helping to bridge the gap between education and employment. We renewed key partnerships with Stonewall and Inclusive Employers who have both fed into our strategy design.

Through our inclusive hiring practices, we are also proactively looking at ways to attract and retain disabled talent within the organisation. We are a signatory to the Disability Confident Scheme (currently Level 1 status) and are working to achieve Level 2 by the end of 2022. Our work in this regard includes a commitment to implement a Guaranteed Interview Scheme for specific roles across the organisation, for those disabled candidates who are part of the scheme and meet the minimum requirements of the identified job roles. We have also begun a partnership with Microlink to ensure that we are offering the best, and most accessible and inclusive workplace experience to all of our employees, inclusive of those with disabilities.

Wellbeing

We have a number of people policies covering the full range of employee lifecycle situations including family friendly leave policies, employee benefits, performance management, disciplinary and grievance. All our policies are reviewed and revised as required regularly.

As a result of COVID-19, the UK announced a national lockdown with additional safe working restrictions in 2021. This meant that for the majority of 2021, our people were encouraged to work from home, and many of our employees were unable to legally travel to work on site (except for key workers). Our priority was to enable as many of our people as possible to work from home, including our call centre staff, who were supported with new ways of working. To facilitate this, we recruited additional contact centre employees to ensure our customers continued to receive a seamless service and our people continued to be supported in their roles. We immediately changed our recruitment and on-boarding practices to support and protect all employees, hiring managers and candidates, including conducting all interviews virtually.

During lockdown, all new starters collected their equipment during pre-booked appointments or were given the option of delivery to their home, with a full virtual induction plan to ensure a smooth onboarding process. We launched a number of people-focused initiatives to support new starters during lockdown including a financial wellbeing scheme which protected base pay for employees, not furloughing anyone during lockdown. In addition, we provided a range of financial wellbeing benefits such as a loan scheme with Virgin Money for our Virgin Media employees. We have also provided our people with guidance and support for emotional wellbeing, as well as equipping our leaders with specific content to ensure they have healthy and productive teams during the lockdown and ongoing pandemic.

As a result of COVID-19, some of our people were unable to attend work for various reasons including sickness, isolation, home-schooling or other caring responsibilities. It was important that we supported our people by providing financial security, and so we provided full pay where our people were unable to attend work as a result of these reasons. During COVID -19, we have regularly encouraged and enabled our people to 'do what they can, when they can', encouraging flexible working.

We have continued to support our employees and ensure the safe operation of our business by adapting some of our key people policies. Any interim adjustments made were shared with our people via one centralised document - our COVID-19 Policy. We regularly review and update this document and communicate any key changes to our people as we continue to respond to new Government advice.

Values and culture

We apply VMED O2's shared values: Brave, Real and Together, which aim to unify and focus our business on the values and behaviours that define VMED O2. These values provided a key focus for discussion at Executive Management Team roadshows during 2021, with our leaders sharing their own examples of these values in action and inviting colleagues to do the same. The recognition scheme also celebrates and showcases these values in action, helping to build a values-led culture for the new business.

Our focus on ensuring that we retain and develop the talent, capabilities and skills of our people is a key priority. The supply and demand of knowledge and skills is constantly changing the size and shape of our workforce. It is therefore essential that we continue to develop the skills, capabilities, and behaviours of all our people to support the success of our future organisation. Our Learning & Development team and our partnership with LinkedIn Learning provides all of our people with access to a range of learning content (technical, professional and leadership) as well as the capability to promote targeted learning to specific teams. In addition to this we run targeted programmes to build the talent within the business. For example, our "future careers" programme focussing on apprentices and graduates is aimed at building future leaders and technical experts.

Reward

We have a variety of reward policies and frameworks in place to align reward with company performance, which include:

- Variable pay (e.g. commission and bonus). For both reward programmes, awards are directly linked to company performance. In the commission schemes this is focussed on metrics and targets set by the divisions, while for the annual bonus plan it is measured against revenue, cash flow and our Net Promoter Score.
- In terms of individual reward:
  - Every employee has personal objectives in place which relate to their own role.
  - Pay progression is dependent on a range of factors which can include position against market, key skills and individual performance, linked to achievement of their commercial and sustainability objectives.
  - Variable pay (e.g. commission and bonus) is directly linked to commercial targets and metrics e.g. profit, revenue etc.

Regulatory matters

VMED O2, including the company, is subject to the European Electronic Communications Code (the Code) which was adopted into UK law in 2020 prior to the withdrawal of the UK from the European Union (EU). In the UK, the Code is implemented through (i) the Communications Act 2003 (as amended), which regulates all forms of communications technology, whether used for telecommunications or broadcasting, and (ii) the Wireless Telegraphy Act 2006, which regulates radio communications in the UK (including spectrum licensing arrangements, usage conditions and charges, licence bidding and trading and enforcement and penalties).

In addition, the Privacy and Electronic Communications Regulations 2003 (as amended) implemented EU Directive 2002/58, which regulates the processing of personal data and the protection of privacy in the electronic communications sector. Telecommunications companies in the UK, including VMED O2, are also subject to regulation under the UK Broadcasting Acts 1990 and 1996 and other UK statutes and subordinate legislation, including the Competition Act 1998, the Enterprise Act 2002 and the Enterprise and Regulatory Reform Act 2013.

The Code does not generally address content matters, including radio and television programming, which are specifically regulated by the Audiovisual Media Services (AVMS) Directive which was also transposed into UK law in 2020. Ofcom regulates both linear and on-demand programming, with regulatory requirements derived from the AVMS Directive.

Regulatory matters (continued)

In November 2021, the Telecommunications (Security) Act was passed, which introduces a regime for identifying and removing "High Risk Vendors" from UK networks, as well as increasing security and resilience requirements (Telecoms Security Requirements) through amendments to the Communications Act 2003.

Corporate responsibility

Anti-bribery and corruption framework

As a responsible business we are committed to conducting our operations with fairness and integrity. In August 2021, VMED O2 launched a new Code of Conduct Policy. The policy sets out a clear framework, formalising the principles and values of VMED O2 and demonstrates our commitment to doing the right thing and maintaining the highest ethical and legal standards. We comply with all applicable laws in relation to anti-bribery and corruption and our Executive Management Team has a zero-tolerance approach to bribery and corruption.

The focus for VMED O2 is as follows:

Ministry of justice principle	Area of progress
Top level commitment	• Enhanced Code of Conduct and Anti-Bribery and Corruption policy launched to all colleagues • 'Zero tolerance' approach to bribery and corruption, supported by the Executive team and reinforced through on-going multi-channel employee communications
Proportionate procedures	• Consistent reporting, authorisation and guidance for the giving and receiving of gifts and hospitality • Enhanced guidance and restrictions in relation to the provision of gifts or hospitality to public sector officials or during a tender process • New Charitable Donations, Conflicts of Interest and enhanced supplier due diligence screening processes implemented
Communications and training	• New Code of Conduct compliance learning module launched. Over 75,000 mandatory compliance learning modules at a completion rate of 97.8% were undertaken for the year ending 31st December 2021. • Risk based Anti-Bribery and Corruption webinars delivered, targeting higher risk teams
Compliance monitoring	• New Compliance Function structure implemented including specialist team responsible for the day to day management of our Anti-Bribery and Corruption framework • Automated data analytic monitoring, controls and reporting established for all VMED O2 Corporate Hospitality Assets

Whistleblowing channel

During 2021, we operated a whistleblowing channel 'Speak Out'. The whistleblowing channel is part of our continued commitment of being a responsible business. The channel supports our people to speak up against behaviour inconsistent with the Code of Conduct.

To support our whistleblowing process, periodic updates are provided on the status of reports received and key themes identified, including reporting on key performance indicators to the VMED O2 UK Limited's (our ultimate parent company) Audit Committee.

Principal risks and uncertainties

Key risks of the business have been grouped here under five principle risk areas as follows:

- risks relating to our industry and our business;
- risks relating to our regulatory and legislative matters;
- risks relating to our management, the joint venture Parents and related parties;
- risks relating to the joint venture transactions; and
- risk relating to our indebtedness, taxes and other financial matters.

Risks relating to our industry and our business

We operate in increasingly competitive markets, and there is a risk that we will not be able to effectively compete with other service providers. The markets for mobile, broadband internet, cable television and fixed-line telephony services in which we operate are highly competitive and, in certain markets, we compete with established companies that hold positions of market power in these and/or closely related markets. We face competition from these companies, other established companies and potential new entrants.
How we manage this: In order to compete effectively, we consider market and competitor activity, market opportunities, our product & service offerings, our pricing, technology direction, and leveraging our assets and talent.

Network performance related growth and customer satisfaction. Our ability to meet growing customer demand for mobile services and to expand our business depends, in part, on the capacity, speed and reliability of our mobile network provider. Recent technological advances and changes in customer behaviour and demands, have resulted in substantial growth in mobile data volumes. Total mobile data volumes in the UK have grown sharply in recent years, increasing to 4,271 petabytes in 2020 from 533 petabytes in 2014, a compound annual growth rate of 41.5% (source: Ofcom, July 2021).
How we manage this: Through contract management with our mobile network provider.

Changes in technology, and our ability to develop and introduce new and enhanced products, may limit the competitiveness of and demand for our services. Technology in the video, telecommunications and data services industries is changing rapidly, including advances in current technologies and the emergence of new technologies. New technologies, products and services may impact consumer or business customer behaviour and therefore demand for our products and services.
How we manage this: We continue to work with various commercial and academic organisations on technological innovation and strategic areas of improvements. This forms just part of our approach for anticipating changes in technology and consumer tastes and developing/introducing new and enhanced products and services on a timely basis.

A failure to adequately manage our legacy technologies and transformation. A failure to adequately support legacy systems and to properly procure their replacement may result in a negative impact on the provision of services to customers, resulting in a loss of existing customers and making it more difficult to attract new customers, as well as an increased likelihood of data security incidents.

Risks relating to our industry and our business (continued)

How we manage this: We focus heavily on this area of the business, with significant capital expenditure allocated, to ensure delivery of positive service continuity experiences, new capabilities and services, and suitable security.

Our significant property, plant and equipment additions, may not generate a positive return. Additions to our property, plant and equipment, (including our Network Extension, upgrade our fixed-line network to full FTTP), require significant capital expenditures for equipment and associated labour costs to build out and/or upgrade, as well as for related Customer Premises Equipment. No assurance can be given that any rebuilds, upgrades or extensions of our networks will increase penetration rates, increase fixed-line or mobile revenue, or otherwise generate positive returns as anticipated.
How we manage this: In accordance with the comments above in this section, this investment forms part of our strategy of anticipating changes in technology and consumer tastes and developing/introducing new and enhanced products and services on a timely basis, which we believe will attract new customers and drive positive return on these investments.

Adverse economic developments could reduce customer spending for our broadband internet, fixed-line telephony and video services and increase churn. Most of our revenue is derived from customers (from consumer to enterprise and multinational companies) who could be impacted by adverse economic developments globally, in Europe and the UK. The UK officially entered an economic recession in August 2020 that lasted through to the second quarter of 2021 and ongoing struggles in Europe related to sovereign debt issues, amongst other things, has contributed to a challenging economic environment. The economic environment has been further challenged by the outbreak of COVID-19 and inflationary pressures such as increasing energy costs. Accordingly, our ability to increase, or, in certain cases, maintain, our revenue, margins and liquidity could be materially adversely affected if the economic environment in UK or Europe remains uncertain or declines (including as a result of the UK's departure from the EU).
How we manage this: This risk is managed through many activities of the business, including strategic and financial planning, financial operations, customer and commercial focus, and business plan delivery.

