2021
ANNUAL REPORT

TalkTalk
For Everyone

TalkTalk Telecom Group Limited
(formerly TalkTalk Telecom Group PLC)

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At a glance

HQ
Salford, Greater Manchester

Over 3,000
unbundled exchanges

47,300
high-speed Ethernet connections

96%
population coverage

UK's largest
wholesale broadband provider

Over 4 million
broadband customers

957 million
GB average customer downloads per month

2.8 million
FTTC and FTTP customers

2,019
employees (as at 28 February 2021)

WHO WE ARE

TalkTalk is the UK's leading value for money connectivity provider. We believe that simple, affordable, reliable and fair connectivity should be available to everyone.

Since entering the market in the early 2000s, we have a proud history as an innovative challenger brand ensuring customers benefit from more choice, affordable prices and better services.

Today, we provide Fibre, broadband, landline, TV and mobile services to over four million customers. We serve our residential customers through the TalkTalk brand, our business customers through TalkTalk Business, whilst also wholesaling to resellers via TalkTalk Wholesale Services. Our fixed line network currently covers approximately 96% of UK homes, with unbundling equipment (such as digital subscriber line access multiplexers, multi-service access nodes and Ethernet switches) installed in over 3,000 exchanges, which is the largest such deployment in the UK.

As we look forward, we are well positioned to benefit from the roll-out of Full Fibre (Fibre to the Premises or FTTP) across the UK as network builders seek immediate access to high volumes of customers to support their investment. We therefore expect to be able to negotiate wholesale terms which enable us to cost effectively migrate our new and existing customers at pace to higher bandwidth and more reliable connectivity products.

On 15 March 2021 TalkTalk was officially de-listed from the London Stock Exchange, following the acquisition of the Company by Tosca IOM Limited, pursuant to a Scheme of Arrangement that became effective on 12 March 2021 (the "Public to Private Transaction"). As a consequence of the transaction the Group re-registered from a public company called TalkTalk Telecom Group PLC to a private company called TalkTalk Telecom Group Limited. For more information see the case study on the transaction on pages 22 and 23.

WHAT WE DO

Fibre

We offer both residential and Business customers access to faster, more reliable Fibre broadband, predominantly provided via our Fibre to the Cabinet (FTTC) network. Increasingly we are connecting customers to next generation FTTP networks through wholesale agreements with Openreach, CityFibre and other alternative networks ("altnets").

Broadband

We continue to provide standard broadband connectivity (ADSL) for those customers who do not yet require the increased download speeds offered by a Fibre connection.

Fixed line voice

We continue to offer fixed line Voice connectivity to residential and Business customers. In addition to this we offer great value boosts, such as unlimited UK calls and calling packages which give customers the ability to save money on items such as international calls.

Data products

We offer data solutions to Business customers at great value through our high bandwidth Ethernet-based connectivity services. Within our product portfolio we are seeing a clear shift to businesses demanding higher capacity gigabit services.

TV

TalkTalk TV lets our residential customers choose their perfect TV package through the YouView platform – with over 100 Freeview channels – as well as flexible access to an extensive range of premium content from Sky and BT Sport, as well as over the top (OTT) services from Netflix, Now TV and Amazon Prime Video.

Mobile

Our simple and compelling proposition allows residential customers to access unique offers in partnership with O2.

OUR CUSTOMERS

Consumer (B2C)

Our Consumer business provides affordable, reliable fixed line connectivity through the TalkTalk brand to residential customers.

Broadband is at the core of our proposition and is offered at varying bandwidths, with 80% of the Consumer base now taking a Fibre product. At present the vast majority of these are FTTC connections, but increasingly we are migrating customers to FTTP services as and when they are available.

In addition to the core Fibre broadband products, we offer sensibly priced and revenue enhancing TV and fixed line telephony add-ons. In particular, our TalkTalk TV add-ons provide flexible access to varied free and pay-to-view third party content through the YouView platform. We also offer residential customers an option to subscribe to O2's mobile services through our reseller agreement with them.

We are a value-centric business and always endeavour to save our customers money versus our competitors with affordable and fair prices, as well as the ability for customers to fix their price throughout their contract term.

Business (B2B)

Our business arm, TalkTalk Business, is one of the largest B2B telecommunication services providers in the UK.

We offer a wide range of data connectivity and next generation voice products to businesses throughout the country, including fixed line telephony, broadband internet (including high-speed Ethernet), data networking and other connectivity solutions. These services are offered to private companies and public sector organisations, both directly and on a wholesale basis through nearly 1,000 channel partners. Through these partners, we are the UK's largest provider of wholesale broadband to small businesses and consumers, with over 50% market share.

We plan to further leverage our existing wholesale platform and successful wholesale relationships to serve a broad range of potential new customers, who can benefit from our scale and capability, enabling us to enhance our propositions and drive financial benefits.

OUR MODEL FOR SUSTAINABLE GROWTH

INPUTS

- Large and stable customer base
- Growing demand for low cost fixed connectivity
- Significant Government support for Fibre expansion
- Strong brand recognition
- Partnerships with Fibre network providers
- Dedicated and talented employees

Read more about our services on page 1

OUTPUTS

- Affordable and reliable products
- Effortless customer experience
- Fibre for everyone
- Shareholder value

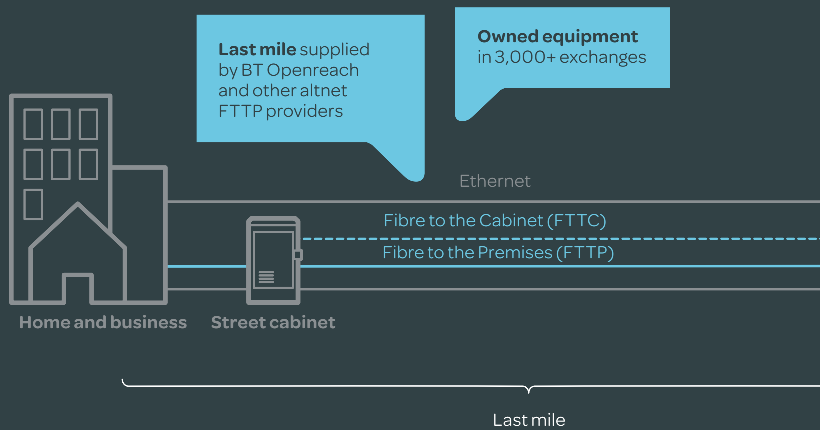
HOW WE ARE CONNECTED

KEY

Price-regulated copper and Ethernet

Fibre partially regulated

Core optical network
Two separate national networks supporting 9.6Tbps of capacity



WHO WE DELIVER FOR

People

Our colleagues are our biggest asset and strength. Our workforce is knowledgeable, committed, collaborative and productive.

Selected in 'Inclusive Top 50 UK Employers List'

Customers

It is vital that we engage with our customers to ensure we continue to provide great products and services that meet their changing needs.

Over 4 million customers

Community

We value our communities and are committed to doing business the right way. We have a responsibility to ensure that we are contributing to society.

Over £4m raised for Ambitious about Autism since 2006

Regulators

Regulation is vital to the success of our business, both by holding us to account for our actions and for holding our suppliers to account for their actions, whilst determining fair pricing.

Regulatory environment allows altnet ecosystem to flourish giving customers more choice

Shareholders

Our shareholders are the providers of capital, and continued access to capital is of vital importance to the long term success of our business.

New shareholder structure post Public to Private Transaction

Government

Digital infrastructure is a Government priority with a focus on ensuring nationwide access to gigabit capable broadband connections as soon as possible.

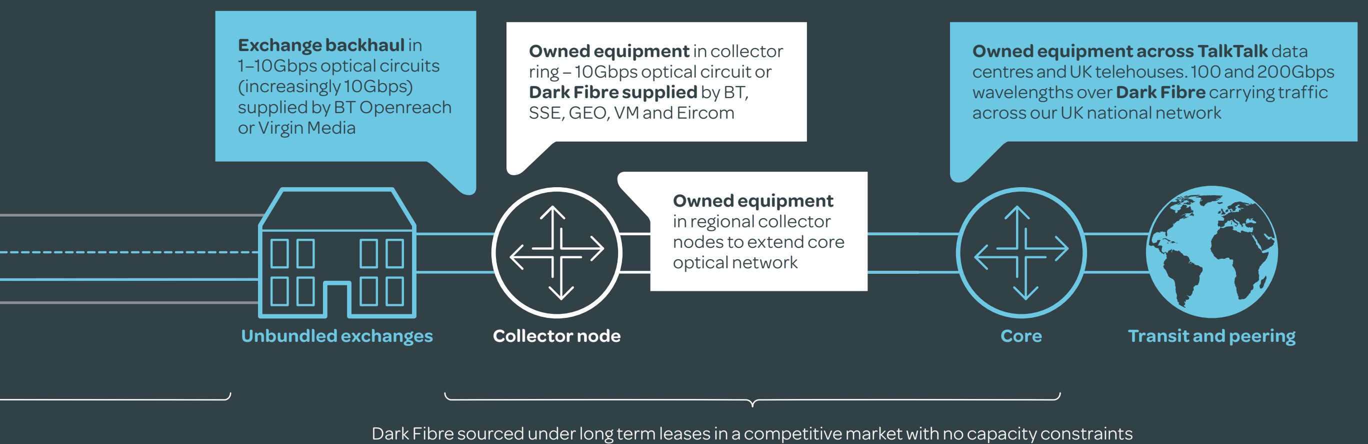
Government ambition to enable FTTP to at least 85% of UK homes by 2025

Suppliers

Our suppliers are fundamental to the quality of our products and services.

Over £1.2bn spent with suppliers per annum

Read more about how we engage with our stakeholders from pages 18 to 23



NATIONAL PROVIDER OF SIMPLE, AFFORDABLE, RELIABLE AND FAIR FIXED LINE CONNECTIVITY FOR HOMES AND BUSINESSES

Whilst the ownership structure of TalkTalk has changed following the Public to Private Transaction our strategic intent has not. We aim to strengthen our position as the only affordable scale fixed connectivity provider for consumers and businesses across the UK. Our strategy is underpinned by the sharp growth in demand for data from both consumers and businesses, which has been further accelerated by the Covid-19 pandemic. We believe that our low cost base, our highly efficient next generation network and our competitive wholesale agreements enable us to maintain our low-priced market position and grow our business sustainably and profitably.

Increasingly, the industry-wide adoption of Full Fibre across the UK is expected to provide us with more opportunities to become a leader in Full Fibre connectivity and further improve our value position by reducing churn and operating costs. Our success in becoming a leader in Full Fibre connectivity is expected to lead to sustainable, profitable growth as further reductions in costs are expected to help us continue to offer customers great value and grow our subscriber base.

We aim to deliver this strategy by focusing on six key areas:

DELIVER A STEP CHANGE IN BRAND CONSIDERATION AND NET PROMOTER SCORE (NPS)

Actions

- Materially improve customer experience by:
  - Continuing to transition customers onto more reliable and fit for purpose FTTC and FTTP products;
  - Investing in new technologies, e.g. digital first support model and more automated customer journeys;
  - Innovating within the network, e.g. building capability for the network to 'self-drive' through incidents and outages to minimise customer disruption; and
  - Simplifying customer service with a combination of UK-based and offshore contact centres.

Key metrics

- Brand reputation
- NPS
- Churn
- Fibre (FTTC and FTTP) penetration
- Customer growth

ACCELERATION OF FULL FIBRE

Actions

- Continue to secure competitive wholesale terms with FTTP network providers.
- Build out our network and IT in parallel to our infrastructure partners as they roll-out to grow our FTTP base.

Key metrics

- FTTP customer growth
- Fibre (FTTC and FTTP) penetration
- FTTP customer value, e.g. ARPU

Please see glossary on pages 118 and 119 for definitions of various acronyms in this section.

MAXIMISE THE VALUE OF EXISTING CONSUMER AND DIRECT B2B CUSTOMERS

Actions

- Reset customer propositions, whilst maintaining our position as the UK's leading value for money connectivity provider.
- Transition customers onto more reliable and fit for purpose FTTC and FTTP products.
- Accelerate cross-selling of fairly priced add-ons, e.g. OTT TV services, without tying customers into high priced bundles.

Key metrics

- Fibre (FTTC and FTTP) penetration
- Direct customer value, e.g. ARPU and RGUs per customer
- Churn

CONTINUE TO GROW TALKTALK WHOLESALE SERVICES

Actions

- Transition customers onto more reliable and fit for purpose FTTC, FTTP and 1Gb Ethernet products.
- Simplifying our own operations to improve the ease with which our customers can do business with us.
- Leverage our successful wholesale business to enhance our proposition and grow revenue and margin.

Key metrics

- Fibre (FTTC and FTTP) penetration
- Ethernet base growth and 1Gb penetration
- Wholesale customer value, e.g. ARPU and RGUs per customer
- Wholesale revenue and margin

BE RIGOROUS ABOUT BEING A VALUE PROVIDER

Actions

- Transition our base onto more reliable FTTC and FTTP products to significantly lower cost to serve.
- Optimise the way we serve our customers with the continued roll-out of digital first support tools.
- Ensure our headcount reflects our simpler set of priorities.
- Acquire customers more efficiently.

Key metrics

- Fibre (FTTC and FTTP) penetration
- Operating cost reduction, specifically cost to serve
- Headcount
- Cost per subscription

DEVELOP NEW STREAMS OF GROWTH THROUGH INNOVATION

Actions

- Find new streams of growth and value through innovation.
- Develop our retail and wholesale platform business.
- Build strategic partnerships that accelerate growth and value creation.

Key metrics

- Revenue
- Margin

Please see glossary on pages 118 and 119 for definitions of various acronyms in this section.

Key performance indicators

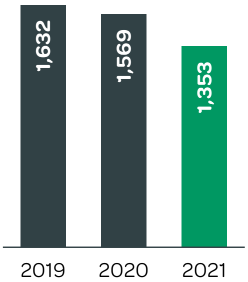
We use the following key performance indicators (KPIs) to measure progress against our strategic objectives. As our strategy evolves we will continue to review these KPIs to make sure they are the best measures to reflect our performance against our strategy. The financial metrics for 2020 and 2021 are provided on an IFRS 16 basis. Since IFRS 16 was applied in 2020 using the modified retrospective approach the 2019 figures were not restated and are therefore on a pre-IFRS 16 basis.

Each KPI is linked to our strategic objectives outlined on pages 4 and 5

In January 2021 the Group changed its fiscal year-end date from 31 March to 28 February. Therefore, all 2021 metrics include eleven months compared to twelve months for the 2020 comparatives.

FINANCIAL METRICS

Statutory revenue (£m)

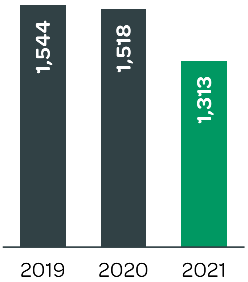


Definition
Total Statutory revenue.

Comments
Statutory revenue was lower year on year largely due to FY21 only including eleven months compared to twelve in the comparatives. The remaining contraction was driven by Covid-19 trading restrictions, as well as continued industry-wide Voice declines and the impact of a lower average base year on year. We also saw lower non-core MVNO, Carrier and Off-net revenue year on year.

1 2 3 4 5 6

Headline[1] revenue excluding Carrier and Off-net (£m)

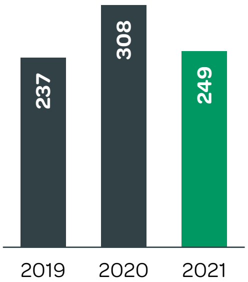


Definition
Total revenue before non-Headline items and excluding Carrier and Off-net revenue.

Comments
This metric is our main Headline revenue KPI which excludes low margin/volatile Carrier revenue and non-core Off-net revenue, providing a better view of the Group's underlying revenue performance. FY21 was lower year on year largely as it consisted of eleven months compared to twelve in the comparatives. The remaining contraction was driven by Covid-19 trading restrictions, as well as continued industry-wide Voice declines and the impact of a lower average base year on year.

1 2 3 4 5 6

Headline[1] EBITDA (£m)

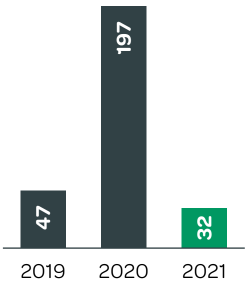


Definition
Total Headline earnings before interest, tax, depreciation, amortisation and share of results of joint ventures.

Comments
Headline EBITDA was lower year on year largely due to FY21 only including eleven months compared to twelve in the comparatives. The remaining contraction was driven in part by the lower revenue offset by cost to serve savings from the increasing Fibre mix and lower SAC & Marketing costs from a more efficient customer acquisition and marketing model.

1 2 3 4 5 6

Statutory operating profit (£m)

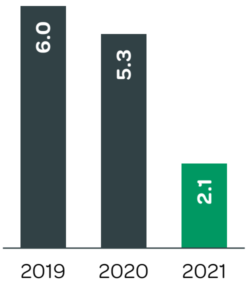


Definition
Total Statutory operating profit.

Comments
Statutory operating profit was lower year on year reflecting the Headline EBITDA contraction and due to the profit on disposal (£127m) of our Fibre Assets Business recognised within non-Headline items in the prior year.

1 2 3 4 5 6

Headline[1] basic EPS (p)

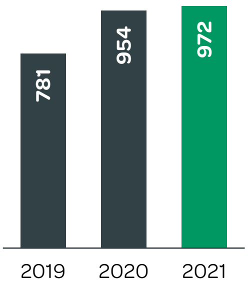


Definition
Basic EPS excluding non-Headline items.

Comments
The year on year reduction in Headline EPS reflects the reduction in profit.

1 2 3 4 5 6

Net debt[1] (£m)



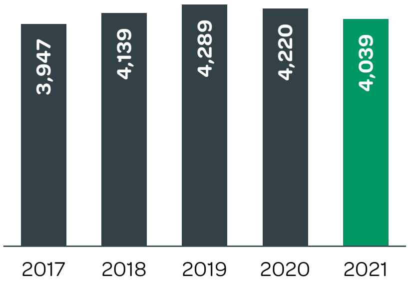
Definition
Represents total borrowings offset by cash and cash equivalents.

Comments
Net debt increased slightly in the year with inflows for Headline EBITDA and working capital offset by outflows for capital expenditure, non-Headline items, interest and tax, acquisitions and investments, dividends and the ESOT share purchase.

1 2 3 4 5 6

NON-FINANCIAL METRICS[2]

Customer base (Fibre and Broadband)[2] ('000)

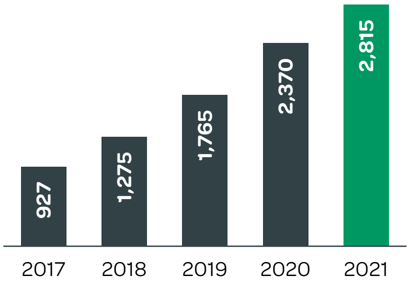


Definition
Total number of On-net broadband customers.

Comments
The base declined by 181k in the period as we focused on growing the Fibre base and allowed some low value legacy Copper customers to leave.

1 2 3 4 5 6

Fibre base (FTTC and FTTC) ('000)

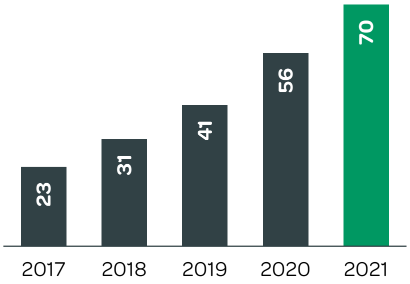


Definition
Total number of Fibre customers.

Comments
Growth in the Fibre base continued strongly in the period, with 445k net adds, taking the overall Fibre base to over 2.8 million, representing 70% of the overall On-net base.

1 2 3 4 5 6

Fibre penetration (FTTC and FTTP) (%)

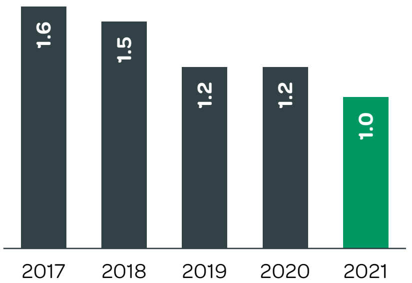


Definition
The percentage of TalkTalk's overall On-net base on a Fibre product.

Comments
Fibre penetration rose strongly with growth in the Fibre net adds accelerating in the period, whilst the overall base declined with the churn of some legacy Copper customers.

1 2 3 4 5 6

Churn[2] (%)

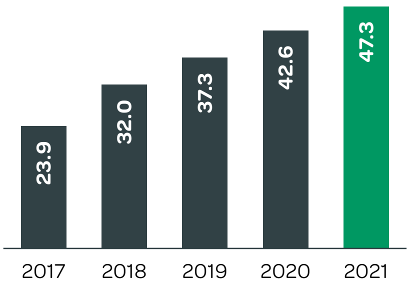


Definition
The percentage of our average customer base leaving TalkTalk each month.

Comments
Churn reduced in the period, in part driven by the increasing mix of customers on more reliable Fibre products, as well as some benefit from Covid-19 with customers reticent to churn during lockdowns as they prioritised maintaining service.

1 2 3 4 5 6

Ethernet base ('000)

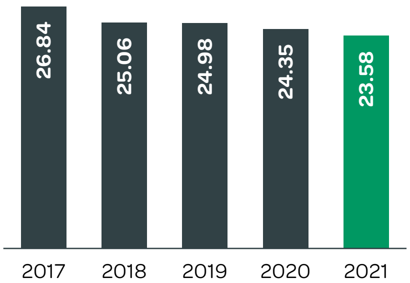


Definition
The total number of high-speed Ethernet connections in our B2B division.

Comments
The Ethernet base grew strongly again, with 4.7k net adds in the period, with an increasing mix of 1Gb connections, which comes with higher ARPU.

1 2 3 4 5 6

On-net ARPU[2][3] (£)



Definition
Average monthly revenue per On-net customer.

Comments
ARPU was lower year on year driven by continued industry-wide Voice declines, legacy base re-contracting diluting ARPU and a higher proportion of wholesale customers in the mix, offset by Fibre penetration.

1 2 3 4 5 6

(1) See note 1 to the consolidated financial statements for an explanation of APMs and non-Headline items and note 9 for a reconciliation of Headline information to Statutory information.

(2) All customer KPIs relate to the On-net base. The closing Off-net base represents less than 1% of the total broadband base (FY21: 18k; FY20: 21k).

(3) 2017 comparatives have not been restated for the application of IFRS 15 and IFRS 9.

OUR STRATEGIC OBJECTIVES

1 Deliver a step change in brand consideration and NPS
2 Acceleration of Full Fibre
3 Maximise the value of existing consumer and direct B2B customers
4 Continue to grow TalkTalk Wholesale Services
5 Be rigorous about being a value provider
6 Develop new streams of growth through innovation

Business and financial review

Overview

The last year has been an extraordinary one, both for our business and for the country more broadly.