Fixed-line telephony revenue is declining across the industry and unlikely to improve. Business and residential fixed-line telephony usage is declining across the industry. There is a risk that business and residential customers will migrate from using fixed-line telephony to using other forms of telephony, such as VoIP, or mobile. There is no assurance that our fixed-line telephony customers will migrate to our mobile phones and they may eventually shift to other providers of mobile telephony services.
How we manage this: As mentioned above, we are focused on anticipating changes in technology and consumer tastes and developing/introducing new and enhanced products and services on a timely basis, which we believe will attract new customers and drive positive future revenues.

A failure in our network and information systems could significantly disrupt our operations. Certain network and information systems are critical to our business activities. Network and information systems may be affected by cyber security incidents or system failures. These may include, but are not limited to: computer hackings, computer viruses, worms, ransomware or other destructive or disruptive software, third party sites, power outages, fire, theft of metals, natural disasters, terrorist attacks, war. Such events could result in a degradation of, or disruption to, our fixed-line and mobile services, and could prevent us from billing and collecting revenue due to us or could damage our equipment and data or could result in damage to our reputation.
How we manage this: Our mature operations, processes and risk management activities ensure we implement preventative activities/controls which deliver resilience, have plans for swift recovery, and have insurance covering key potential loss events.

Risks relating to our industry and our business (continued)

Unauthorised access to our network resulting in piracy could result in a loss of revenue. We rely on the integrity of our technology to ensure that our services are provided only to identifiable paying customers. Increasingly sophisticated means of illicit piracy of television, broadband internet and telephony services are continually being developed in response to evolving technologies.
How we manage this: We continue to invest in measures to manage unauthorised access to our networks.

Third-party supplier and licensor dependencies. We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers and maintain significant outsourcing partnerships in connection with our customer services and management obligations. We rely upon intellectual property that is owned or licensed by us to use various technologies, conduct our operations and sell our products and services. We are also heavily reliant on both certain handset suppliers to provide in-demand models to be offered in conjunction with our mobile services, and certain suppliers in relation to maintenance of our network and services and the provision of parts. Our suppliers often conduct business worldwide and their ability to meet our needs is subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism, labour issues and pandemics (including the COVID-19 pandemic). Additionally, Failure of our suppliers to comply with our social and environmental guidelines may result in harm to our reputation and brands, which may have a negative impact on our business, sustainability rating and financial position.
How we manage this: We operate supply chain assurance activities which include, but are not limited to, contract management, relationship management, and active creditworthiness monitoring.

We face risks associated with the activities of device manufacturers, including disintermediation and commoditisation risks, and risks relating to our ability to secure adequate and timely supply of handsets that experience high demand. The importance of device manufacturers in the handset market gives rise to disintermediation and commoditisation risks. Any strategies or technologies that enable such device manufacturers, particularly those with significant market presence, to leverage their existing brand awareness to dominate customer relationships, or which otherwise compete with our offerings, could undermine the effectiveness of our customer-focused strategies. Separately, the availability and perceived attractiveness of new handsets, particularly new generations of smartphones, is an important area for our business.
How we manage this: We manage this risk, in part, through our constant focus on strong customer relationships and positive customer experiences. Plus, through our exciting product and proposition offerings across our customer facing channels. The ability to secure timely access to, and sufficient supplies of, handsets and other products that experience high demand is important and we manage this through our agreements with device manufacturers and other suppliers.

Our mobile services rely on the radio access networks of third-party wireless network providers to carry our mobile communications traffic. We utilise the radio access networks of third-party wireless network providers to carry our mobile communications traffic. If any of our network arrangements are terminated, or if the respective third-party fails to provide the services required, this could prevent us from delivering our mobile services and meeting our contractual agreements.
How we manage this: We closely monitor and manage the contracts and relationships relating to our network sharing and network extension arrangements.

The "Virgin" brand is not owned by us and the activities of the Virgin group and other licencees of the brand (whether operating in the same industry or in other industries) could have a material adverse effect on the goodwill of customers towards us as a licencee. The "Virgin" brand is integral to our corporate identity. We do not own this brand and use it under licence from a third party.
How we manage this: We ensure compliance with our contractual agreements in relation to the continued use of the brands.

Risks relating to our industry and our business (continued)

We depend almost exclusively on our relationships with third-party programming providers and broadcasters for programming content, and a failure to acquire a wide selection of popular programming on acceptable terms could adversely affect our business. We enter into agreements for the provision of television programmes and channels distributed via our entertainment service with programme providers, such as public and commercial broadcasters, or providers of pay or on-demand television and services. Our dependence on these suppliers for television programming could have a material adverse effect on our ability to provide attractive programming at a reasonable cost. Additionally, we rely on the products of some of these suppliers of television programming to incentivise customers to enter into contracts for our mobile services. Without their offering, the number of customer subscriptions may be adversely affected.
How we manage this: We actively manage these programming agreements with a view to positively influencing our rights, terms and annual costs.

We do not currently insure the underground portion of its fixed-line network and various pavement-based electronics associated with its fixed-line network. Our fixed-line network is one of our key assets. Almost all of our fixed-line network is constructed underground. As a result, any catastrophe that affects our underground fixed-line network or our pavement-based electronics could prevent us from providing services to our customers and result in substantial uninsured losses.
How we manage this: The accepted risks of our business are monitored as part of our risk management processes and the risk treatment periodically discussed.

The UK's departure from the EU could have a material adverse effect on our business, financial condition, results of operations or liquidity. Examples include: shortages of labour; disruption to our supply chain and related increased cost of supplies; decreased consumer demand for our products and services due to a weakened UK economy; legal uncertainty and potentially divergent national laws and regulations; foreign currency exchange rate driven liquidity challenges.
How we manage this: Cognisant of these risks we continue to monitor the landscape as it evolves and adjust our operations accordingly.

We are exposed to the risks arising from widespread epidemic diseases, such as the outbreak of COVID-19, which could have a material adverse impact on our business, financial condition and results of operations. Should the COVID-19 pandemic or equivalent widespread epidemic events prompt significant emergency measures imposed by the UK government and/or governments worldwide, this could present material adverse impacts on our business. Examples include: reduced/insufficient ability to access essential capital; reduced customer ability to pay for our products and services; inability to maintain or increase our residential and business subscriber levels; inability to offer attractive programming; reduced ability of our suppliers and vendors to provide products and services to us; possible new taxes by the UK Government.
How we manage this: Cognisant of these risks we continue to monitor the landscape as it evolves and adjust our operations accordingly, as we have during the COVID-19 pandemic.

Climate change may drive medium-term to long-term increases in operational costs. Operational costs may increase as a result of shifts in climate patterns, examples include: Rising and extreme temperatures affecting infrastructure cooling costs; low-lying facilities being subject to flooding, impacts of increased and reduced precipitation.
How we manage this: Through a combination of proactively monitoring this area of risk, operational and financial planning, process controls and continuity planning.

Risks relating to regulatory and legislative matters

We are subject to significant regulation, and changes in UK laws, regulations, governmental policy. Regulatory change is an ongoing process in the communications sector. Our principal business activities are regulated and supervised by Ofcom, the ICO and the Competition and Markets Authority, amongst other regulators. Changes in laws, regulations or governmental policy affecting our activities and those of our competitors could significantly influence how we operate our business and introduce new products and services, plus could adversely affect our ability to set prices, enter new markets or control our costs.
How we manage this: We proactively monitor the regulatory landscape and engage with our regulators. Our plans and processes are developed with conscious consideration of the applicable regulations, laws, additional standards that we have adopted to operate in certain markets, plus our internal policies.

A failure to comply with data protection laws may result in significant fines and reputational damage. We process a substantial amount of customer data as part of our day-to-day business. Failure to comply with applicable data protection laws could result in fines, penalties, litigation action, liabilities under certain commercial contracts, implications with other stakeholders, and damage our reputation.
How we manage this: We proactively monitor this regulatory area. Our processes have been designed with applicable data protection law requirements in mind. We operate controls and monitoring to support compliance with our related policies and process designs.

Regulatory and/or government action on climate change may drive medium-to-long-term increases in operational cost. Due to the nature of our operations, we are subject to regulatory developments and government action on climate change through energy-specific regulations and/or legislation in the UK. Changes in this area has the potential to affect operational costs, for example increased fuel or energy prices could make it more expensive to purchase energy to power or networks and data centres.
How we manage this: We proactively monitor this regulatory area and consider the variables in our operational planning activities.

Risks relating to our management, the joint venture parents and related parties

We may fail to attract or retain qualified, high quality personnel. Given the substantial competition in the market for skilled and qualified personnel with relevant technical, industry and operational experience, there can be uncertainties regarding attracting or retaining suitably qualified, high quality personnel.
How we manage this: A multifaceted approach which includes, but is not limited to, development, incentivisation, remuneration, team play and culture, support by our people managers and people teams, come together to help mitigate this risk.

The interests of the joint venture parents, the direct or indirect parent companies of the joint venture, may conflict with our interests and those of the holders of our debt. Liberty Global and Telefonica are the Shareholders in our parent company, directly or indirectly owning all the voting interests in VMED O2 UK Limited. When business opportunities, or risks and risk allocation arise, the interests of the joint venture parents (or other entities controlled by the joint venture parents) may be different from, or in conflict with, our interests on a stand-alone basis or the interests of holders of our debt.
How we manage this: Through our shareholder interactions, planning activities and internal processes.

Risks relating to the joint venture transactions

Virgin Media's involvement in the VMED O2 joint venture is exposed to certain risks relating to joint venture transactions. These include:

- The expected benefits and synergies from the joint venture transactions may not materialise.
- The integration of Virgin Media with O2 will be a significant exercise and could adversely affect the joint venture's business.
- The joint venture will depend on Liberty Global and Telefonica as well as third-party suppliers and licensors to supply necessary equipment, software and certain services required for the Joint Venture's business.
- As a result of the joint venture transactions, we have recorded a significant amount of goodwill, which could be subject to impairment.

How we manage this: Through a collection of activities across the joint venture, collectively driven and delivered by our personnel, which, to name a few, include: strategic and operational planning, integration activities, service agreements with the joint venture parents and other relevant parties, operational and commercial delivery.

Risks relating to our indebtedness, taxes and other financial matters

There are inherent financial risks relating to possible loss of value or results derived from adverse movements in financial variables and the inability of the company to meet its obligations or convert its assets into cash, as well as commercial credit and fiscal risks.
How we manage this: These risks are actively monitored and managed by our finance teams.

Following the Joint Venture, the risk management of the significant risks of the VMED O2 is undertaken at group level full detail of the risk management framework is reporting in the Corporate Governance Statement on page 26.