When the Covid-19 pandemic began, our priorities were to protect the wellbeing of our colleagues, to maintain services to all our customers and to preserve the financial health of the business. Thanks to the commitment and hard work of our colleagues, we have been able to do this.

The internet has undoubtedly become an essential utility and the importance of fast, reliable and affordable connectivity has never been clearer. As such, our strategy remains unchanged, with our focus on providing our customers with the best value for money connectivity, increasingly Fibre, whilst radically simplifying our operations to focus on fewer priorities as a leaner, more efficient business. With the uncertain economic climate, low prices matter even more, and TalkTalk continues to be well positioned to benefit as the only scale, value provider.

Public to Private Transaction

On 15 March 2021, TalkTalk was officially de-listed from the London Stock Exchange, following the Public to Private Transaction. To more closely align our financial year with the date from which we became a private company and to ensure better period on period consistency for certain financial metrics, especially in relation to payments to suppliers, we have moved our year end from 31 March to 28 February. As a result, all FY21 metrics, both operational and financial, relate to the eleven months ended 28 February 2021, whilst the FY20 comparatives relate to the twelve months ended 31 March 2020.

The formal de-listing occurred outside of this reporting period, but represents a landmark event for the business, becoming a private company for the first time. With the telecoms industry going through a fundamental re-set, with the transition to Full Fibre, this presents an enormous opportunity for TalkTalk. The new Board remains fully supportive of our strategy and believes that being a private company provides the freedom required to accelerate the existing plans to be the UK's only affordable provider of nationwide Full Fibre, whilst growing market share in both residential and business markets by leveraging our national scale wholesale platform.

FY21 performance(1)(2)

Despite providing a critical service, we have not been immune to the effects of the pandemic. Throughout the year, particularly in the first six months, we experienced operational challenges, like the closure of third party overseas call centres, leading to customer service challenges, and lower gross customer additions due to engineers being unable to visit customer premises for installations. These challenges, amongst others, have ultimately impacted the Group's financials with lower revenues year on year. Despite significant mitigating activity in our cost base, Headline EBITDA of £249m is also lower year on year (2020: £308m), albeit a large part of the reduction is due to FY21 only including eleven months due to the change in financial year end. Additionally, we estimate that c.£15m of the year on year reduction is related to Covid-19, with the remainder predominantly due to the continued industry-wide decline in Voice revenue and a contraction of the average customer base. Statutory loss before tax was £11m (2020: £131m profit), with the year on year reduction driven by lower Headline EBITDA and the prior year including £127m profit on disposal of our Fibre Assets Business, recognised in non-Headline items.

Continued transition to higher bandwidth products

The connectivity services we provide have become increasingly critical for society, with consumers and businesses consuming 40% more data throughout 2020, whilst also demanding higher speed connections. A fundamental pillar of our strategy therefore involves migrating as many customers as possible onto our higher bandwidth products – FTTC and FTTP – via our 'Fibre for Everyone' initiative. These customers benefit from faster, more reliable connectivity, whilst for TalkTalk these customers come with a higher lifetime value. Despite a reduction in industry switching volumes due to the first nationwide lockdown, we have been able to continue upgrading customers at scale throughout FY21 with 445k Fibre net adds (2020: 605k). This means we now have 70% of our total Consumer and B2B customer base taking a Fibre product (2020: 56%).

This strategy has been consistent in our B2B division, with the upgrade of customers to higher speed Fibre and Data products being the primary focus for both the indirect and direct B2B business. Throughout FY21 our Ethernet base grew to 47.3k (2020: 42.6k), and we consistently took more than our market share of new Openreach Ethernet connections. Within the mix, we continue to see more customers taking our 1Gb product which comes with significantly higher ARPU and lower churn.

Acceleration of FTTP

The majority of our Fibre customers are currently on FTTC services, but as customers continue to demand even faster, more reliable services, our longer term ambition is to transition all customers to new FTTP networks as quickly as possible. These FTTP services provide significantly greater speeds, as well as enhanced reliability and quality, meaning fewer faults, and therefore fewer calls to our call centres and reduced demand for engineer visits. As such, we expect this transition will provide customers with access to a vastly superior product that will continue to reduce our cost to serve, enabling us to deliver competitive prices and retain customers for longer.

Our differentiated value positioning leaves us well placed to capitalise on the transition to FTTP, becoming the scale provider of simple, affordable Full Fibre connectivity. With numerous FTTP networks being built, there is greater optionality, creating a more competitive market. ISPs with scale customer bases, like TalkTalk, are the kingmakers of the roll-out, as we can quickly migrate customers at scale to these networks, providing infrastructure builders with guaranteed returns, in exchange for competitive wholesale pricing. One such partnership is our long term, competitive wholesale agreement with CityFibre with whom we are now connecting our customers at scale across their network. We are also ramping up Consumer and B2B connections throughout the Openreach footprint for both new and existing customers. Our national Full Fibre footprint currently provides us with access to in excess of 4 million marketable homes and businesses and we expect to continue increasing this in line with the Openreach and CityFibre builds in the coming year.

Resilient network performance

Network usage has been consistently on the rise and this has only been accelerated by Covid-19, particularly with regards to daytime traffic due to the millions of people working from home. Usage rose sharply during the first nationwide lockdown and continued to surge even higher throughout the second and third lockdowns. However, in spite of a 40% increase in download usage our network has remained resilient, and we have played a vital role in keeping the nation connected at this extremely difficult time.

(1) See note 1 to the consolidated financial statements for an explanation of APMs and non-Headline items and note 9 for a reconciliation of Statutory information to Headline information.

(2) The estimated £15m impact is calculated by tracking key metrics, both pre- and post-Covid-19, and using run-rate analysis to determine any material changes. This showed a marked drop off in gross additions and churn volumes, as well as an increase in out of contract customers re-contracting earlier to secure better rates, impacting revenue and margin. Within the cost base, lockdowns saw fewer agents at third party call centres and lower engineer fees and marketing spend due to trading restrictions, offset by a small increase in bad debt provisioning to reflect customers' propensity to pay.

Given our focus on core, fixed connectivity it is essential that our foundations are strong and that we are able to adapt to the changing needs of our customers, whilst continuing to scale. As such, we will continue to incur non-Headline items in relation to our multi-year network and IT transformation programme, which will fundamentally restructure the Group's network, IT infrastructure and technology organisation. This programme is expected to run until 2022 and underpins the wider Group strategy.

Improving customer experience

One of our priorities for the coming year is to deliver a step change in brand consideration through improvements in customer experience. This is not something that can change overnight, but we have made good strides in this area throughout the last year. Our NPS for legacy MPF (copper) products is negative, with more detractors than promoters for this service, emphasising how the legacy copper network has fast become unfit for purpose, and highlighting the increasing need for FTTP. Our FTTC products on the other hand have a positive NPS score, and we recorded our highest ever in-life FTTC score in January 2021. By virtue of the increasing mix of FTTC customers in our overall base our blended NPS is also improving, but there is still work to be done. It is clear that the future of connectivity is Full Fibre and since these FTTP services provide greater speeds and enhanced reliability, we expect that more customers taking this superior service will lead to even better customer experience and NPS.

Within our B2B division, TalkTalk Business currently has a Trust Pilot rating of 4.4 out of 5, with 71% of reviews ranking the service as 'Excellent'.

Cost control

Over the last three years we have been on a mission to simplify the business, whilst right sizing our cost base so that it is more befitting for a value provider. This laser focus on costs has seen total Headline operating costs reduce again this year by £75m, albeit this is in part due to FY21 consisting of eleven months compared to twelve in the prior year. Our Fibre-focused strategy means that a greater proportion of the base is benefiting from higher speed and more resilient connections, leading to fewer faults, engineer visits and calls into the call centre. This, combined with more customers self-serving using our 'Service Centre', is further reducing calls to our contact centres, meaning we have continued to significantly reduce our cost to serve. It should be noted that there were some incremental savings in this area related to Covid-19 from the first half due to the reduced volume of call centre agents and engineer visits.

Further to this, we continue to see the benefits of the completion of our HQ move from London to Salford in operating costs and our more targeted digital approach to marketing continues to bring down customer acquisition costs. Additionally, the re-financing of the Group's borrowings towards the end of FY20 and again in FY21, combined with a lower drawn debt balance through the period following the sale of the Fibre Assets Business in March 2020, is leading to lower interest costs year on year. These initiatives will continue to provide ongoing reductions to our cost base throughout FY22 and beyond, and we continue to see further flexibility in the cost base which will enable us to deliver additional savings.

Financial information

	Eleven month period ended 28 February 2021(1)			Year ended 31 March 2020		
	Headline(2) £m	**Non-Headline(2) £m**	**Statutory £m**	Headline(2) £m	Non-Headline(2) £m	Statutory £m
Revenue	**1,348**	**5**	**1,353**	1,557	12	1,569
Cost of sales	**(688)**	**(1)**	**(689)**	(763)	(4)	(767)
Gross profit	**660**	**4**	**664**	794	8	802
Operating expenses	**(411)**	**(43)**	**(454)**	(486)	82	(404)
EBITDA	**249**	**(39)**	**210**	308	90	398
Depreciation and amortisation	**(172)**	**–**	**(172)**	(185)	(8)	(193)
Share of results of joint ventures and associates	**(6)**	**–**	**(6)**	(8)	–	(8)
Operating profit	**71**	**(39)**	**32**	115	82	197
Net finance costs	**(43)**	**–**	**(43)**	(66)	–	(66)
Profit/(loss) before taxation	**28**	**(39)**	**(11)**	49	82	131
Taxation	**(4)**	**4**	**–**	12	10	22
Profit/(loss) for the period/year attributable to the owners of the Company	**24**	**(35)**	**(11)**	61	92	153
Earnings/(loss) per share						
Basic (p)	**2.1**		**(1.0)**	5.3		13.4
Diluted (p)	**2.1**		**(1.0)**	5.3		13.2

(1) In January 2021 the Group changed its fiscal year-end date from 31 March to 28 February. Therefore, all 2021 metrics include eleven months compared to twelve months for the 2020 comparatives.

(2) See note 1 to the consolidated financial statements for an explanation of APMs and non-Headline items and note 9 for a reconciliation of Statutory information to Headline information.

Business and financial review continued

Revenue summary	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
On-net	**1,071**	1,243
Corporate	**268**	303
Off-net	**9**	11
Headline revenue	**1,348**	1,557
Less Carrier	**(26)**	(28)
Less Off-net	**(9)**	(11)
Headline revenue (excluding Carrier and Off-net)	**1,313**	1,518

Throughout this financial review, alternative performance measures (APMs) are presented as well as Statutory measures and these measures are consistent with prior periods, except for the removal of pre-IFRS 16 values which are no longer used as the current period and comparatives are both now prepared under the same basis. See note 1 to the consolidated financial statements for further explanation of APMs.

This presentation is also consistent with the way that financial performance is measured by management, reported to the Board, the basis of financial measures for senior management's compensation schemes and provides supplementary information that assists the user to better understand the financial performance, position and trends of the Group.

Overview

Headline revenue (excluding Carrier and Off-net) was £1,313m for the eleven months ended 28 February 2021 (2020: £1,518m), with the contraction predominantly due to Covid-19 trading restrictions, as well as continued industry-wide Voice declines and the impact of a lower average base year on year. This was partly offset by a continued increase in the penetration of higher ARPU Fibre customers. Headline EBITDA was £249m for the eleven months ended 28 February 2021 (2020: £308m) with the decline reflecting the lower revenue partially offset by savings in our cost base primarily due to the lower cost of serving our increasing Fibre customers and other cost initiatives, including Covid-19 mitigating actions. Statutory loss before tax was £11m for the eleven months ended 28 February 2021 (2020: £131m profit), with the year on year reduction driven by lower Headline EBITDA and the prior year including the £127m profit on disposal of our Fibre Assets Business recognised in non-Headline items.