Section 172(1) Statement

As directors we have a responsibility to promote the success of the company in good faith for the benefit of our shareholders whilst having regard, at least, to the following matters:

- the likely consequences of any decisions in the long term;
- the interests of our employees;
- the need to foster the business relationships with suppliers, customers and others;
- the impact of our operations on the community and environment;
- the desire to maintain high standard of reputation and business conduct; and
- the need to act fairly between our shareholders.

In discharging our responsibilities as directors to the company, to the extent permissible by law we are aligned to the governance framework set out for VMED O2. The Board of directors of VMED O2 have put in place a governance framework for the VMED O2 which includes best practice procedures to support the assessment of those matters necessary to make informed decisions in furtherance of the long-term success and sustainability of VMED O2 as a whole. The directors of the company are supported by the Executive Management Team in discharging the statutory duties in the best interest of the company and the group as a whole.

In adopting the VMED O2 governance framework the directors of the company have delegated the day to day management of the company to the VMED O2 Executive Management Team (of which the directors themselves are a part of the Executive Management Team) whilst retaining sufficient oversight of specific matters (including statutory matters) to assist in the effective discharge of their responsibilities.

VMED O2 governance framework

The Board of VMED O2 is made up of an equal number of directors nominated by Telefonica and Liberty Global, the ultimate shareholders who have agreed that the role of the Board of VMED O2 includes ensuring that the affairs of VMED O2 are conducted in accordance the provisions of the shareholders' agreement and the articles of association of the respective companies within VMED O2, making sure that each shareholder's interests are taken into account in decision-making. The directors of VMED O2 have delegated the day-to-day management of VMED O2 to the Executive Management Team whilst retaining sufficient oversight over specific reserved matters in addition to statutory matters. Subsequently each subsidiary company within VMED O2 has delegated authority to the Executive Management Team (of which members are also the statutory directors of the subsidiary companies) to the extent permissible by law and the shareholders' agreement. The Executive Management Team are made of 12 members with the requisite skills and experience from diverse disciplines. Further details of our governance arrangements can be found in the Corporate Governance Statement on pages 26 to 32.

The joint venture was formed to bring together two major businesses in the UK, O2 and Virgin Media, to create a connectivity challenger in the market. As a customer-first organisation, VMED O2 brings a range of connectivity services together in one place with a clear mission: to upgrade the UK. Accordingly, the VMED O2 Board has defined our corporate purpose as being to "Reimagine Connectivity and Upgrade the UK", taking action to close the digital divide and helping to build a more inclusive, resilient and low carbon economy. VMED O2 continues to focus on all key stakeholders; employees, customers, the regulators and the community and to take their interests into account in decision-making.

The size and spread of VMED O2's business and our stakeholders mean that stakeholder engagement generally takes place at an operational level, led by a member of the Executive Management Team supported by the Senior Leadership Team which consists of professionals for the respective areas. We find that this is the most efficient and effective approach and helps us achieve a greater positive impact on environmental, social and other issues that are relevant to our business. Some examples of our stakeholder engagement are set out in our Corporate Governance Statement on page 30. Regular updates are provided to the VMED O2 Board and the Executive Management Team (including the directors of the company) to help them understand the interests and views of VMED O2's key stakeholders and other relevant factors, which ensures that the Directors can take

VMED O2 governance framework (continued)

them into account when making decisions and can comply with their section 172 duty to promote the success of the company. We set out below some examples of how the matters set out in section 172(1)(a) to (f) have been taken into account and the impact that has had on our decisions.

Employees

The focus from day one has been to engage and motivate the respective teams at VMED O2, to ensure everyone was ready for the journey to integrate Virgin Media and O2 and support our shared ambition to be the UK's connectivity champion. Following the requisite regulatory clearance and press release, the incoming CEO sent a welcome email to all the employees, followed by a livestream event watched by about 11,000 employees, either live or on catchup within the first week. Members of the Executive Management Team had additional briefing sessions with their respective teams, and we held interactive sessions and roadshows as part of the employee engagement strategy to keep employees informed on all matters of concern.

From these sessions we were able to gauge the morale of the team, listen to their concerns and understand what really matters to our people – input which has in turn informed the priorities for our people strategy. To demonstrate our commitment to our employees, within a week of the joint venture formation, we launched two new staff offers to integrate the staff offerings across both businesses, which had successful uptake from employees. To enable a culture of continuous learning we have partnered with LinkedIn Learning to provide all of our people with access to a range of learning content (technical, professional, leadership and targeted learning on specific matters). In addition to this we run targeted programmes to build the talent resource within the business. Further details on our employee relations can be found on page 31 of the Corporate Governance Statement.

Customers

VMED O2 did not lose sight of the customer-first strategy as it continue to maintain commercial momentum. Within the first four months of the joint venture, VMED O2 launched Volt, a joint customer proposition, which provides exclusive benefits for being with the Virgin Media and O2 brands. Further details of our customer engagement to understand the customers' needs can be found on page 31 of the Corporate Governance Statement.

Responsible business

We are committed to running our business responsibly, looking beyond our environmental and social impact initiatives to foster positive social and environmental change in our daily business operations. We communicate regularly and openly on our progress, with the annual publication of reports on corporate responsibility, modern slavery, gender pay gap and payment practice reports.

Following the launch of the joint venture, VMED O2 announced the Together Fund, working in partnership with the Together Coalition and Neighbourly to provide grants of £1,000 to 400 small charities across the UK that champion community spirit, belonging and togetherness. VMED O2 also launched the National Databank in partnership with the Good Things Foundation to tackle data poverty across the UK, committing to provide £12.5m worth of O2 connectivity (7.5 million GB of data) by the end of 2023. In November, VMED O2 increased its data pledge to gift 10GB of mobile data to the Databank for every O2 plan purchased between 1 November 2021 and 31 January 2022. In July 2022, VMED O2 extended its original commitment to the National Databank to more than 61 million GB of data to be donated by the end of 2025.

The Databank is now being utilised by multiple mobile operators with the aim of helping over a quarter of a million people to get connected by the end of 2023. These partnerships demonstrate our commitment to tackle key social issues, developing innovative partnerships that create a fairer and more resilient economy and society. We have also set out our commitment to support a low carbon future, aiming to achieve net zero operations by the end of 2025 and supporting our customers to decarbonize too.

Responsible business (continued)

In May 2022, VMED O2 launched its new sustainability strategy, the Better Connections Plan, which has commitments to cut carbon, champion circularity, and support communities as it upgrades the UK. This includes targeting net zero carbon emissions in its full value chain, including operations, products and supply chain, by 2040. These commitments are all underpinned by an ambition to find a better way to do business by championing inclusive, equitable values, create a great place to work, and ensure partners and suppliers uphold its stringent ethical and environmental standards. Further details about the Better Connections Plan can be found at news.virginmediao2.co.uk/responsible-business/.

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

E Medina Malo
Director

Date: 26 September 2022

STREAMLINED CARBON AND ENERGY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

We are pleased to report on our Streamlined Carbon and Energy Report for the financial year ended 31 December 2021. The scope of the report includes our, corporate sites and switch/datacentres, the calculation approach is based on invoicing (where applicable) and estimation where the scope includes emission sources outside our operational control (for example landlord supplied sites). Emissions factors have been taken from the BEIS 2021 Conversion Factors first published in June 2021.

Emissions	**2021 (tCO2e)**	**2020 (tCO2e)**
Scope 1 - Direct emissions from activities owned or controlled by the company. This is low impact and fuel used is primarily for space heating (gas) and fuel used in standby generators (diesel)		
Static fuel	2,555	3,756
Fugitive gaes	10,446	18,466
Vehicle fuel	13,534	12,848
Total	**26,535**	**35,070**
Scope 2 - Indirect emissions into the atmosphere associated with purchased, electricity, heat, steam and cooling Emissions from electricity consumed across the following site types (cells/switch sites/offices and stores)		
Electricity (includes renewables- Location based)	99,130	99,130
Renewable Electricity Purchase	99,130	99,130
Electricity (exc renewables)- Market based)	0	0
Scope 3 a consequence of an indirect source and not Scope 2 (e.g., business travel by vehicles not owned by the company) Business travel (business mileage, flights etc.).		
Air Travel	72	638
Land Travel	1,526	1,915
Total	**1,598**	**2,553**
Methodology for scope data	ISO14001:2015 and GHG Protocol	
Intensity Ratio using the UK Gov BEIS emissions factors	0.72 kgCO2e/TB	1.11 kgCO2e/TB
Carbon offsets (tCO2e)	Zero	

STREAMLINED CARBON AND ENERGY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

An overview of the progress made during the period against our objectives are:

- Net Zero: Delivered 24% reduction in Scope 1 and 2 emissions in 2021
- Renewable energy: Continued to source 100% renewable electricity across all electricity consumption.
- Energy efficiency and reduction: Delivered a 3% year-on-year reduction in electricity consumption, making it the fourth year in a row that we reduced overall electricity consumption. This has been delivered through a focus on upgrading to newer more efficient equipment and continuing to rollout our award-winning Overall Room Energy Optimisation (OREO) programme to a further seven sites in 2021. We use less electricity now than at any point in the last six years. We also reduced consumption per unit of data (TB) by 17% compared to 2020.
- Fugitive emissions: 2021 saw a 43% reduction in fugitive emissions, in large part due to a reduction in fire suppression discharges. As we rollout further risk management approaches to prevent fire suppression discharges, we aim to maintain and further reduce the emissions from this source in line with our net zero pathway.
- Static fuel: A 32% reduction in emissions from static fuel combustion was delivered through a 5% reduction in gas consumption linked to warmer temperatures in 2021, and reduced diesel use for backup generators with our units being called on less to support the UK National Grid's Demand Side Response programme.
- Fleet: Emissions from our vehicle fleet grew by 5% year-on-year as we saw the full year impact of an insourcing programme for field technicians. As we start the rollout of electric vehicles during 2022, we expect to start driving fleet emissions down in line with our net zero pathway.

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

E Medina Malo
Director

Date: 26 September 2022

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

We are pleased to present the Directors' Report for the year ended 31 December 2021. The report does not include matters of strategic importance which are disclosed in other parts of the Annual Report and referenced accordingly.

Results and dividends

The profit for the year, after tax, amounted to £697,838,000 (2020 - £446,967,000).

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

Directors

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

J L Boyle (appointed 1 October 2021, resigned 29 April 2022)
P Cobian (appointed 1 October 2021)
J N Dodds (resigned 1 October 2021)
M D Hardman (appointed 1 October 2021, resigned 29 April 2022)
M O Hifzi (resigned 1 November 2021)
R G McNeil (resigned 1 October 2021)
E Medina Malo (appointed 29 April 2022)
L Milner (appointed 1 March 2021, resigned 31 August 2021)
L M Schuler
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.

Corporate governance

Details of our governance arrangement is set out in a separate report, Corporate Governance Statement, on pages 26 to 32 which forms part of this report.

Stakeholder statement

Details of how we have fostered business relationships with suppliers, customers, and other stakeholders and the effect on principal decisions can be found throughout the integrated report. For ease of reference the key stakeholders are detailed in the Business Review section of the Strategic Report and the Principle 6 Stakeholder Engagement section of the Corporate Governance Statement on page 30.

UK employee engagement statement

We solely operate in the UK and our People are based in the UK. Details of our People engagement and how we have had regard to matters of concern to them can be found in the People section of the Strategic Report on page 8 and in Principle 6 of the Corporate Governance Statement on page 30.