Covid-19(1)

In the eleven months ended 28 February 2021, the Covid-19 pandemic had an estimated negative impact on the Group's Headline EBITDA of c.£15m. The bulk of this was a contraction in gross margin, with reduced connections and customers re-contracting early in search of better deals, as well as higher customer credits due to our commitment to ensuring customers could stay connected for longer by extending our 60 minute limit for free calls to 180 minutes. The Group has partially offset these impacts with additional cost savings in key areas such as contact centres and marketing.

Group revenue

Headline revenue (excluding Carrier and Off-net) was £1,313m for the eleven months ended 28 February 2021 (2020: £1,518m). Much of the contraction was seen in On-net revenue, which was £1,071m for the eleven months ended 28 February 2021 (2020: £1,243m). The year on year movement was predominantly due to Covid-19 trading restrictions, as well as continued industry-wide Voice declines and the impact of a lower average base year on year. This was partly offset by a continued increase in the penetration of higher ARPU Fibre customers. Additionally, Corporate revenue was £268m for the eleven months ended 28 February 2021 (2020: £303m). The decline was driven by lower B2B Voice revenue, whilst Data revenues were broadly stable reflecting the continued shift in the Ethernet base to higher bandwidth products, offset by some re-contracting ARPU dilution due to a competitive market.

The Group's total Headline revenue was £1,348m for the eleven months ended 28 February 2021 (2020: £1,557m). The movement was predominantly due to the factors above, as well as modest declines in non-core Carrier and Off-net revenue lines. Statutory revenue also declined due to the factors above. As a result of a new commercial deal being signed in the second half of FY21, MVNO revenue and EBITDA was re-classified from non-Headline to Headline part way through the period.

Gross margin

Headline gross margin of 49.0% was 200bps lower year on year reflecting the lower revenue noted above and higher costs of sales resulting from increased Fibre penetration. This drive towards Fibre products dilutes gross margin percentage but is offset with reduced costs to serve, in line with our strategy.

Statutory gross margin of 49.1% was also 200bps lower year on year reflecting the reasons above.

Net operating expenses

Headline net operating expenses were £411m for the eleven months ended 28 February 2021 (2020: £486m). The decrease was driven, in the most part, by lower costs to serve, as a result of more customers on lower cost to serve Fibre products. Covid-19 also generated cost to serve savings due to fewer call centre agents in contact centres and a lower level of engineers. Much of the remaining reduction was due to lower SAC & Marketing costs from a more efficient customer acquisition and marketing model.

Statutory net operating expenses were £454m for the eleven months ended 28 February 2021 (2020: £404m). The year on year increase was primarily due to the disposal of our Fibre Assets business in the prior year, which resulted in a profit on disposal of £127m recognised in non-Headline items, partly offset by the savings mentioned above. See further information on non-Headline items below.

EBITDA

Headline EBITDA was £249m for the eleven months ended 28 February 2021 (2020: £308m), whilst Statutory EBITDA was £210m (2020: £398m). The reductions reflect the factors noted above.

(1) The estimated £15m impact is calculated by tracking key metrics, both pre- and post-Covid-19, and using run-rate analysis to determine any material changes. This showed a marked drop off in gross additions and churn volumes, as well as an increase in out of contract customers re-contracting earlier to secure better rates, impacting revenue and margin. Within the cost base, lockdowns saw fewer agents at third party call centres and lower engineer fees and marketing spend due to trading restrictions, offset by a small increase in bad debt provisioning to reflect customers' propensity to pay.

Depreciation and amortisation

Headline depreciation and amortisation expense was £172m for the eleven months ended 28 February 2021 (2020: £185m). Aside from the eleven months vs twelve months difference, depreciation and amortisation modestly increased as we continue to invest in the future growth of the business.

Share of results of associates and joint ventures

Our share of results of associates and joint ventures was broadly flat year on year at a loss of £6m (2020: £8m loss) and predominantly consists of the Group's investment in YouView.

Net finance costs

Statutory finance costs were £43m for the eleven months ended 28 February 2021 (2020: £66m). The reduction is due to a number of factors including lower interest costs on the upsized bond (issued in February 2020), the bond tap (issued in January 2021) and a lower drawn debt balance through the period following the sale of the Fibre Assets Business in March 2020.

Taxation

The Headline tax charge for the eleven months ended 28 February 2021 was £4m (2020: £12m credit), giving an effective rate of 14%, after taking into account prior year adjustments. On a Statutory basis, there was no tax charge/credit (2020: £22m credit).

Non-Headline items(1)

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
MVNO closure	**3**	7
FibreNation	**–**	109
Network transformation	**(9)**	(11)
Transformational reorganisation programmes	**(7)**	(15)
Public to Private Transaction	**(18)**	–
Impairment of customer assets	**(8)**	–
EBITDA	**(39)**	90
Depreciation and amortisation	**–**	(8)
Taxation	**4**	10
Non-Headline items	**(35)**	92

(1) See note 1 to the consolidated financial statements for an explanation of APMs and non-Headline items and note 9 for a reconciliation of Statutory information to Headline information.

Within Statutory (loss)/profit after tax the Group recognised a non-Headline loss of £35m compared to a £92m gain in the prior year. The FY21 loss was driven by business transformation and Public to Private Transaction costs partially offset by MVNO trading profits.

Our significant multi-year network and IT transformation programme continued during the period incurring costs of £9m (2020: £11m) which will fundamentally restructure the Group's network, IT infrastructure and technology organisation. This programme is expected to run until 2022 and underpins the wider Group strategy.

Following the emergence of the Covid-19 pandemic and the Public to Private Transaction, the Group has continued to review and transform its operating model resulting in costs of £7m in the financial period ended 28 February 2021. This follows on from the multi-year transformational programme, 'One Team', disclosed in the prior year (2020: £15m), which exited the Group's head office in London and relocated the majority of roles to the new head office in Salford. The costs include redundancy payments, dual-running costs, recruitment costs, retention payments and other consultancy costs.

Furthermore, the Public to Private Transaction saw directly attributable costs of £9m as well as the acceleration of £9m in share-based payment charges due to settling schemes earlier than expected.

Following the Group's announcement in May 2017 to exit our MVNO operations, trading profits of £3m have been recognised, compared to £7m in the prior year. A new commercial MVNO deal was signed in FY21 which alters the previous strategy to wind down this business. As a result, ongoing MVNO revenue and EBITDA were re-classified as Headline items part way through the year.

During the period, a material wholesale partner sold their customer base to another wholesale partner of ours, meaning that whilst the end customers remain on our network, the early termination of this contract gave rise to an impairment charge of £8m against the deferred cost asset held in respect of that contract. The value of the deferred cost asset held in respect of that contract has been reduced to equal the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the assets relate.

In the prior year we disposed of our Fibre Assets business, which resulted in a profit on disposal of £127m, recognised within non-Headline items, and there was a non-Headline depreciation and amortisation charge related to amortisation of acquisition intangibles. These are now fully amortised and therefore there is no further charge in the period.

Earnings per share

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Headline earnings (£m)(1)	**24**	61
Basic EPS	**2.1p**	5.3p
Diluted EPS	**2.1p**	5.3p
Statutory (loss)/earnings (£m)	**(11)**	153
Basic EPS	**(1.0)p**	13.4p
Diluted EPS	**(1.0)p**	13.2p

(1) See note 1 to the consolidated financial statements for an explanation of APMs and non-Headline items and note 9 for a reconciliation of Statutory information to Headline information.

The year on year reduction in Headline EPS reflects the reduction in profit described above. On a Statutory basis, the year on year reduction was largely due to non-Headline items in the prior year including the profit on disposal of our Fibre Asset Business.

Financial position

Net assets decreased to £371m (2020: £406m), primarily driven by outflows associated with the statutory loss, the dividend payment in the year and the ESOT share purchase.

Non-current assets increased to £1,582m (2020: £1,562m), driven by an increase in deferred contract costs mainly as a result of the Group moving to an alternative customer acquisition and marketing model with different partners in FY19. The new model requires certain upfront customer acquisition costs to be deferred under IFRS 15, and this combined with our continued strong growth in Fibre and Ethernet products, where provisioning fees are also deferred under IFRS 15, has seen an increase in deferred contract costs. Current assets have increased to £272m (2020: £267m) due to an increase in receivables, partially offset by a £22m decrease in cash.

Current liabilities have increased to £540m (2020: £470m) due to an increase in trade payables resulting from the change in financial year-end date, which was changed, in part, to ensure better period on period consistency for certain financial metrics, especially in relation to payments to key suppliers. Non-current liabilities have reduced to £943m (2020: £953m). The reduction is largely driven by a decrease in our borrowings.

Business and financial review continued

Net debt and cash flow

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Opening net debt	**(954)**	(960)
Headline EBITDA[1]	**249**	308
Working capital	**15**	(181)
Capital expenditure	**(75)**	(116)
Interest and taxation	**(44)**	(54)
Non-Headline items[1]	**(37)**	158
Acquisitions and investments	**(6)**	(13)
ESOT share purchase	**(19)**	–
Dividends	**(17)**	(28)
Non-cash movement in leases	**(84)**	(68)
Closing net debt	**(972)**	(954)

(1) See note 1 to the consolidated financial statements for an explanation of APMs and non-Headline items and note 9 for a reconciliation of Statutory information to Headline information.

	As at 28 February 2021 £m	As at 31 March 2020 £m
Bond and bank debt	**(773)**	(793)
Leases	**(233)**	(217)
Cash at bank and in hand	**34**	56
Net debt	**(972)**	(954)

Total net debt is £972m. Committed headroom at 28 February 2021 was £317m (2020: £497m).

The Group had net working capital inflow of £15m (2020: £181m outflow) with timing benefit of certain supplier payments offset by the IFRS 15 impact of our accelerated investment in Fibre.

Capital expenditure for the year was £75m (2020: £116m), representing 5.5% (2020: 7.5%) of Headline revenues. Expenditure primarily related to the enhancement of our network capability and online systems.

Non-Headline items amounted to an outflow of £37m (2020: £158m inflow), of which £21m related to the completion of the Fibre Assets Business sale, with a discretionary payment of £15m made to all employees of the Group to share some of the value arising on the sale, as well as £6m of transaction and adviser fees. Other costs relate to the ongoing network transformation programme and transformational reorganisation programmes. The prior year inflow included the proceeds of the Fibre Assets Business sale (£206m consideration offset by £3m operating loss and £1m of transaction fees).

Acquisitions and investments expenditure in the period of £6m (2020: £13m) relates to the YouView joint venture. This line item was higher in the prior year due to investing activity in the Fibre Assets Business prior to its disposal.

In FY21, the employee share ownership trust (ESOT) purchased 24 million shares at a cost of £19m reflecting a decision taken by the trustees of the ESOT to reassess the number of shares required to satisfy the ESOT's obligations under the Group's long term incentive plans. In March 2021, these shares were sold upon completion of the Public to Private Transaction.

Whilst no staff were furloughed and no other government assistance was required, the Company did take advantage of the option to defer a VAT payment of £5m, which is now being paid in line with government guidance.

Dividends

Dividends of £17m paid in the period (2020: £28m) comprised the final dividend for 2020 of 1.50p. Due to the Public to Private Transaction, no interim dividend was declared or paid and no final dividend was declared. The Board will reassess the dividend policy going forwards.

Funding and capital structure

The Group is financed primarily through a combination of bank facilities, a bond and a receivables purchase facility, which have all been recently renewed.

In April 2020, the Group renewed its revolving credit facility (RCF), reducing the facility size from £640m to £430m with this facility maturing in 2024. In January 2021, additional Senior Notes of £110m were issued, increasing the total 2025 Senior Notes from £575m to £685m. The additional Senior Notes have been used to repay RCF borrowings and reduce the total facility from £430m to £330m. The Group's receivables purchase facility of £75m was renewed in October 2020 for a further two years. This refinancing activity has resulted in the Group's committed facilities reducing from £1,290m to £1,090m.

At 28 February 2021, £773m (2020: £793m) had been drawn under these facilities, leaving £317m (2020: £497m) of undrawn facilities. The Group was in compliance with the terms of all its facilities, including the financial covenants, at 28 February 2021.

Looking to the future

As we look forward to FY22 and beyond, we are excited to be at the centre of a fundamental re-set of the telecommunications industry, with the transition to Full Fibre in full swing. We believe we are now on a more secure footing and under private ownership can accelerate our FTTP plans to grow market share in both residential and business markets to cement our position as the UK's only affordable provider of nationwide Full Fibre.

Principal risks and uncertainties

Every organisation faces risks of varying severity as an inherent part of doing business. Some of these are within the control of the organisation and others are not.

The Board has identified the following principal risks and uncertainties to the Group. The details of these principal risks, and the controls in place for mitigating them, are outlined below in no particular order of severity. The principal risks have been identified and assessed on a gross risk basis with consideration to the impact on the Group's ability to deliver its strategy and therefore its mission. In addition, a directional arrow has been included alongside each risk to reflect the movements in gross risk from the prior year.

The Group's risk management framework facilitates continuous and ongoing discussion of risks and is integrated into business planning. Business units maintain their own respective risk registers and operational risk management processes. This ensures the appropriate focus is placed on risk mitigation with significant net risks being assigned an Executive Committee owner and included in the Group Risk Register for review at each Board meeting. In light of the Public to Private Transaction, the makeup and structure of the Board will change for FY22 and beyond. However, the new Board will continue to assess the principal risks and uncertainties faced by the Group and will update the risks and mitigation plans accordingly, including any changes to the risk management framework.

Covid-19

The Board acknowledges that the Covid-19 pandemic continues to pose a variety of risks and uncertainties to all global businesses, including TalkTalk, and have again included a specific principal risk and uncertainty this year, as well as including specific Covid-19 commentary in the other principal risks and uncertainties where relevant.

The following risk management framework has been in place throughout the period ended 28 February 2021.

RISK MANAGEMENT FRAMEWORK

Strategic governance
Board
Audit Committee
Remuneration Committee
Nomination Committee
Compliance Committee and Security Committee

Operational and financial governance		
Senior Management Team (Executive Committee)		
First line of defence	Second line of defence	Third line of defence
Operational management	Central support functions	Audit and Risk function Including Internal Audit, risk management and external advisers

The below legend applies throughout this section, with a directional arrow alongside each risk to reflect the movements in gross risk from the prior year, as well as linking each risk to our strategic objectives outlined on pages 4 to 5.

GROSS RISK

- ↗ Gross risk has increased
- ↘ Gross risk has decreased
- – Gross risk remains broadly the same

OUR STRATEGIC OBJECTIVES

1. Deliver a step change in brand consideration and NPS
2. Acceleration of Full Fibre
3. Maximise the value of existing consumer and direct B2B customers
4. Continue to grow TalkTalk Wholesale Services
5. Be rigorous about being a value provider
6. Develop new streams of growth through innovation

Principal risks and uncertainties continued

COVID-19 1 2 3 4 5 6 FY21 – FY20 ↗

Risk and impact

The Covid-19 pandemic continues to have wide-ranging impacts on the worldwide economy and the Group's employees, operations, suppliers and customers, through lockdowns, disrupted supply chains, social distancing measures and wider impacts on the UK economy.

Further detail on the implications to the Group are provided in the Business and financial review on pages 8 to 12.

Potential Covid-19 impacts:

- Continuing strong demand for the Group's services, but potential for a reduction in revenue/margin given the wider UK economic impacts;
- Lower new customer connections, but also lower customer churn;
- Adverse impact on trading cash generation;
- Financial and operational constraints could impact the delivery of change;
- Whilst not materially seen to date, there could be an increase in bad debts, especially with small to medium enterprises, due to financial distress once government support schemes finish;
- Reduction in operating costs and customer service impacts primarily due to non-availability of third party customer service providers and changes to marketing activity; and
- An increase in volume and scale of financially motivated cyber attacks.

Mitigation

- Measures have been implemented to ensure the health and safety of our workforce and customers whilst we continue our provision of critical services. We will ensure a controlled and safe return of our workforce and third parties to our sites as the UK emerges from the Covid-19 restrictions;
- Measures have been implemented to ensure the health and safety of our workforce and customers whilst we continue our provision of critical services. We will ensure a controlled and safe return of our workforce and third parties to our sites as the UK emerges from the Covid-19 restrictions;
- We continue to focus on our network resilience, constantly monitoring our network to forecast and respond to the ongoing demand, maintaining stability and minimising any congestion;
- The service of our vulnerable customers is prioritised and our digital service channels have been enhanced for all customers;
- The change delivery plan is reviewed and monitored by the Executive Committee to manage any Covid-19 impacts;
- We have worked closely with our supply chain to ensure we have adequate inventory coverage for our operations;
- Our well established information security controls have been enhanced and our Security Operations Centre has reduced the thresholds of existing on-premise and cloud-based data loss prevention monitoring tools, enabling earlier detection and a more detailed understanding of potential data loss events; and
- We continue to closely monitor and forecast the financial impacts of Covid-19 to identify and manage any further risks and opportunities.

CUSTOMER TRUST AND BRAND REPUTATION 1 2 3 4 5 6 FY21 – FY20 –

Risk and impact

Customer confidence and trust are critical to TalkTalk's business, and the Group's operating approach always seeks to do what is right for the customer. However, as a value for money connectivity provider in the market, there is a risk that TalkTalk is perceived as a 'budget' provider, associated with price rather than quality and service.

Business and industry challenges including cyber threats, scam calls or poor customer experience also present a risk to brand reputation and trust.

Damage to customer trust and our reputation could materially adversely impact our business, attracting new customer, churn, operations and financial condition.

Mitigation

TalkTalk remains confident of the role for a well-regarded value operator in the market and is committed to improving the end-to-end customer experience across all touchpoints. We will continue to focus on existing as well as new customers, guided by the four key principles we believe are critical to being a value for money connectivity provider – 'Simple, affordable, reliable and fair fixed line connectivity over Full Fibre'.

By increasing the mix of FTTC customers in our overall base our blended NPS is improving, but there is still work to be done. The future of connectivity is Full Fibre and since these FTTP services provide greater speeds and enhanced reliability, we expect that more customers taking this superior service will lead to even better customer experience and NPS.

The Group has attractive customer offerings including a Fixed Price Plus plan which allows customers to fix their price for the duration of their contract. The organisation also continues to invest in the network and systems to support the provision of reliable products to customers as well as ongoing investment in and focus on security (see Data and Cyber Security Risk). These factors have contributed to a stable risk landscape with steady customer confidence and improving customer satisfaction. In addition, TalkTalk continues to support customers in dealing with the industry-wide issue of scam calls. Initiatives such as the 'Beat the Scammers' campaign and Call Safe which are designed to help customers protect themselves from the threat of scams. TalkTalk has also signed up to the Ofcom fairness charter which focuses on price transparency and supporting vulnerable customers.

COMPETITIVE LANDSCAPE 1 2 3 4 5 6 FY21 – FY20 –

Risk and impact

TalkTalk is established as a value for money connectivity provider in a highly competitive market.

Over the last year, significant competitor activity has continued and the acceleration of the FTTP roll-out may also drive more new entrants to the market, which will further increase the competitive landscape.

However, at present, the competitive activity remains largely unchanged with varying degrees of activity in most product channels. Therefore, the risk that this competitive backdrop makes it difficult for TalkTalk to maintain its value position differentiation remains consistent with prior year.

Mitigation

A clear pricing and promotional strategy is in place with ongoing monitoring of our pricing position and value proposition. The strategy is reviewed to ensure it remains competitive and continues to support our position against the changing competitor activity landscape. TalkTalk has outperformed the market on Fibre and Ethernet growth, which is expected to continue in the new financial year with further attractive customer offerings including a Fixed Price Plus plan, which allows customers to fix their price for the duration of their contract. Our customer equipment is still driving great improvements in the customer experience and the Great Connection Guarantee gives new customers confidence in switching to TalkTalk as they can leave within 30 days if they are not happy with their new Fibre connection.

In addition, competitor pricing activity continues to be monitored to understand customer and market impact and plans are revisited accordingly if necessary. TalkTalk uses customer communications to promote our simple, affordable, reliable and fair message and is committed to helping customers understand the best positioned package to meet their needs.

PEOPLE CAPABILITY 1 2 3 4 5 6 FY21 – FY20 –

Risk and impact

TalkTalk recognises employees as a key asset and aspires to be a 'Great Place to Work' for all colleagues. We understand the increasing challenges and importance in the market of defining an effective operating model and attracting and retaining the right talent to deliver organisational performance and future growth aspirations.

The main focus continues to be attracting and retaining the required talent and competencies in a competitive local employment environment. Failure to do so may negatively impact our ability to deliver on performance targets and strategic objectives.

Covid-19 has resulted in nearly all our workforce working remotely and the return of our workforce to our sites as restrictions are lifted in 2021 could lead to business continuity, health and safety issues.

Mitigation

TalkTalk has established values which act as a cultural framework and are embedded through the business in recruitment and performance management processes.

Structured talent forecasting and assessment processes are in place to ensure required talent is proactively understood and actions plans are in place to actively manage attrition risks and succession. These processes also ensure a proactive review of the senior management level to ensure the right leadership is in place for motivating, inspiring and leading the workforce to deliver on the corporate objectives leveraging our Objectives and Key Results (OKRs) goal-setting tool.

A people scorecard is in place for ongoing monitoring and oversight of people risk and, where required, actions to further mitigate risk exposures are identified and implemented. In addition, Group-wide activities are carried out to assess the level of employee engagement and insight gained is used to develop action plans to ensure a highly engaged and motivated workforce is maintained.

Due to Covid-19, further measures have been implemented to ensure the health and safety of our workforce and customers whilst we continue our provision of critical services. A specific charter is in place which, along with enhanced technical capabilities, has enabled nearly all of our workforce to successfully work from home. We are closely monitoring any potential impacts on our workforce through regular surveys with specific questions around our Covid-19 response.

We will ensure a controlled and safe return of our workforce to our sites as the UK emerges from the Covid-19 restrictions which will be closely monitored by our Executive Committee.

CHANGING MARKET STRUCTURE 1 2 3 4 5 6 FY21 – FY20 –

Risk and impact

The Government and Ofcom are committed to promoting investment in Full Fibre networks through infrastructure competition in the UK telecommunications market.

The Government has sought to incentivise network competition by reducing barriers to build and providing funding to stimulate new entrants to the market.

Since then, alternative networks have secured significant investment and have extensive FTTP build ambitions, primarily across urban areas in the UK.

The Conservative Party made a manifesto commitment to speed up nationwide gigabit capable networks. It has committed to achieving 85% coverage by 2025 and is providing £5bn to subsidise build projects in the hardest to reach 20% of the country.