Energy and carbon report

Details of our energy and carbon emissions during the financial year ended 31 December 2021 are set out in a separate report, Streamlined Energy and Carbon Statement on pages 21 to 22 which forms part of this report.

Political donations

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

Going concern

Notwithstanding net current liabilities of £2,142,283,000 as at 31 December 2021 and a profit for the year then ended of £697,838,000, the financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the following reasons.

After making suitable enquiries and obtaining the necessary assurances, including a letter of support from VMED O2 UK Limited, that sufficient resources will be made available to meet any liabilities as they fall due, 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, and continued operations are key to the wider group.

It is not VMED O2's practice to prepare forecasts and projections for individual entities that are wholly owned by the group, as operational and financial management is undertaken at a group level.

However, forecasts and projections which take into account of reasonably possible downsides in trading performance, have been prepared for the group as a whole and these showed that cash on hand, together with cash from operations and the revolving credit facility, are expected to be sufficient for the group and hence the company's cash requirements through to at least 12 months from the approval of these financial statements.

Taking into account these forecasts and projections and after making enquiries, the directors have a reasonable expectation the company has adequate support and resources to continue in operational existence for the foreseeable future. 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 consequently have prepared the financial statements on a going concern basis. Consideration of the on-going impact of COVID-19 has not altered this conclusion.

Disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

KPMG LLP will be reappointed under section 487(2) of the Companies Act 2006.

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

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

E Medina Malo
Director

Date: 26 September 2022

Introduction

Prior to the formation of the joint venture each operating business within VMED O2 operated under the governance framework of its respective parent company, which set out a clear structure in respect of the delegation of authorities and management and supervision of the relevant business. Following the formation of the joint venture, steps are underway to align the governance framework across VMED O2.

The company has chosen to adopt the VMED O2 Governance Framework and report the governance arrangement against the Wates Principles detailed below.

In adopting the VMED O2 governance framework the directors of the company have delegated the day to day management of the company to the VMED O2 Executive Management Team (of which the directors themselves are a part of the Executive Management Team) whilst retaining sufficient oversight of specific matters (including statutory matters) to assist in the effective discharge of their responsibilities.

The directors of the company are supported by the Executive Management Team in discharging the statutory duties in the best interest of the company and the VMED O2 as a whole.

Principle one: purpose and leadership

An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.

The joint venture was formed to be a connectivity challenger in the UK, combining the UK's largest and most reliable mobile network with a broadband network offering the fastest widely-available broadband speeds. Accordingly, VMED O2's purpose is to "Reimagine Connectivity and Upgrade the UK".

The principal strategic focus of the VMED O2 UK Limited Board (VMED O2 Board) and the Executive Management Team since formation of the joint venture has been to oversee plans for the successful integration of the Virgin Media and O2 businesses. As part of this, a project to identify VMED O2's core values was undertaken and these values are encapsulated by the words "Brave", "Real" and "Together". The VMED O2 Board and the Executive Management Team have begun work to set the strategy and to develop and embed a high-performance culture that reflects VMED O2's values and aligns with its purpose.

The VMED O2 Board encourages its employees to live by the group's culture and values. Following the formation of the joint venture, the VMED O2 Board organised tours by the Executive Management Team across the country and conducted livestreams of company-wide events and interactive sessions in the workplace, in order to directly engage and encourage employees. The VMED O2 Board also adapted the approach to employee listening, creating a more agile strategy to inform and enhance the employee experience during the integration. Using a variety of methods, such as surveys and focus groups they established a greater understanding of employee engagement and sentiment, providing employees with a voice on the most important topics. These insights have enabled company-wide and department specific action planning on focus areas through a network of people champions.

The first employee engagement survey ran just 30 days into the joint venture and results showed levels of engagement and advocacy (both as a place to work and for our products) equal to the High Performing Benchmark. VMED O2 undertook another survey in November in which engagement and advocacy metrics decreased – largely as a result of the volume and pace of organisational change and the need for greater clarity on the strategic direction of the new organisation. Advocacy for our products remains above the benchmark. A cultural diagnostic run at the same time in November revealed the intrinsic motivations of employees that directed the shifts needed to create a high performing culture. In January 2022 VMED O2's four strategic priorities were communicated to all employees and a new approach to Performance & Development launched to enable all employees to create clear and aligned goals.

Principle one: purpose and leadership (continued)

In addition to focusing on the employees of VMED O2 and the integration of the two businesses, the VMED O2 Board's priorities are to maintain VMED O2's commercial momentum in a volatile economic climate, accelerate its digital transformation to future-proof the business and support the development of the network infrastructure to ensure that VMED O2's purpose can be achieved.

Principle two: board composition

Effective board composition requires an effective chair and a balance of backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

The statutory Board of VMED O2 UK Limited is appointed by the shareholders and consists of four representatives from each shareholder. The Chair of the Board is rotated biennially, with the first Chair being appointed by Liberty Global. In accordance with the terms of the Joint Venture Shareholders Agreement and articles of association of VMED O2 UK Limited, in order for a meeting of the VMED O2 Board to be quorate, at least three directors nominated by each Shareholder must be present, and at least one director appointed by each shareholder must vote in favour of a proposed resolution in order for it to be passed; the Chair does not have a casting vote. The role of the Chair and the Chief Executive are separate, which ensures that the balance of responsibilities, accountabilities and decision making across VMED O2 is effectively maintained.

The VMED O2 Board consists of highly skilled individuals with global experience and knowledge. Members include the chief executive officers and chief financial officers of both Telefonica S.A. and Liberty Global plc, and other senior executive-level individuals with long-standing involvement in the telecommunications and media industries in the UK, the United States of America and Spain. There is one woman currently serving on the Board, which comprises a mix of nationalities.

The VMED O2 Board has delegated day-to-day management of VMED O2's business activities to the Executive Management Team, overseen by the VMED O2 Board and various Board Committees. The Executive Management Team is gender diverse with mixed nationalities and its members have a wide range of skills, experience and expertise appropriate to the scale and complexity of VMED O2's business. The Executive Management Team meets weekly and these meetings are chaired by the Chief Executive Officer. The Executive Management Team comprises the Chief Executive Officer; Chief Financial Officer; Chief Operating Officer, TV, Broadband and FMC; Chief Commercial Officer, Mobile; Managing Director, Business and Wholesale; Managing Director, Fixed Network Expansion; Chief Technology Officer; Chief Information Officer; Chief Communications and Corporate Affairs Officer; General Counsel and Chief Regulatory Officer; Chief Digital Officer and Chief People and Transformation Officer. Each of these individuals reports directly to the Chief Executive Officer.

The Chief Executive Officer and each member of the Executive Management Team has a clear role and responsibility for their specified area of the business, including in relation to engaging with key stakeholders of their business area and keeping the rest of the Executive Management Team and the Board informed about the outcome of such engagement. The Executive Management Team have the necessary skills and experience to make valuable contributions in promoting the success of the group, including this company. Executive Management Team members undertake necessary professional development to perform their roles, including briefings on specialist matters and keeping abreast with regulatory changes, in particular the government guidance and national restrictions due to the COVID-19 pandemic. A biography of each member of the Executive Management Team can be found on the group's website at https://news.virginmediao2.co.uk/leadership/.

Principle three: responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.

As the directors of VMED O2 have been appointed by the shareholders it is particularly important for them to have a clear understanding of the nature of their duties and to whom they are owed. To assist the directors in this regard, a draft charter of roles and responsibilities of the VMED O2 Board, the Executive Management Team and the subsidiaries (the "Charter") has been prepared. Whilst the terms of the Charter are still being settled, the Charter makes it clear that the VMED O2 Board is responsible for providing strategic leadership of VMED O2 and retains overall direction and supervision of VMED O2. The Charter also contains clear delegation of authority by the VMED O2 Board to the Executive Management Team, who are responsible for the overall management and operational control of VMED O2 (other than in respect of certain regulated entities to which a separate senior manager regime applies). In addition, certain governance responsibilities are delegated to other Board committees, namely the Audit Committee and the Remuneration Committee.

The VMED O2 Board and the Executive Management Team are required to act in accordance with the terms of the Joint Venture Shareholders Agreement and articles of association relating to VMED O2, in particular those provisions relating to dealing with conflicts of interest and in respect of certain matters which require the approval of at least three directors nominated by each shareholder or by both shareholders. The Joint Venture Shareholders Agreement also contains provisions dealing with meetings of the VMED O2 Board, the supply of certain information to shareholders, and a process for agreeing the annual business plan and any changes thereto. In accordance with the terms of the Joint Venture Shareholders Agreement, the VMED O2 Board holds regular meetings to oversee the management of VMED O2, with at least six formal meetings and six shorter update sessions scheduled each year. There is open debate and constructive challenge at meetings, with members of the VMED O2 Board participating in all discussions and demonstrating a high level of engagement with the business and a sound understanding of VMED O2's strategy.

Principle four: opportunity and risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight to identify and mitigate risks.

In accordance with the terms of the Joint Venture Shareholders Agreement, the Executive Management Team prepares an annual business plan for approval by the VMED O2 Board/shareholders, which includes a consideration of long-term strategic opportunities. Once approved, any material changes to the business plan will require VMED O2 Board/shareholder approval, in accordance with the terms of the Joint Venture Shareholders Agreement. Short term opportunities to improve business performance and achieve operational efficiencies identified by the Executive Management Team are reported to the VMED O2 Board as part of their regular meetings.

The VMED O2 Board has established an Audit Committee which is chaired by a member of the VMED O2 Board and includes both VMED O2 Board and Executive Management Team members. The Audit Committee is responsible for oversight of the audit responsibilities and duties, the accounting and financial reporting, non-financial reporting, internal control, risk management and compliance processes of the company and VMED O2 (subject to certain other arrangements in relation to VMED O2's regulated entities).

Principle four: opportunity and risk (continued)

An effective risk management system contributes to the development of the business through an appropriate balance between growth, return and risk. VMED O2 has implemented a new group-wide risk management framework which combines the best elements of the previous Virgin Media and O2 frameworks, applies core principles from COSO and ISO31000 standards, and is tailored to the group. The framework enables the business to consistently identify, assess, manage and monitor risks across the enterprise and escalate priority risks that could adversely affect the future success of VMED O2.

The most significant risks to the business are presented to the Executive Management Team at regular intervals each year for discussion, validation and direction, as well as being reported to the audit committee at regular intervals for further oversight and assurance. Details of the Principal Risks and Uncertainties facing the business are disclosed in pages 12 to 17 of the Strategic Report.

VMED O2's "Risk Appetite" is created through a combination of internally defined parameters and those set by VMED O2's shareholders. This defined appetite enables VMED O2 to deliver value creation, growth and performance whilst managing risk exposure in a measured and accountable way. When applied to VMED O2's strategy decision making, this helps the Executive Management Team to select appropriate strategies within its acceptable risk level.

Internal Audit is configured as an independent function from the management of the company. Internal Audit supports the Executive Management Team, Audit Committee and Statutory Board in providing services related to assurance, through applying a systematic and disciplined approach in the definition and delivery of an annual audit plan. This includes reporting to senior management on issues identified (such as unmitigated risks or control weaknesses) through independent audit reviews performed. Internal Audit also reports on the effectiveness of the internal control framework, which is also subject to an annual assessment for the purposes of financial reporting, covering business processes, technology, data and significant programmes.