In light of Government's ambitions, Ofcom has proposed a considerably different regulatory structure for the next review period than the one which has been in place in the last decade, with prices set above costs (by CPI+0) in urban areas to encourage FTTP build by altnets, and a process of cross-subsidy proposed in rural areas to support Openreach FTTP roll-out. These proposals were published in mid March 2021, and came into effect from April 2021. Whilst the proposals were largely as anticipated, we continue to consider their impact.

Mitigation

TalkTalk continues to be a vocal advocate of competition and is well placed to benefit from an increasing trend towards a more pro-competition regulatory framework. This poses a risk to incumbent players in the market, whilst presenting potentially valuable opportunities for challengers. The business is actively engaging with the necessary external stakeholders, particularly Ofcom and Government, to share views and attempt to deliver the best market and customer outcomes, as well as to proactively understand and respond to the opportunities and challenges presented by structural market changes.

TalkTalk is well placed to benefit from the transition to Full Fibre networks as customers continue to demand even faster, more reliable services, a trend that we saw accelerated by the pandemic. Our longer term ambition is to transition all customers to new FTTP networks as quickly as possible. We are now offering Full Fibre products on both the Openreach and CityFibre networks. We have signed a wholesale agreement with CityFibre to connect customers onto their network in their roll-out areas at a competitive price. This agreement demonstrates how TalkTalk can benefit from increased network competition. We continue to discuss potential commercial arrangements with other FTTP network owners, including Openreach and smaller altnets, to ensure the optimal mix of suppliers.

REGULATORY COMPLIANCE 1 2 3 4 5 6 FY21 – FY20 –

Risk and impact

The telecommunications sector is highly regulated, with compliance over key customer-focused regulations monitored by the governing body, Ofcom. Another of the key governing bodies relevant to the Company is the Information Commissioner's Office (ICO). The regulations and laws that TalkTalk must comply with, including Ofcom General Conditions and data legislation, are designed to support customers.

Although previous regulatory change risks around addressing the General Data Protection Regulation (GDPR) and the automatic compensation scheme have reduced year on year, the need to implement the enhanced consumer protection requirements in the European Electronic Communications Code leads to a stable overall risk assessment.

The Government has also expressed its hope that ISPs introduce a cheaper tariff product and have suggested that formal regulation may follow, which could create new requirements on TalkTalk. Failure to comply with regulatory obligations may result in negative customer impact and/or significant regulatory fines.

Mitigation

The Group's Regulatory Compliance Committee, a subcommittee of the Board, has continued to convene throughout the year to monitor the mitigation of operational risks which could give rise to customer complaints and regulatory breaches. The Group Legal Counsel and Company Secretary has chaired weekly compliance meetings throughout the year, attended by senior management.

There are clear lines of accountability both in first-line operations and in our second-line assurance function and there has been continued focus on embedding processes and controls to maintain compliance to industry regulations including focus on delivering improvements in our complaint handling processes and reducing complaint volumes.

Plans are also in place to deliver further regulatory changes which come into force over the next twelve to eighteen months.

TalkTalk has established structured programmes to deliver changes resulting from Ofcom's end-to-end review of its General Conditions. The progress of this activity will be governed by the existing Compliance Committee to ensure effective delivery.

We have regular dialogue with Ofcom and Government on regulatory issues to aid our internal compliance regime.

DATA AND CYBER SECURITY 1 2 3 4 5 6 FY21 – FY20 ↗

Risk and impact

Security of customer, commercial and colleague data poses increasing reputational and financial risk to all businesses and the gross risk remains high. In particular, cyber and data related threats and crime is consistent with prior years but this year we note an increased risk around key third party vendors that presents a significant challenge in terms of securing data and systems against attack.

TalkTalk receives most of its revenue through card transactions and like many businesses utilises third parties as part of doing business. TalkTalk recognises that failure to successfully secure data and systems against attack may have a material impact on brand reputation and financial performance. Other associated costs may also be incurred, including potential regulatory fines.

Covid-19 could see an increase in volume and scale of financially motivated cyber attacks. There could also be increased risk of customer, commercial and colleague data loss due to remote working.

Mitigation

TalkTalk has continued to invest in and focus on actively implementing an ongoing programme to build and mature its security capability, including to address the increasing risks around key third party vendors. Investment is also planned to continue in the new financial year and beyond leveraging an updated Security Strategy centred around five focus areas:

- Governance, Risk and Compliance;
- Protective Controls;
- Vulnerability & Patch Management;
- Visibility & Response Capabilities; and
- Network Resilience.

The strategy is underpinned by the widely adopted NIST Cyber Security Framework and is leveraged to continuously improve the security maturity of the organisation. This includes an annual security maturity controls assessment by an independent third party to validate the controls that we've implemented and to provide recommendations on the security roadmap to help us prioritise our work.

Over the last four years significant investment has been made in building out a bigger security function and capability including successfully establishing an in-house 24x7 Security Operations Centre, which launched late 2017. During subsequent years, further projects were delivered to improve and mature our security control environment and capabilities. These activities and investments are supporting continuous improvement of security and the management of security threats and risks.

In addition, TalkTalk has cyber security insurance in place which is renewed on an annual basis to help protect against losses due to data breaches and security incidents.

In response to Covid-19, we have strengthened the security of third party/remote access to our systems. In addition, we continue to mature and enhance our security controls across all of the security domains in the NIST Cyber Security Framework.

RESILIENCE AND BUSINESS CONTINUITY 1 2 3 4 5 6 FY21 – FY20 ↗

Risk and impact

TalkTalk is reliant on its infrastructure as well as key third party suppliers and partners in order to deliver quality products and services to its customers. Network, system or third party failure could result in significant disruption to services or business processes, which may have a negative impact on customers and therefore damage customer loyalty or result in complaints. It is therefore important to establish resilience in the network, systems and also require resilience from our third parties and partners.

The approach adopted for supporting infrastructure and associated resilience, including the use of third parties, is regularly reviewed to ensure an optimal model is maintained which drives resilience and efficiency. There is a risk that changes to the approach may not be delivered effectively resulting in negative impact to operations.

It is also noted that in the event of an incident, TalkTalk must be able to respond in an efficient and effective manner in order to minimise the impact on customers and performance.

Due to Covid-19, there has been a significant uplift in daytime data and voice traffic, although peak traffic is still within usual demand. There is also an increased risk of business continuity issues due to our workforce and third parties working remotely.

Mitigation

Business Continuity, Crisis Management and Disaster Recovery Plans are in place for key sites. Network resilience is assessed and monitored on a regular basis and again, over the last year, TalkTalk has continued to deliver network analysis, improvements and simplification at pace supporting greater resilience. Continuous monitoring of network availability is also in place to ensure any issues are identified in a timely manner and resilience testing takes place. Where an incident does occur, a robust incident response process is in place and exercised to ensure effective response, followed by a problem management review that is linked to service improvement. The Group recognises that network resilience is also reliant on Openreach for the last mile.

Other prioritised critical processes, systems and third parties are identified, and business owners are assigned accountability for assessing resilience and implementing business continuity plans to enable continuity of operations in the event of an incident. TalkTalk also continues to invest in supporting appropriate resilience on critical systems which will be a key focus for FY22 on a risk-based approach. For third parties, the relationship owners are assigned accountability for requiring critical third parties to have adequate business continuity plans in place and obtaining third party assurance where appropriate that their plans have been reviewed and tested on a regular basis.

With network usage consistently on the rise we constantly monitor the network to forecast and respond to the ongoing demand in order to maintain stability and minimise any congestion. In spite of download usage increasing 40% year on year our network has remained resilient.

Due to Covid-19, further measures have been implemented to ensure the health and safety of our workforce and customers whilst we successfully continue our provision of critical services which involves remote working of both our workforce and third parties.

GROSS RISK

- ↗ Gross risk has increased
- ↘ Gross risk has decreased
- – Gross risk remains broadly the same

OUR STRATEGIC OBJECTIVES

1. Deliver a step change in brand consideration and NPS
2. Acceleration of Full Fibre
3. Maximise the value of existing consumer and direct B2B customers
4. Continue to grow TalkTalk Wholesale Services
5. Be rigorous about being a value provider
6. Develop new streams of growth through innovation

FINANCIAL 1 2 3 4 5 6 FY21 – FY20 –

Risk and impact
As with many organisations, TalkTalk must actively manage its liquidity risk, ensuring the availability of sufficient long term funding and the Group's compliance with associated covenants and other terms of the funding arrangements. In addition the Group must manage other financial risks such as foreign exchange, interest rate and credit risk .

Mitigation
The Group Treasury function is responsible for managing the Group's liquid resources and managing compliance with the terms of funding agreements. Policies and operating procedures are in place and these are regularly reviewed to ensure they remain appropriate for the business. In addition, the Executive Committee and the Board oversee the liquidity, funding position and covenant compliance of the Group on a regular basis and are required to provide approval on major funding decisions. The Group's main financing facilities are typically renewed 18 to 24 months before expiry with new facilities based on the Group's forecast cash flow requirements and liquidity needs to ensure the Group has sufficient available cash. The Group Treasury function is also responsible for managing foreign exchange and interest rate risks in line with the Group's policy.

The Group has recently issued additional bond notes on the same terms as the existing notes. The proceeds were used to pay down RCF debt and reduce the total commitments in the facility, with the tenor and cost of financing across the facilities remaining the same. Whilst re-financing activity and the sale of our Fibre Assets Business in the prior year have reduced the overall liquidity risk of the Group, given continuing uncertainty arising from Covid-19, the gross risk has been held stable until the effects of the pandemic are known with greater certainty or have materially passed.

CHANGE DELIVERY AND EXECUTION 1 2 3 4 5 6 FY21 – FY20 –

Risk and impact
Delivery of performance and strategic objectives and development of the business is reliant on the ability to successfully deliver innovation and other operational changes required to support growth and performance. Failure to effectively deliver significant change programmes and associated benefits critical to TalkTalk's strategy would result in an inability to deliver performance objectives and limit TalkTalk's competitive position in the market.

Covid-19 impacts could result in financial and operational constraints impacting the delivery of change.

Mitigation
A formal change framework is in place for delivery of change projects which helps ensure appropriate process and governance is in place to drive successful project delivery. The framework is intended to ensure a desired level of quality is reached throughout the lifecycle of each project and has continued to support successful delivery of key change programmes.

The Group Change function remains a key effective control for facilitating prioritisation discussions to ensure people and financial resources are appropriately engaged, allocated and focused. Performance measures for key change projects are defined and monitored and regularly reviewed by Group Change. Monitoring and oversight of key change projects occurs at both the business unit leadership team level and by the Executive Committee on a regular basis, enabling real-time consideration of the potential impact of other operational and strategic activities on change projects.

The Covid-19 impact on the delivery of change is being closely reviewed and monitored by the Executive Committee.

Emerging risks

As with other companies, TalkTalk faces emerging risks and uncertainties that could potentially be significant to our long term strategy but cannot be fully defined or managed at present.

The Executive Committee meets regularly to review both the currently identified risks and emerging risks which inform our strategic planning process and is reviewed by the Board. For example, emerging risks around the long term implications of Brexit and climate change have been identified and are being monitored.

Brexit

The UK-EU Trade and Cooperation Agreement agreed on 24 December 2020 has brought certainty and clarification about many (but importantly not all) of the changes arising from the UK's departure from the EU. It is assessed that the Group has limited direct exposure to Brexit as it only provides services within the UK, has limited EU suppliers and contingency plans are in place for identified risks. In respect of telecoms services, the agreement is relatively restricted, which reflects the fact that the European Electronic Communications Code (EECC) was implemented by all Member States by 21 December 2020, including the UK, so there is a high degree of alignment and shared objectives regarding telecoms. The agreement limits the extent to which either party can diverge from current EU telecoms regulations.