The Executive Management Team and Audit Committee participate in the creation of the Annual Internal Audit Plan. Each year the proposed Internal Audit Plan is submitted for approval by the Audit Committee. On a quarterly basis, Internal Audit reports to the Audit Committee the implementation of any control and/or internal audit actions identified. Internal Audit was the subject of an External Quality Assessment Review performed by the Institute of Internal Auditors which assessed adherence to the International Professional Standards of Internal Auditing and achieved the highest assessment rating, indicating conformance with the requirements of the Standards.

The internal control framework incorporates preventative activities, covering such aspects as group policy management, continuous monitoring and risk management, alongside the detective activities of audit and Speak Up investigation. The detective audit activities include reviews of the internal controls over financial reporting (ICFR or SOX) control framework, at a minimum annually, which is undertaken by both the Internal and External Audit teams. The internal control framework is based upon the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control model. This model develops proportionate control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels, including the development of general control activities over supporting technologies that meet the established group policy criteria. These control activities support VMED O2 to meet its objectives and to sustain and improve performance, whilst providing the required level of Executive Management Team, Audit Committee and Board oversight.

Principle five: remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The VMED O2 Board has established a Remuneration Committee which comprises of four board members with terms of reference that includes:

1. setting and assessing the remuneration policy and practices that foster the retention and attraction of talent, incentivises performance and good short-term and long-term decision-making to drive the achievement of VMED O2's strategy;
2. approving certain senior level nominations and remuneration packages; and
3. defining policies for certain senior level appointments, and such other issues or matters as the Board may determine from time to time.

In order to align the success of the Executive Management Team with the sustainable success of VMED O2's business, a significant portion of executive remuneration is delivered in the form of short and long-term variable remuneration and based on financial and non-financial performance. The short-term variable remuneration is linked to achieving specific financial, business, customer satisfaction and sustainability objectives. The long-term variable remuneration is linked to the long-term value creation in VMED O2 by measuring shareholders' return on investment and key financial objectives. The Remuneration Committee sets the remuneration policy and terms for senior management in the context of the renumeration of the workforce as a whole, which is determined by the Executive Management Team with a view to ensuring that proposals are balanced, proportionate and aligned with VMED O2's commitment to building a diverse and inclusive workforce.

Within each of the Virgin Media and O2 businesses, every employee has a grade which in turn has its own pay range or pay points. These pay points and pay ranges are reviewed annually against the external market to ensure that they remain competitive. We also seek to offer a wide range of benefits to our employees with the flexibility for them to select benefits that suit their own circumstances. Both Virgin Media and O2 have strong track-records of making positive change for their people, further details of which can be found via our Responsible Business web page: https://news.virginmediao2.co.uk/responsible-business/.

Principle six: stakeholder relationship and engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Our stakeholders are classified as any group or interest that may be affected by our business in a significant manner such as our Shareholders, customers, people, regulators, government, suppliers, communities, civil society and the environment. The VMED O2 Board is focused on promoting the joint venture's long-term success, taking into consideration the interests of all our stakeholders. In accordance with the Joint Venture Shareholders Agreement, the shareholder-nominated directors are able to share information about the VMED O2 UK Limited group's (including this company) business and performance with the Shareholders and VMED O2 UK Limited has obligations to provide certain information, such as monthly management accounts, to the Shareholders and to keep them informed about all material developments in the group's business. The shareholder-nominated directors ensure that the Shareholders' views are taken into account in decision-making at VMED O2 Board level, and that decisions relating to certain matters identified in the Joint Venture Shareholders Agreement as requiring the approval of at least three directors nominated by each Shareholder or by both Shareholders, are taken in accordance with the process set out in that agreement.

Customers

VMED O2 has established a Customer Advisory Board (CAB), comprising customers from both the public and private sector. Members of the CAB meet with the company periodically to discuss their key strategic goals for the upcoming year. The VMED O2 Board has also established a customer insights framework which tracks and monitors market developments as well as market needs, so as to inform VMED O2's priority in putting its customers first. VMED O2's through the leadership and research team undertake primary research to understand strategies employed by other companies and market trends, and shares such findings with the VMED O2 Board and the Executive Management Team to better inform VMED O2's customer strategy. In line with improving VMED O2's delivery of services, VMED O2 hosts regular account review meetings with its customers in the public sector to understand their local requirements. Further examples of events to better understand customers include regular round tables and customer innovation workshops to embed a customer-first approach across VMED O2.

Employees

We have various means to engage with our employees and to act upon their feedback including:

- 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: 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.

Government and local authority

We have continued to engage with the government to support communities across the UK, ensuring we keep the nation connected and helping to rebuild Britain. For example, on network coverage, open market reviews, planning policy, regulation and our Net Zero commitments. The pandemic has increased appreciation of the importance and value that digital connectivity can bring. We are leveraging this to ensure that public policy in key areas (e.g. planning, regulation) reflects the increased importance people now attach to digital connectivity, reinforcing the contribution that mobile can play in supporting economic growth in a post-Brexit, post COVID-19 economy. For example, we liaise with local authorities supporting Network Expansion build plans and Open Market Reviews. Relationships with local authorities are positive, enabling us to leverage existing relationships to help unblock issues with permits or wayleaves for Network Expansion.

Responsible business

We are committed to using our connectivity, people and brands to create a lasting positive impact on the communities we serve, while accelerating action on climate change. We will put sustainability at the heart of how we do business, creating products and services with a one planet mindset and we will take action to support vulnerable and under-represented groups in the communities we serve. Both Virgin Media and O2 have strong track-records of making positive change for our people, communities and our planet and VMED O2 has built on these strong foundations through launching a new integrated sustainability strategy for the joint venture as a whole in May 2022. Further details can be found via our Responsible Business web page: https://news.virginmediao2.co.uk/responsible-business.

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

E Medina Malo
Director

Date: 26 September 2022

DIRECTORS' RESPONSIBILITIES STATEMENT
AS AT 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MEDIA LIMITED

Opinion

We have audited the financial statements of Virgin Media Limited ("the company") for the year ended 31 December 2021 which comprise the Profit and Loss Account and Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period") as the company has received a letter of intent from its parent entity VMED O2 UK Limited.

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the company's high-level policies and procedures to prevent and detect fraud and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that company's management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the straight-forward recognition of revenue over time and the low value nature of individual revenue transactions.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted manually and those posted to unusual accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MEDIA LIMITED (CONTINUED)

Fraud and breaches of laws and regulations – ability to detect (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 33, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MEDIA LIMITED (CONTINUED)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Use of our report

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, as a body, for our audit work, for this report, or for the opinions we have formed.

Antony Whittle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

1 St Peter's Square
Manchester
M2 3AE
Date: 29 September 2022

PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Revenue		**3,431,257**	3,421,408
Cost of sales		**(889,793)**	(862,123)
Gross profit		**2,541,464**	2,559,285
Administrative expenses		**(2,658,742)**	(2,772,299)
Other operating income	4	**492,747**	489,563
Operating profit	5	**375,469**	276,549
Income from subsidiary		**-**	19,498
Finance income	10	**74,090**	52,761
Finance costs	11	**(25,134)**	(28,060)
Profit before tax		**424,425**	320,748
Income tax benefit	12	**273,413**	126,219
Profit for the year		**697,838**	446,967
Other comprehensive income:			
Deferred tax on share based remuneration expenses		**3,006**	2,320
Remeasurements of defined benefit asset		**27,000**	4,700
Movement on deferred tax relating to defined benefit asset		**(5,130)**	(893)
		24,876	6,127
Total comprehensive income for the year		**722,714**	453,094

The notes on pages 43 to 79 form part of these financial statements.

All results were derived from continuing operations.

VIRGIN MEDIA LIMITED
REGISTERED NUMBER: 02591237

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	13	**205,757**	217,761
Property, plant and equipment	14	**5,105,244**	5,112,250
Investments in subsidiaries	15	**10,026**	10,007
Employee benefits	25	**120,100**	92,400
		5,441,127	5,432,418
Current assets			
Inventories	16	**1,966**	1,829
Trade receivables	17	**315,029**	368,067
Debtors: amounts falling due after more than one year	17	**3,514,414**	2,976,285
Debtors: amounts falling due within one year	17	**641,603**	762,814
Cash and cash equivalents		**44,126**	39,566
		4,517,138	4,148,561
Creditors: amounts falling due within one year	18	**(3,145,007)**	(3,493,010)
Net current assets		**1,372,131**	655,551
Total assets less current liabilities		**6,813,258**	6,087,969
Creditors: amounts falling due after more than one year	19	**(281,758)**	(291,334)
Provisions for liabilities	22	**(90,783)**	(78,632)
Net assets		**6,440,717**	5,718,003
Capital and reserves			
Share capital	24	**726**	726
Other reserves	28	**11**	11
Share options reserve	28	**15,115**	15,115
Retained earnings	28	**6,424,865**	5,702,151
Total shareholder's funds		**6,440,717**	5,718,003

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

P Cobian
Director

Date: 26 September 2022

The notes on pages 43 to 79 form part of these financial statements.

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

	Share capital	Other reserves	Share options reserve	Retained earnings	Total shareholder's funds
	£000	£000	£000	£000	£000
Balance as at 1 January 2021	726	11	15,115	5,702,151	5,718,003
Comprehensive income for the year					
Profit for the year	-	-	-	697,838	697,838
Deferred tax on share based remuneration expenses	-	-	-	3,006	3,006
Actuarial gain on pension scheme	-	-	-	27,000	27,000
Deferred tax on defined benefit pension scheme actuarial loss	-	-	-	(5,130)	(5,130)
Other comprehensive income for the year	-	-	-	24,876	24,876
Total comprehensive income for the year	-	-	-	722,714	722,714
Balance as at 31 December 2021	726	11	15,115	6,424,865	6,440,717

The notes on pages 43 to 79 form part of these financial statements.

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

	Share capital	Other reserves	Share options reserve	Retained earnings	Total shareholder's funds
	£000	£000	£000	£000	£000
Balance as at 1 January 2020	**726**	**11**	**15,115**	**5,249,057**	**5,264,909**
Comprehensive income for the year					
Profit for the year	-	-	-	**446,967**	**446,967**
Deferred tax on share based remuneration expenses	-	-	-	**2,320**	**2,320**
Actuarial gains on pension scheme	-	-	-	**4,700**	**4,700**
Deferred tax on defined benefit pension scheme actuarial loss	-	-	-	**(893)**	**(893)**
Other comprehensive income for the year	-	-	-	**6,127**	**6,127**
Total comprehensive income for the year	-	-	-	**453,094**	**453,094**
Balance as at 31 December 2020	**726**	**11**	**15,115**	**5,702,151**	**5,718,003**

The notes on pages 43 to 79 form part of these financial statements.

1. Company information

The principal activity of Virgin Media Limited (the 'company') is the provision of broadband internet, fixed-line telephony and video to residential customers and businesses in the UK.

The company is a private company incorporated, domiciled and registered in the UK. The registered number is 02591237 and the registered address is 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

In accordance with s400 of the Companies Act 2006, consolidated financial statements for this company have not been prepared as the company and its subsidiaries are included in the consolidated financial statements of VMED O2 UK Holdings Limited for the period ended 31 December 2021 which are available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

2. Accounting policies

2.1 Basis of accounting

These financial statements have been prepared on a going concern basis and under the historical cost basis in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 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.

2. Accounting policies (continued)

2.1 Basis of accounting (continued)

As the consolidated financial statements of VMED O2 UK Holdings Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 share based payments in respect of group settled share based payments; and
- certain disclosures required by IFRS 13 fair value measurement, the disclosures required by IFRS 7 financial instrument disclosures.

2.2 Going concern

Notwithstanding net current liabilities of £2,142,283,000 as at 31 December 2021 and a profit for the year then ended of £697,838,000, the financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the following reasons.

After making suitable enquiries and obtaining the necessary assurances, including a letter of support from VMED O2 UK Limited, that sufficient resources will be made available to meet any liabilities as they fall due, 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, and continued operations are key to the wider group.

It is not VMED O2's practice to prepare forecasts and projections for individual entities that are wholly owned by the group, as operational and financial management is undertaken at a group level.

However, forecasts and projections which take into account of reasonably possible downsides in trading performance, have been prepared for the group as a whole and these showed that cash on hand, together with cash from operations and the revolving credit facility, are expected to be sufficient for the group and hence the company's cash requirements through to at least 12 months from the approval of these financial statements.

Taking into account these forecasts and projections and after making enquiries, the directors have a reasonable expectation the company has adequate support and resources to continue in operational existence for the foreseeable future. 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 consequently have prepared the financial statements on a going concern basis. Consideration of the on-going impact of COVID-19 has not altered this conclusion.

2. Accounting policies (continued)

2.3 Revenue

Service revenue - fixed-line network
We recognise revenue from the provision of broadband internet, video and fixed-line telephony services over our fixed-line network to customers in the period the related services are provided, with the exception of revenue recognised pursuant to certain contracts that contain promotional discounts, as described below. Installation fees related to services provided over our fixed-line network are generally deferred and recognised as revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

B2B revenue
B2B contracts are comprised of multiple elements, bespoke to the customer. In line with our recognition of revenue for consumer services, where multiple products and services are sold in a B2B environment, we allocate revenue proportionally to each performance obligation within the contract based on the relative standalone selling price, recognising revenue as each performance obligation is satisfied. For hardware sales, this is on transfer of the asset, for connectivity services over the contract period as the service is used by the customer.

We defer upfront installation and certain non-recurring fees received on B2B 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.

From time to time, we also enter into agreements with certain B2B customers pursuant to which they are provided the right to use certain elements of our network. If these agreements are determined to contain a lease that meets the criteria to be considered a finance lease-out, we recognise revenue from the lease component when control of the network element is transferred to the customer.

Promotional discounts
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.

Subscriber advance payments
Payments received in advance for the services we provide are deferred and recognised as revenue when the associated services are provided.

Sales and other VAT
Revenue is recorded net of applicable sales and other VAT.

Contract life / timing of recognition
A large portion of our revenue is derived from customers who are not subject to contracts. Revenue from customers out contract is recognised on a month-to-month basis as the service is consumed. Revenue from customers who are subject to contracts is generally recognised over the term of such contracts, which is typically 12 months for our residential service contracts and one to five years for our B2B service contracts.

2. Accounting policies (continued)

2.4 Finance income

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

2.5 Income from subsidiary

Dividend income is recognised when the company's right to receive payment is established.

2.6 Intangible assets

Our primary intangible assets relate to software costs.

Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives, and reviewed for indications of impairment at each reporting date. Amortization methods and useful lives are reviewed at each reporting date and are adjusted if appropriate.

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

2.7 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:	
- Freehold property	30 years
- Short leasehold property	Period of lease
- Leasehold property	Period of lease
- Other	3 - 12 years

No depreciation is provided on freehold land.

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. Accounting policies (continued)

2.8 Investments in subsidiaries

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.

2.9 Employee benefits

The company operates both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that sets the amount of pension benefit an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the company makes contributions on behalf of employees to their individual pension accounts which are held by a third party trustee. The ultimate benefit the employee will receive upon retirement is dependent on the contributions made during the employee's service period as well as the performance of the investments in each employee's individual account. After an employee's service period has ended, the company has no further obligation to contribute to a defined contribution plan. Only our defined contributions schemes remain open to new participants.

For the company's defined benefit plans, the company recognises each pension or post retirement plan's funded status as either an asset or liability in the consolidated balance sheet. The net pension asset or net pension liability recognised represents the present value of the projected benefit obligation less the fair value of the plan assets at the reporting date. The projected benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the projected benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds. The corporate bonds used for this calculation are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the term of the projected benefit obligation. Expected return on plan assets is determined by applying the return on assets assumptions to the actual fair value of plan assets. Also, the company measures any unrecognised prior service costs and credits that arise during the period as a component of accumulated other comprehensive income, net of applicable income tax.

2. Accounting policies (continued)

2.10 Share-based compensation

The company recognises all share-based payments from Liberty Global to the company's employees, including grants of employee share-based incentive awards, based on their grant-date fair values and our estimates of forfeitures. The company recognises share-based compensation expense as a charge to operations over the vesting period based on the grant-date fair value of outstanding awards, which may differ from the fair value of such awards on any given date. Where borne by the group, payroll taxes incurred in connection with the vesting or exercise of share-based incentive awards are recorded as a component of share-based compensation expense in the profit and loss account. The fair value of share-based payments are calculated at the grant date using an adjusted statistical model. The company considers historical trends in our calculation of the expected life of options, where applicable. The company uses the straight-line method to recognise share-based compensation expense for outstanding share awards to employees that do not contain a performance condition and the accelerated expense attribution method for our outstanding share awards that contain a performance condition and vest on a graded basis.

2.11 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on the cost of purchase on a first in, first out basis.

2.12 Trade receivables and other debtors

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

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

2.13 Cash and cash equivalents

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

2.14 Creditors

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

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

2. Accounting policies (continued)

2.15 Provisions

A provision is recognised when the company has a present, legal or constructive obligation as a result of a past event for which it is probable that the company will be required to settle by an outflow of resources and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

When the effect of the time value of money is material provisions are discounted using a rate that reflects the risks specific to the liability. Where discounting is used, the unwinding of the discount is expensed as incurred and recognised in profit and loss as an interest expense.

2.16 Loans and borrowings

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

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

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

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

2. Accounting policies (continued)

2.17 Deferred tax

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

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

2.18 Non derivative financial instruments

Cash and cash equivalents, current trade and other receivables, related-party receivables and payables, certain other current assets, accounts payable, certain accrued liabilities and value-added taxes (VAT) payable represent financial instruments that are initially recognized at fair value and subsequently carried at amortized cost. Due to their relatively short maturities, the carrying values of these financial instruments approximate their respective fair values.

Loans and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such loans and other receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The company initially recognizes loans and receivables on the date they are originated. All other financial assets (including assets designated as fair value through the statement of profit or loss) are recognized initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the company is recognized as a separate asset or liability.

The company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

2.19 Derivative financial instruments

The group has established policies and procedures to govern the management of its exposure to interest rate and foreign currency exchange rate risks, through the use of derivative financial instruments, including interest rate swaps, cross-currency interest rate swaps and foreign currency forward rate contracts.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each balance sheet date.

Derivatives are recognised as financial assets when the fair value is positive and as liabilities when the fair value is negative.

The foreign currency forward rate contracts, interest rate swaps and cross-currency interest rate swaps are valued using internal models based on observable inputs, counterparty valuations or market transactions in either the listed or over-the-counter markets, adjusted for non-performance risk. Non-performance risk is based upon quoted credit default spreads for counterparties to the contracts and swaps. Derivative contracts which are subject to master netting arrangements are not offset and have not provided, nor require, cash collateral with any counterparty.

2. Accounting policies (continued)

2.19 Derivative financial instruments (continued)

While these instruments are subject to the risk of loss from changes in exchange rates and interest rates, these losses would generally be offset by gains in the related exposures. Financial instruments are only used to hedge underlying commercial exposures. The group does not enter into derivative financial instruments for speculative trading purposes, nor does it enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed.

Derivatives that are not part of an effective hedging relationship, as set out in IFRS 9 Financial Instruments (IFRS 9), must be classified as held for trading and measured at fair value through profit or loss.

2.20 Leases

On the lease commencement date, (i) a Right Of Use (ROU) asset is recognised representing the right to use an underlying asset and (ii) lease liabilities representing the company's obligation to make lease payments over the lease term. Lease and non-lease components in a contract are generally accounted for separately.

The company initially measures lease liabilities at the present value of the remaining lease payments over the lease term. Options to extend or terminate the lease are included only when it is reasonably certain that the option will be exercised. As most of the company's leases do not provide enough information to determine an implicit interest rate, a portfolio level incremental borrowing rate is used in the present value calculation. ROU assets are initially measured at the value of the lease liability, plus any initial direct costs and prepaid lease payments, less any lease incentives received.

ROU assets are generally depreciated on a straight-line basis over the shorter of the lease term or the useful life of the asset. Interest expense on the lease liability is recorded using the effective interest method.

2.21 Foreign currencies

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

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

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

Estimates and assumptions

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 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.

Fair value measurement of financial instruments
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 21).

Provisions
Provisions are recorded when the company has a legal or constructive obligation as a result of a past event for which is probable that the group will be required to settle by an outflow of economic benefits and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Leases
As most of the company's leases do not provide enough information to determine an implicit interest rate, a portfolio level incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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. Other operating income

	2021 £000	2020 £000
Recharge to group undertakings	**492,747**	489,563

5. Operating profit

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

	2021 £000	2020 £000
Gain on disposal of property, plant and equipment	**(5,126)**	(1,454)
Release of intercompany debtor impairment	**-**	(1,978)
Provision for impairment of investments	**6,035**	29,658
Depreciation of property, plant and equipment	**865,699**	835,679
Depreciation of right-of-use assets	**37,448**	43,744
Amortisation of intangible assets	**134,283**	136,512

Recoverability of intercompany receivables is assessed annually. Based on the impairment review of intercompany indebtedness as at 31 December 2021, and a wider group restructure, the directors concluded on a release of provision against amounts due from group undertakings totalling £nil (2020 - £1,978,000).

The carrying value of investments is assessed annually. Based on these reviews, and following a wider group restructure, the directors concluded on a provision for impairment of £6,035,000 (2020 - £29,658,000).

Certain expenses are specifically attributable to the company. Where costs are incurred by other group companies on behalf of the company, expenses are allocated to the company on a basis that, in the opinion of the directors, is reasonable.

6. Auditor's remuneration

The company paid the following amounts to its auditor in respect of the audit of the financial statements:

	2021 £000	2020 £000
Fees for the audit of the company	**22**	44

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	**637,432**	582,680
Social security costs	**60,552**	56,534
Cost of defined benefit scheme	**1,400**	1,700
Cost of defined contribution scheme	**29,846**	27,004
	729,230	667,918

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Business	**1,404**	1,327
Consumer	**6,125**	6,133
Support, technology and innovation	**2,911**	3,269
Network expansion	**1,345**	1,132
	11,785	11,861

8. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	**6,434**	4,269
Directors gains on long term incentive schemes	**8,121**	3,541
Company contributions to defined contribution pension schemes	**238**	32
	14,793	7,842

The highest paid director received remuneration of £7,755,000 (2020 - £4,472,000).