The EU's decision to award adequacy status to the UK has resolved concerns about potential limits to data-sharing.

However, we continue to closely monitor our key potential supply chain exposures and the longer term implications of the new relationship with the EU.

Climate change

Long term climate change and environmental impacts may result in risks due to changes in UK market behaviours and government actions which cannot be fully defined. For example:

- Increased severity and frequency of extreme weather could significantly impact our operations and our ability to service our customers on-site;
- Customer demand for more environmentally responsible products and government policy changes around end-of-life product obligations could lead to significant changes and costs to our operations; and
- Adjustment towards a net-zero carbon economy could lead to a tightening of minimum energy efficiency standards for domestic and commercial buildings and could lead to significant changes and costs to our operations.

Our response includes reducing our CO_2 per gigabit of bandwidth. In 2010 we set a target to reduce this by 80% by 2020, which we achieved last year. We are now taking the next step in emissions reduction, and in November 2020 committed to setting a Science Based Target for our carbon emission reductions. Additionally, our company car policy requires all provided fleet vehicles to be petrol, hybrid or electric and we expect to move to full electric in the mid-term. Our key sites have appropriate flood monitoring and protection. We have also introduced 'brown box' packaging for our equipment sent to customers, which is 100% recyclable – see page 29 for further details.

We continue to actively review our operations to identify further potential improvements to protect the environment.

Section 172

The success of our business is dependent on the support of all our stakeholders. As part of the Board's decision making process, in line with their duties under section 172 ('s172') of the Companies Act 2006, the Board and its Committees consider the potential impact of decisions on relevant stakeholders and the likely consequences of these decisions in the long term.

Illustrations of how a number of s172 factors have been considered and applied by the Board can be found below. Other broader factors considered by the Board, including the impact of the Company's operations on the environment, adherence to responsible business practices and ethical values and expectations are covered elsewhere throughout the Strategic Report in the Corporate Social Responsibility (pages 26 to 29) and Corporate Governance sections (pages 30 to 55).

SHAREHOLDERS

On 15 March 2021, TalkTalk was de-listed from the London Stock Exchange following the Public to Private Transaction (see case study on pages 22 and 23). Since this section is a look back at how s172 factors have been considered and applied by the Board in the reporting period and TalkTalk was listed throughout this period, the focus is on the year just gone. We will be operating as a private business going forwards and our ongoing intention is to behave responsibly towards all shareholders and treat them fairly and equally, so that they too may benefit from the successful delivery of the Company's strategic objectives. We will update this shareholder section in next year's Annual Report to reflect any changes in our approach.

Why they matter to us

Our shareholders are the providers of capital, and continued access to capital is of vital importance to the long term success of our business. Through our engagement activities, we strive to obtain investor buy-in into our strategic objectives and how we go about executing them.

What matters to them

Our investors are concerned with a broad range of issues including, but not limited to, TalkTalk's financial and operational performance, strategic execution, investment plans and capital allocation.

How we engage

- Communications such as quarterly trading updates, Annual Reports and notices of general meetings.
- Annual General Meeting, which provides the opportunity for all shareholders to ask questions.
- Stock Exchange announcements and press releases.
- Information on the investor section of our corporate website at www.talktalkgroup.com.
- Regular meetings with major shareholders.

How the Board engages

- Executive Director meetings with Investors to discuss TalkTalk's strategy.
- All the Non-Executive Directors and, in particular, the Chairman and the Senior Independent Non-Executive Director are available to meet with major shareholders, if such meetings are required.
- Feedback to the rest of the Board on investor meetings held by the Chairman and Directors provided in regular Board papers.
- Board attendance at the AGM to provide the opportunity for all shareholders to ask questions regarding their areas of responsibility.
- Capital Markets days with presentations from, and Q&A with, Executive Directors.

How they influence the Board's decision making

- The Board receives periodic reports on investors' views on our performance. Investors' opinions are taken into account in the shaping of TalkTalk's strategy and operational performance, remuneration policy and capital structure.

COLLEAGUES

Read more on pages 27 and 28

Why they matter to us

Our colleagues are our biggest asset and strength. Our industry relies mainly on knowledgeable workers and our success depends on their commitment to the customer, their ability to collaborate and ultimately their productivity and discretionary effort. During the Covid-19 pandemic, our colleagues have been designated 'critical workers' given the vital role of telecommunications providers to keep Britain connected at the time they need it most.

What matters to them

Our colleagues want a sense of purpose, to know we are all committed to continually improving our products and services for customers and to be as affordable as possible. Colleagues want flexible ways of working, career development opportunities and to be rewarded with competitive pay and benefits. Throughout the Covid-19 pandemic, they have wanted to know that their employer is looking after their wellbeing, as well as fulfilling its role as a provider of critical national infrastructure; keeping the country connected at such a critical time.

How we engage

- Providing ongoing clarity and openness on strategic priorities and business performance.
- Creating and developing leadership communities for our People Leaders.
- Hosting a series of interactive activities for all colleagues throughout the year to establish our employer brand with a range of external speakers during the period of working from home to help support, encourage and motivate colleagues.
- Rewarding and thanking our colleagues through our monthly Shout Out and quarterly Be Outstanding recognition schemes.
- Driving pride amongst our colleagues both internally and externally.
- Understanding employee views and measuring employee satisfaction via our employee engagement survey, Peakon.
- Listening to employees' concerns, views and needs via our colleague representative body, One Voice, with a Non-Executive Director appointed to lead the group.
- Regular, enhanced communications with all colleagues about the business response to the Covid-19 pandemic and how working patterns may be changed. During the first few months of the pandemic, we increased our Peakon survey rhythm to monthly so we could check in on colleagues' wellbeing and how they were feeling about their working arrangements.

How the Board engages

- Videos for staff on the TalkTalk intranet, 'The Wire', providing updates on and presentations on the Company strategy, monthly performance scorecard updates and quarterly performance updates by the ExCo.
- Regular blogs from the ExCo on Company performance and other activities.
- There is a 'People' section in Board papers, which has a keen focus on culture, including eNPS scores and other people survey results.

How they influence the Board's decision making

The concerns, views and needs of our employees are regularly fed into the Board via our employee engagement survey and our colleague representative body. The Board regularly discusses these matters and takes them into consideration when making decisions and setting strategy, including during our annual Board strategy session.

CUSTOMERS

Why they matter to us

The demand for faster, more reliable connectivity has never been greater so it is vital that we engage with our customers to ensure we continue to provide great products and services that meet their changing needs.

What matters to them

What we offer has fast become an essential utility, with connectivity being a key part of day to day life for both consumers and businesses. As such our customers expect:

- A seamless experience, where if things do go wrong, they are resolved as soon as possible.
- A product to satisfy all needs, whether that be a reliable connection to work from home, or access to an array of TV content, or superfast connectivity for online gaming.
- The same quality of product as our competitors, in terms of speed and reliability, but at an affordable price.
- The freedom to choose what products and services they need, with transparent pricing and no hidden charges bundled in.

How we engage

- We focus on Consumer and B2B customers' needs and the issues they face and regularly report on performance.
- We conduct regular customer surveys and market research exercises in Consumer and B2B.
- We monitor and track CSAT and NPS scores for benchmarking purposes in Consumer and B2B.
- We have a highly active and engaged online community offering help to customers.
- We have enhanced our social media presence to provide both proactive and reactive communications to customers.
- Our B2B partners enjoy access to our senior management team, with our CTO regularly engaging with the partner operational teams on service related challenges.
- Since the Covid-19 outbreak we have sent more regular customer communications from the CEO to explain how they can get the most out of their connection and to offer support.
- We have engaged with and supported business customers affected financially by Covid-19 so that they can maintain services in the long term even if struggling in the short term.

How the Board engages

- Reviews strategy and monitors performance during the year with the aim of meeting customers' needs more effectively.
- Receives regular competitor updates to understand TalkTalk's competitive performance and its strengths and weaknesses as regards meeting customer needs.
- The Executive Chairman sits in monthly review meetings covering the commercial and connectivity performance of the business and is highly engaged with customer metrics.
- Benchmarks TalkTalk's performance in relation to customers using research including CSAT and NPS scores.
- Executive Chairman and CEO meet regularly with key B2B customers to help maintain good relations and to understand and address their views, needs and concerns.

How they influence the Board's decision making

- The Board uses the above engagement methods to help ensure that the customer's viewpoint is taken into account as part of its decision making process.
- The views, needs and concerns of our key B2B customers are regularly fed into the Board via our regular CEO reporting process and the Board discusses them and takes them into consideration when making decisions and setting strategy, including during our annual Board strategy session.

SUPPLIERS

Why they matter to us

- Our suppliers are fundamental to the quality of our products and services. Engagement with suppliers and maintaining good relationships is therefore critical to ensuring that as a business we meet the high standards we set ourselves.
- We spend over £1.2bn per annum with suppliers on goods and services, and therefore these relationships are vital to ensuring we get value for money and operate an effective supply chain, to guarantee that our customers get the best end user experience.
- Ethical behaviour is at the heart of everything we do at TalkTalk. We are committed to identifying and addressing any risks of modern slavery within our business and supply chains, including those of our subcontractors and partners.

What matters to them

- Understanding of TalkTalk's strategy and how their products and services feed into that.
- Ability to resolve potential issues in their relationship with TalkTalk.
- Creating a trusting environment with TalkTalk, where both sides act with fairness and transparency.

How we engage

- Supplier relationship management – we partner with our key suppliers to ensure that we have common roadmaps and strategy, via a series of face to face meetings.
- Responsible procurement, trust and ethics – in addition to our Modern Slavery Statement we have the following policies:
  - 'Bribery, Corruption and Fraud Control';
  - 'Gift Accepting'; and
  - 'Code of Ethical and Business Conduct'.
- Supply chain financing – to improve efficiency for the parties involved in our sourcing transactions.
- Real Living Wage – TalkTalk is now a Real Living Wage accredited organisation, we have legally binding minimum requirements for wage levels, and we apply this to new suppliers.

How the Board engages

- Board approval of Modern Slavery Statement.
- CEO and Executive Chairman meet with biggest suppliers regularly.
- Certain key suppliers are regularly discussed at Board meetings.
- Our supplier payment policy can be seen in our Directors' Report on page 53.

How they influence the Board's decision making

- The Board recognises that relationships with suppliers are vital to the Group's long term success, so as a Board we carefully consider the selection of, and engagement and continued relationship with, our key suppliers.
- Supplier issues are regularly fed into the Board via our regular CEO reporting process and the Board discusses them and takes them into consideration when making decisions and setting strategy, including during our annual Board strategy session.

COMMUNITIES

Read more on pages 26 to 29

Why they matter to us

TalkTalk values our communities and is committed to doing business the right way. Our success depends on strong, active and confident communities, who want to engage with our products and services. We are proud to be based in Salford and are committed to supporting the local community in our City to prosper.

What matters to them

Our communities want to see TalkTalk acting responsibly and in the interests of not just its employees, but also the wider society. Our communities in Salford want to see us play an active role in supporting good employment and community empowerment, while wider communities want to see TalkTalk act like a responsible company, particularly when it comes to supporting people online. The past year has tested communities and they have needed both urgent support in the short term, but also a longer term commitment to rebuilding and restoring communities.