During the year 6 directors received shares under the long term incentive schemes (*2020 - 6*)

9. Income from subsidiary

	2021 £000	2020 £000
Dividends received	-	19,948

On 2 December 2020, the company received a cash dividend of £19,498,000 from Virgin WiFi Limited.

10. Finance income

	2021 £000	2020 £000
Interest on amounts owed by group companies	72,679	39,735
Gain on foreign currency translation	-	10,297
Interest on pensions	1,200	2,100
Other finance income	211	194
Gain on derivative financial instruments	-	435
	74,090	52,761

11. Finance costs

	2021 £000	2020 £000
Interest charges	17,805	23,918
Unwinding of discounts on provisions	318	3,759
Interest on amounts owed to group undertakings	390	383
Loss on foreign currency translation	4,451	-
Loss on derivative financial instruments	2,170	-
	25,134	28,060

12. Income tax benefit

Tax benefit included in profit or loss:

	2021 £000	2020 £000
Current tax		
Current tax on profit for the year	**456**	532
	456	532
Total current tax	**456**	532
Deferred tax		
Origination and reversal of timing differences	**204,563**	9,088
Changes to tax rates	**(489,398)**	(165,240)
Adjustments in respect of prior periods	**10,966**	29,401
Total deferred tax	**(273,869)**	(126,751)
Tax on profit	**(273,413)**	(126,219)

12. Income tax benefit (continued)

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 £000	2020 £000
Profit before tax	**424,425**	320,747
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**80,641**	60,942
Effects of:		
Adjustments to tax charge in respect of prior periods	**10,966**	29,401
Fixed asset differences	**(11,108)**	-
Income not taxable	**3,475**	7,728
Tax charge on R&D credit	**456**	532
Other timing differences	**2,494**	6,175
Changes in tax rates	**(439,828)**	(165,240)
Group relief surrendered/(claimed)	**79,491**	(65,757)
Total benefit	**(273,413)**	(126,219)

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.

13. Intangible assets

	IT software £000
Cost	
At 1 January 2021	**536,621**
Additions	**123,882**
Reclassification to property, plant and equipment	**(29,141)**
At 31 December 2021	**631,362**
Accumulated amortisation	
At 1 January 2021	**318,860**
Amortisation	**134,283**
Reclassification to property, plant and equipment	**(27,538)**
At 31 December 2021	**425,605**
Net book value	
At 31 December 2021	**205,757**
At 31 December 2020	217,761

14. Property, plant and equipment

	Network assets £000	Other £000	Total £000
Cost or valuation			
At 1 January 2021	**16,015,291**	**1,203,102**	**17,218,393**
Additions	**733,318**	**165,868**	**899,186**
Disposals	**(1,462,792)**	**(31,803)**	**(1,494,595)**
Reclassification from intangibles	**-**	**29,140**	**29,140**
At 31 December 2021	**15,285,817**	**1,366,307**	**16,652,124**
Depreciation			
At 1 January 2021	**11,749,566**	**356,577**	**12,106,143**
Charge for the year on owned assets	**792,381**	**73,318**	**865,699**
Charge for the year on right-of-use assets	**1,919**	**35,529**	**37,448**
Disposals	**(1,462,792)**	**(27,156)**	**(1,489,948)**
Reclassification from intangibles	**-**	**27,538**	**27,538**
At 31 December 2021	**11,081,074**	**465,806**	**11,546,880**
Net book value			
At 31 December 2021	**4,204,743**	**900,501**	**5,105,244**
At 31 December 2020	4,265,725	846,525	5,112,250

15. Investments in subsidiaries

	Investments in subsidiaries £000
Cost	
At 1 January 2021	**2,674,742**
Additions	**6,035**
Disposals	**(16,404)**
At 31 December 2021	**2,664,373**
Accumulated impairment	
At 1 January 2021	**2,664,735**
Provision for impairment	**6,035**
Disposals	**(16,423)**
At 31 December 2021	**2,654,347**
Net book value	
At 31 December 2021	**10,026**
At 31 December 2020	10,007

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 shown in note 31.

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.

During the year the company subscribed to 2 additional shares in Cullen Broadcasting Limited, a fellow group company, in exchange for the value of the loan receivable of €6,564,472 from Cullen Broadcasting Limited.

On 4 March 2021, as part of the JV transaction, Virgin Media Limited disposed of its investment in Cullen Broadcasting Limited and Tullamore Beta Limited, held at a net book value of £nil. The company received no consideration in respect of this and therefore did not make a profit or loss on disposal.

On 16 March 2021, Virgin Media Limited disposed of its investment in Virgin Media PCHC II Limited, held at a net book value of £nil, following the company's application to be dissolved. The company received no consideration in respect of this and therefore did not make a profit or loss on disposal.

16. Inventories

	2021 £000	2020 £000
Finished goods and goods for resale	**1,966**	1,829

Inventories are stated after provisions for impairment of £129,000 (2020: £168,000)

17. Trade receivables and debtors

	2021 £000	2020 £000
Due after one year		
Amounts owed by group undertakings	**1,618,627**	1,370,120
Other debtors	**61,919**	44,042
Deferred tax asset	**1,833,868**	1,562,123
	3,514,414	2,976,285

	2021 £000	2020 £000
Due within one year		
Trade receivables	**315,029**	368,067
Amounts owed by group undertakings	**515,215**	645,925
Prepayments and accrued income	**119,884**	113,150
Other debtors	**6,504**	3,739
	956,632	1,130,881

17. Trade receivables and debtors (continued)

The analysis of amounts owed by group undertakings is:

	2021 £000	2020 £000
Loans advanced by group undertakings	**1,619,436**	1,393,609
Other amounts owed by group undertakings	**514,406**	622,436
	2,133,842	2,016,045

Amounts owed by group undertakings due after one year represents loan notes which had a carrying value of £1,618,627,000 at the balance sheet date (2020 - £1,370,120,000). Loan notes are denominated in sterling and euro, which bear interest of 4.85% and mature between 2026 and 2028.

Amounts owed by group undertakings due within one year include loan notes which had a carrying value of £809,000 (2020 - £23,490,000) at the balance sheet date. Loan notes are denominated in sterling, which bear interest of 4.60% and are repayable on demand.

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

18. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade payables	**293,814**	335,061
Amounts owed to group undertakings	**1,855,547**	2,200,138
Accruals and deferred income	**823,753**	776,107
Corporation tax	**499**	-
Lease liabilities	**31,412**	33,509
Taxation and social security	**137,933**	146,512
Derivative financial instruments	**1,680**	-
Other creditors	**369**	1,683
	3,145,007	3,493,010

18. Creditors: amounts falling due within one year (continued)

The analysis of amounts owed to group undertakings is:

	2021 £000	2020 £000
Loans advanced from group undertakings	**216**	206
Other amounts owed to group undertakings	**1,855,331**	2,199,932
	1,855,547	2,200,138

Amounts owed to group undertakings due within one year include loan notes which had a carrying value of £216,000 (2020 - £206,000) at the balance sheet date. Loan notes are denominated in sterling, which bear interest of 4.80% and are repayable on demand.

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

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

	2021 £000	2020 £000
Lease liabilities	**261,632**	270,449
Amounts owed to group undertakings	**13,224**	13,005
Other creditors	**1,173**	583
Accruals and deferred income	**5,729**	7,297
	281,758	291,334

The analysis of amounts owed to group undertakings is:

	2021 £000	2020 £000
Loans advanced from group undertakings	**13,224**	13,005

Amounts owed to group undertakings falling due after more than one year represents loan notes which had a carrying value of £13,224,000 (2020 - £13,005,000) at the balance sheet date. Loan notes are denominated in sterling, which bear interest of 2.88% and mature in 2027.

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

20. Leases

General

The company enters into leases for network equipment, real estate and vehicles.

ROU assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	2021 £000	2020 £000
Network	**8,838**	10,429
Land and buildings	**228,380**	229,056
Other	**20,019**	32,532
	257,237	272,017

Additions to the right-of-use assets during the year were £22,570,000 (2020 - £27,000,000)

Amounts recognised in the profit or loss account

The profit and loss accounts shows the following amounts relating to leases:

	2021 £000	2020 £000
Depreciation charge on right-of use assets		
Network	**1,919**	1,731
Other	**35,529**	42,013
	37,448	43,744
Interest expense	**18,121**	18,928
	55,569	62,672

The total cash outflow for leases in 2021 was £51,716,000 (2020 - £53,865,000).

20. Leases (continued)

Maturities of the company's lease liabilities as of 31 December 2021 are presented below:

	2021 £000	2020 £000
Less than one year	**49,198**	51,313
One to five years	**128,675**	146,545
More than five years	**344,638**	340,721
	522,511	538,579
Impact of finance expenses	**(229,467)**	(234,621)
	293,044	303,958

	2021 £000	2020 £000
Lease liabilities		
Current	**31,412**	33,509
Non current	**261,632**	270,449
	293,044	303,958

21. Financial instruments

	2021	2020
	£000	£000
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	**(1,680)**	-

Financial assets measured at fair value through profit or loss comprise foreign currency forward contracts.

The company has obligations in pounds sterling. As a result, the company is exposed to variability in its cash flows and earnings resulting from changes in foreign exchange rates.

The company's objective in managing its exposure to foreign currency exchange rates is to decrease the volatility of its earnings and cash flows caused by changes in the underlying rates. The company has established policies and procedures to govern these exposures and has entered into derivative financial instruments including foreign currency contracts. It is the company's policy not to enter into derivative financial instruments for speculative trading purposes, nor to enter into derivative financial instruments with a level of complexity or with risk that is greater than the exposure managed.

Foreign currency forward contracts

The following foreign currency forward contracts with a related party were in place at 31 December 2021:

Maturity date	**Currency purchased forward (thousands)**	**Currency sold forward (thousands)**
January 2022 - December 2022	€167,400	£143,291

22. Provisions

	Property related costs £000	Other provisions £000	Total £000
At 1 January 2021	**72,221**	**6,411**	**78,632**
Provided during the year	**22,144**	**15,711**	**37,855**
Released in the year	**(4,940)**	**-**	**(4,940)**
Movement in discount rate	**(7,495)**	**-**	**(7,495)**
Utilised in the year	**(3,057)**	**(10,212)**	**(13,269)**
At 31 December 2021	**78,873**	**11,910**	**90,783**

Property related costs

Property related costs expected to be incurred are mainly in relation to dilapidations costs on leasehold properties. The majority of the costs are expected to be incurred over the next 25 years.

Other provisions

Other provision elements mainly consist of national insurance contributions on share options and restricted stock unit grants and redundancy costs resulting from restructuring programmes.

23. Deferred tax

	2021 £000	2020 £000
At 1 January 2021	**1,562,123**	1,433,945
Credited to profit or loss account	**273,869**	126,751
Charged to other comprehensive income	**(5,130)**	(893)
Credited to equity	**3,006**	2,320
At 31 December 2021	**1,833,868**	1,562,123

23. Deferred tax (continued)

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Deferred tax is made up as follows:		
Depreciation in excess of capital allowances	**1,611,984**	1,392,847
Share-based payments	**10,725**	6,815
Pension scheme asset	**(30,025)**	(17,556)
Losses carried forward	**208,191**	158,497
Other timing differences	**32,993**	21,520
	1,833,868	1,562,123

Movements in deferred tax during the year:

	1 January 2021 £000	**Recognised in profit and loss account £000**	**Recognised in other comprehensive income £000**	**Recognised in equity £000**	**31 December 2021 £000**
Depreciation and amortisation	1,392,847	219,137	-	-	**1,611,984**
Share-based payments	6,815	904	-	3,006	**10,725**
Pensions scheme asset	(17,556)	(7,339)	(5,130)	-	**(30,025)**
Other timing differences	158,497	49,694	-	-	**208,191**
Losses carried forward	21,520	11,473	-	-	**32,993**
	1,562,123	**273,869**	**(5,130)**	**3,006**	**1,833,868**

23. Deferred tax (continued)

Movements in deferred tax during the prior year:

	1 January 2020	Recognised in profit and loss account	Recognised in other comprehensive income	Recognised in equity	31 December 2020
	£000	£000	£000	£000	£000
Depreciation and amortisation	1,275,838	117,009	-	-	**1,392,847**
Share-based payments	2,425	2,070	-	2,320	**6,815**
Pensions scheme asset	(14,688)	(1,975)	(893)	-	**(17,556)**
Losses carried forward	141,828	16,669	-	-	**158,497**
Other timing differences	28,542	(7,022)	-	-	**21,520**
	1,433,945	**126,751**	**(893)**	**2,320**	**1,562,123**

24. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
5,179,810 (2020 - 5,179,810) Ordinary shares fully paid of £0.01 each shares of £0.01 each	**51,798**	51,798
5,179,680 (2020 - 5,179,680) Ordinary shares fully paid of $0.20 each (converted at exchange rate in place at the date of issue of shares) shares of $0.20 each	**673,866**	673,866
	725,664	725,664

£0.01 Ordinary shares
The right to attend, speak and vote at all general meetings of the company.

$0.20 Ordinary shares
The right to attend and speak, but not vote at all general meetings of the company.

25. Post-employment benefits

Defined contribution plans

The company contributes to the Virgin Media sponsored group personal pension plans of eligible employees. Contributions are charged to the profit and loss account as they become payable; in accordance with the rules of the plans.

Contributions to the defined contribution plans during the year were £29,846,000 (2020 - £27,004,000).

Defined benefit plans

The company operates two plans which are defined benefit plans that pay out pensions at retirement based on services and final pay.

The company recognises any actuarial gains and losses in each period in the statement of other comprehensive income. Service costs and finance costs are recognised through the profit and loss account.

- **ntl Pension Plan**
  The company operates a funded pension plan providing defined benefits ('ntl Pension Plan'). The pension plan was closed to new entrants as of 6 April 1998 and to further accrual as of 31 January 2014. The assets of the plan are held separately from those of the company, in an independently administered trust. The plan is funded by the payment of contributions to this separately administered trust. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method.

- **ntl 1999 Pension Scheme**
  The company operates a funded pension plan providing defined benefits ('ntl 1999 Pension Scheme'). The scheme has never been opened to new entrants except when the scheme began and subsequently on 31 May 2007, on both occasions new members were transferred from other existing plans. The scheme was closed to future accrual on 31 January 2014. The assets of the scheme are held separately from those of the company, being invested in units of exempt unit trusts. The scheme is funded by the payment of contributions to separately administered trust funds. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method with a control period.

The plans' assets are measured at fair value. The plans' liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond.

25. Post-employment benefits (continued)

	2021 £000	2020 £000
Fair value of combined pension plan assets	**711,400**	727,900
Present value of combined pension plan liabilities	**(591,300)**	(635,500)
Net combined pension plan asset	**120,100**	92,400
Expense/(income) recognised in profit and loss	**200**	(400)
Total gain on remeasurement of pension assets and liability shown in Other Comprehensive Income (OCI)	**(27,000)**	(4,700)

25. Post-employment benefits (continued)

Movements in the defined benefit assets and liabilities can be shown as follows:

	Defined benefit obligation 2021 £000	Defined benefit obligation 2020 £000	**Fair value of plan assets 2021 £000**	Fair value of plan assets 2020 £000	**Net defined benefit asset 2021 £000**	Net defined benefit asset 2020 £000
Balance at 1 January	**(635,500)**	(581,000)	**727,900**	667,400	**92,400**	86,400
Included in income statement	-	-	-	-	-	-
Current admin/service cost	-	-	**(1,400)**	(1,700)	**(1,400)**	(1,700)
Past service cost	-	-	-	-	-	-
Interest (cost)/income	**(7,500)**	(11,400)	**8,700**	13,500	**1,200**	2,100
Included in OCI						
Actuarial gain/(loss) arising from:						
Changes in demographic assumptions	**(6,200)**	3,400	-	-	**(6,200)**	3,400
Changes in financial assumptions	**37,000**	(76,000)	-	-	**37,000**	(76,000)
Experience adjustments	**(1,900)**	(700)	-	-	**(1,900)**	(700)
Return on plan assets excluding interest income	-	-	**(1,900)**	78,000	**(1,900)**	78,000
Other						
Contributions paid by the employer	-	-	**900**	900	**900**	900
Benefits paid	**22,800**	30,200	**(22,800)**	(30,200)	-	-
Balance at 31 December	**(591,300)**	(635,500)	**711,400**	727,900	**120,100**	92,400

25. Post-employment benefits (continued)

The company's pension plan weighted-average asset allocations by asset category at 31 December 2021 and 31 December 2020 were as follows:

2021	Long term rate of return	Total £000
Equities	5.19%	**153,200**
Structured Equity	4.69%	**42,900**
Corporate bonds	1.83%	**336,100**
Government bonds	1.19%	**109,400**
Property	5.19%	**1,500**
Hedge Funds/DGFs	4.69%	**100**
Cash holding	1.19%	**4,800**
Swaps	0.92%	**(118,000)**
Insurance policies	1.83%	**181,400**
Total market value of assets		**711,400**
Present value of plan liabilities		**(591,300)**
Net pension asset		**120,100**

2020	Long term rate of return	Total £000
Equities	5.19%	**198,500**
Property	4.69%	**1,900**
Corporate bonds	1.83%	**339,700**
Government bonds	1.19%	**57,100**
Hedge Funds	4.69%	**100**
Insurance policies	1.19%	**195,100**
Cash and other	0.92%	**(64,500)**
Total market value of assets		**727,900**
Present value of plan liabilities		**(635,500)**
Net pension asset		**92,400**

The trustees of NTL Pension Scheme purchased an insurance contract that will pay an income stream to the plan which is expected to match all future cash outflows in respect of certain liabilities. The fair value of this insurance contract is presented as an asset of the plan and is measured based on the future cash flows to be received under the contract discounted using the same discount rate used to measure the associated liabilities.

25. Post-employment benefits (continued)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2021	2020
Discount rate	**1.83%**	1.20%
Future salary increases	**3.32%**	2.90%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60- year old to live for a number of years as follows:

	2021	2020
Current pensioner aged 60 (male)	**27.5**	27.2
Current pensioner aged 60 (female)	**29.6**	29.1
Future retiree upon reaching 60 (male)	**29.0**	28.7
Future retiree upon reaching 60 (female)	**31.0**	30.6

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 0.25%.

	2021	2020
	£000	£000
Discount rate	**(24,700)**	(26,500)
Inflation	**2,400**	2,600

In valuing the liabilities of the pension fund at 31 December 2021, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all the members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2021 would have increased by £26,500,000 before deferred tax for the pensions.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2021 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The company expects to contribute £900,000 (2021: £900,000 paid) to the defined benefit pension plans in 2022.

26. Share-based compensation

The company's share-based compensation expense relates to charges for share-based incentive awards associated with ordinary shares of Liberty Global plc. These consist of stock options and performance plans including stock appreciation rights ("SARs"), performance-based share appreciation rights ("PSARs"), restricted stock and restricted stock units ("RSUs"). The fair value of options and SARs are determined using the Black-Scholes model. The fair value of RSUs is determined using either the share price at the grant date or the Monte Carlo model, depending on the conditions attached to the RSUs being granted. All the outstanding share-based incentive awards from Liberty Global will vest by the end of 2024.

Share-based compensation expense is reflected as an increase to consolidated equity, offset by any amounts recharged to us, and is included within administrative expenses the profit and loss account.
The charge for share based payments for the year was £39,900,000 (2020 - £47,300,000).

27. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £2,630,200,000 (2020 - £350,713,000).

	Payments due during:						
	2022	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total**
Purchase commitments	405.9	36.3	2.2	-	-	-	444.4
JV Services Agreement	190.8	159.3	160.7	163.6	165.0	69.4	908.8
Programming commitments	429.1	232.6	150.4	30.1	30.0	7.5	879.7
Network and connectivity commitments	335.2	11.8	3.4	2.8	2.3	8.2	363.7
Other commitments	15.2	13.0	5.4	-	-	-	33.6
Total	1376.2	453.0	322.1	196.5	197.3	85.1	2630.2

In the ordinary course of its business, the company contracts on behalf of fellow group undertakings and subsidiaries, therefore the above amount includes commitments entered into on behalf of these companies.

28. Reserves

Share capital

The balance classified as share capital represents the nominal value on issue of the company's share capital, comprising £0.01 and $0.20 ordinary shares.

Retained earnings

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

Other reserves

Other distributable reserves relate to capital contributions from parent undertakings.

Share option reserve

Includes the cumulative reserves generated from share option awards undertaken in previous years.

29. Guarantees

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks. As at 31 December 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 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 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 including those of this company.

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

30. Controlling party

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

The smallest and largest groups of which the company is a member and into 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, United Kingdom, W6 8BS and 500 Brook Drive, Reading, United Kingdom, RG2 6UU, respectively.

31. List of investments

Name of company		Holdings	Proportion held	Nature of business
Direct shareholdings				
CableTel Herts and Beds Limited		Ordinary	100%	Dormant
CableTel Northern Ireland Limited	Ψ	Ordinary	100%	Dormant
CableTel Surrey and Hampshire Limited		Ordinary	100%	Telecoms
ntl CableComms Surrey	Φ	Ordinary	100%	Dormant
ntl Pension Trustees II Limited		Ordinary	100%	Corporate Trustee
ntl Pension Trustees Limited		Ordinary	100%	Corporate Trustee
ntl South Central Limited		Ordinary	100%	Dormant
ntl Trustees Limited		Ordinary	100%	Corporate Trustee
Virgin Media Payments Limited		Ordinary	100%	Holding
Virgin Media Secretaries Limited		Ordinary	100%	Dormant
Virgin WiFi Limited		Ordinary	100%	Telecoms

All companies are registered at 500 Brook Drive, Reading, United Kingdon, RG2 6UU, unless otherwise noted below:

Ψ Unit 3, Blackstaff Road, Kennedy Way Industrial Estate, Belfast, BT11 9AP

Φ Dissolved subsequent to the year end