How we engage

- Support three major charity partners – Ambitious about Autism, the Internet Watch Foundation and Internet Matters – providing financial investment as well as support in kind.
- Growing local support programme in Salford including support for local foodbank and skills initiatives, including support for DWP North West jobs fair, tied to local need.
- Engagement with local growth and skills initiatives through local schools and universities, including sponsorship of University Academy of 92 students and graduate recruitment.
- Regular engagement with local bodies, including Salford City Council and the Greater Manchester Combined Authority, on shared priorities.
- New employee-led networks to promote community engagement. Engagement over the last year includes our Empower network partnering with the University of Salford to launch a mentorship scheme to BAME students, the TalkPride network fundraising for Salford Pride and the Women in Tech collaborating with other organisations on International Women's Day.
- Reviews of our processes and operations to ensure adherence to best practice on responsible business.
- Participation in Safer Internet Day 2021, as well as regular promotion of internet safety advice to our colleagues and customers.
- Employee offer of Give Something Back Day for volunteering opportunities and promotion of local charity opportunities.

How the Board engages

- The Board actively supports our major charity partnerships.
- The Board receives regular updates on internet safety and regulation landscape.
- The Board has endorsed a culture of volunteering and giving back.

How they influence the Board's decision making

- Our operations and decision making are informed by regular engagement with our communities. These influences are incorporated into all reports to the Board, in particular via the regular CEO reporting process, and the Board discusses them and takes them into consideration when making decisions and setting strategy, including during our annual Board strategy session.

GOVERNMENT

Why it matters to us

Supporting better broadband connections is a key Government priority, and therefore Government actions and policies have a high influence on how we do business, from how we work with network operators to our obligations to customers. More broadly, the Government influences the environment in which we do business from taxation to employment. During the Covid-19 pandemic, Government rules and priorities have impacted our decision making around our operations and our support for customers.

What matters to it

The Government is focused on rolling out new gigabit-capable networks and want to see 85% coverage by 2025. They also want to see customers move on to these new services and reduce barriers to take-up. They also want to see fairness in consumer markets, including broadband, while also building a safe and secure online environment. More broadly, the Government is increasingly focused on the role that they can play in supporting skills development, rebuilding the economy post-Covid-19 and reducing carbon emissions in line with its 2050 target.

How we engage

- Regular engagement with policy-making processes, including responding to consultations, providing briefings and data and meetings.
- We are members of a range of organisations through which we engage with the Government alongside industry colleagues, including the Broadband Stakeholder Group and the UK Competitive Telecommunications Association.

How the Board engages

- The Board receives regular updates on the political and Government environment and engages with policy makers as appropriate.

How it influences the Board's decision making

- The political and governmental updates and views of policy makers are fed into the Board via our regular CEO reporting process and the Board regularly discusses them and takes them into consideration when making decisions and setting strategy, including during our annual Board strategy session.

REGULATORS

Read more on pages 24 and 25

Why they matter to us

Ofcom both determines (through Significant Market Powers regulation) the prices which we pay Openreach, which constitute a substantial proportion of TalkTalk's cost base; and (through consumer regulation) a variety of the elements of the industry's customer service proposition. Regulation is therefore the single most important driver of our cost to serve customers.

The ICO (Information Commissioner's Office) regulates compliance with the Data Protection Act (and GDPR), the Privacy and Electronic Communications Regulations and the Regulatory Investigatory Powers Act, and TalkTalk complies with all of these regulations.

What matters to them

Ofcom's duties are set out in the Communications Act 2003. Its primary duties are:

- to further the interests of citizens in relation to communications matters; and
- to further the interests of consumers in relevant markets, where appropriate by promoting competition.
- When fulfilling these duties Ofcom also needs to have regard to a number of considerations which are of relevance to TalkTalk, including:
- the desirability of promoting competition in relevant markets;
- the desirability of promoting and facilitating the development and use of effective forms of self-regulation;
- the desirability of encouraging investment and innovation in relevant markets; and
- the desirability of encouraging the availability and use of high-speed data transfer services throughout the United Kingdom.

The ICO is responsible for enforcing several information related pieces of legislation. Its primary duties are:

- upholding information rights in the public interest including data privacy for individuals;
- promoting openness around data use; and
- where appropriate, taking enforcement action.

How we engage

TalkTalk continually engages with Ofcom at a variety of levels and in a variety of manners, both formal and informal. At a working level, most contact is via TalkTalk's regulation team, which both regularly meets with Ofcom and co-ordinates responses to Ofcom's statutory consultations and information requests. At a more senior level, TalkTalk's CEO regularly meets and talks with Ofcom's CEO, covering strategic-level issues. This engagement has increased in frequency during the Covid-19 pandemic both on an individual and industry-wide basis.

TalkTalk continually engages with the ICO at a variety of levels and in a variety of manners, both formal and informal. At a working level, most contact is via TalkTalk's Data Protection Officer, who both regularly meets and is in contact with the ICO. This engagement involves co-ordinating responses to ICO information requests and complaint responses. At a more senior level, TalkTalk's General Counsel and Company Secretary talks with senior ICO officials covering key topics and issues.

How the Board engages

The primary Board engagement with Ofcom is via TalkTalk's CEO and on some issues the Executive Chairman. Other than that, members of the Board are informed of developments at Board meetings, whilst having no systematic contacts with Ofcom.

Primary Board engagement with the ICO is via TalkTalk's General Counsel and Company Secretary. In addition to this, the Board is regularly updated on any developments.

How they influence the Board's decision making

We have a PLC Board Compliance Committee chaired by an Independent Non-Executive Director that meets every quarter to discuss all regulatory and compliance issues impacting, or that may impact TalkTalk. The Chairman, the CEO and the Company Secretary report back to the Board after each Committee meeting. The Board then discusses the relevant issues and takes them into consideration when making decisions and setting strategy, including during our annual Board strategy session.

Case study: decision making in practice

Public to Private Transaction

One of the major decisions made by the Group this year was recommending to shareholders the proposed acquisition of the Company by Tosca IOM Limited. Whilst the transaction was completed outside this financial year, much of the decision making and stakeholder consideration occurred throughout FY21. This was a transformational transaction for the business and below is a summary of the transaction and some examples of how the Board considered various s172 stakeholders in their decision making.

The transaction

On 8 October 2020, a rule 2.4 announcement was released upon receipt a preliminary and non-binding proposal from Toscafund Asset Management (TAM) regarding a possible cash offer ('Cash Offer') to be made by a newly formed company (Tosca IOM Limited) for the entire issued and to be issued ordinary share capital of the Company at a price of 97 pence per share, together with a full unlisted share alternative ('Alternative Offer'). This announcement informed shareholders that the Board had considered the terms of the proposal and had agreed to progress the proposal further with TAM along with taking advice from the Company's advisers.

On 17 December 2020, a rule 2.7 announcement was released, announcing that the board of Tosca IOM Limited and the Independent TalkTalk Directors had reached agreement on the terms of a recommended acquisition. The Acquisition was to be implemented by way of a Court-approved scheme of arrangement. The Independent TalkTalk Directors, who were advised by Barclays and Deutsche Bank as to the financial terms of the Cash Offer, considered the terms of the Cash Offer to be fair and reasonable. Accordingly, the Independent TalkTalk Directors recommended unanimously that the scheme shareholders vote in favour of the scheme at the Court Meeting and TalkTalk shareholders vote in favour of the resolutions to be proposed at the General Meeting.

On 5 February 2021, a scheme document, together with the associated forms of proxy and form of election, were published and posted to TalkTalk shareholders. This provided further information to shareholders about the offer, including the timeline for the process, notice of the Court and General Meetings, details of how to remotely attend and/or vote at the meetings and how to elect the Cash Offer or Alternative Offer.

On 1 March 2021, the court and general meetings were held. It was announced that all the resolutions proposed were duly passed by the requisite majorities and the scheme was approved. The results of the shareholder votes were published with 98.53% of eligible scheme shares voting in favour of the scheme at the Court Meeting and 98.40% of voting TalkTalk shares voting in favour of the resolutions at the General Meeting.

The court sanctioned the scheme on 10 March 2021 and the scheme became effective on 12 March 2021 with the shares de-listed from the London Stock Exchange on 15 March 2021. As a consequence of the transaction the Group re-registered from a public company called TalkTalk Telecom Group PLC to a private company called TalkTalk Telecom Group Limited.

Shareholders

Throughout the process shareholders were at the forefront of all considerations of the Directors of TalkTalk. This is showcased by the following actions:

- The proposed acquisition was only considered by the Independent TalkTalk Directors, to ensure an objective decision was made, taking into account the interests of management and the Company's stakeholders (including shareholders).
- The Independent Directors took advice from independent advisers, Barclays and Deutsche Bank, to ensure the financial terms of the offer were fair and reasonable.
- In deciding that the Cash Offer was fair and reasonable, the Independent Directors and independent advisers considered that the offer represented a premium of approximately:
  - 16% to the closing share price on 7 October 2020 (being the last business day before the commencement of the offer period);
  - 26% to the average share price for the three month period ended 7 October 2020; and
  - 17% to the average share price for the six month period ended 7 October 2020.

- The scheme enabled all shareholders to choose between the Cash Offer and the Alternative Offer, meaning that if they wanted to remain a shareholder in TalkTalk they were able to do so.
- For the scheme to be approved at the Court Meeting and resolutions to be passed at the General Meeting, no less than 75% of eligible shareholders who voted (either in person or by proxy) had to vote in favour of the scheme and resolutions. So regardless of the advice from the Independent Directors and independent advisers, the majority of shareholders had to also support the transaction.
- The scheme also had to be approved by the Court in order for it to be sanctioned. If the Court deemed the scheme unfair, it could refuse to sanction the scheme.
- At both the Court Meetings and General Meeting, shareholders were able to voice concerns and ask questions of the Board.
- Throughout the process, all shareholders were kept informed via various public documents, e.g. the rule 2.4 and 2.7 documents and the scheme document.
- Shareholders were provided contact details of the Head of Investor Relations and the registrar, Equiniti, to ask questions if they were unsure of any details.

Colleagues

Given this was a transformational transaction for the business, colleagues were regularly kept up to date on the process and what it would mean for them in the following ways:

- Numerous blog posts on 'The Wire' from the executive management team updating colleagues on the process to keep them informed and reassure them.
- A formal letter from the Executive Chairman was issued to all colleagues and published on 'The Wire' on 17 December 2020, providing a summary of what happens next along with a copy of the rule 2.7 announcement.
- Colleagues were reassured of their roles under the new ownership structure within the rule 2.7 announcement, which stated that Tosca IOM Limited attaches great importance to the skills and experience of the existing management and employees, as well as stating that they do not envisage making any significant changes in relation to the continued employment of the TalkTalk Group's employees and management.
- A list of FAQs regarding the transaction was published on 'The Wire' for colleagues.
- Detailed information was provided by the Reward Director for colleagues on 'Sharesave' and 'Sharematch' schemes, as well as more senior colleagues with long term incentive plans. The Reward Director also held 'drop-in' sessions to answer any questions.
- Throughout the process it was vital that all shareholders were treated the same, so whilst colleagues were kept informed of the process, there was no special treatment specifically for colleague shareholders.
- Upon completion of the transaction there was a video message to colleagues from the Executive Chairman and CEO confirming the change in ownership structure, whilst re-affirming that the strategy remains unchanged.

Customers

Whilst the transaction is merely a change of ownership structure and there is no change to the services we provide our customers, we did ensure we informed them of the process.

- An email from the CEO went out between the rule 2.7 announcement and the scheme document to update all customers on the proposed acquisition and change in ownership structure. This communication made sure to reassure the customer that there would be no change to our strategy of giving our customers the fastest and most reliable fibre broadband we can, at affordable prices.
- Our specialist contact centre teams were briefed on answering questions relating to the transaction in case any customers who held shares called in with questions.

Regulators

Throughout the process we ensured that we kept regulators updated and complied with all relevant codes.

- The Independent Directors took independent advice from Barclays and Deutsche Bank for the purposes of Rule 3 of the Takeover Code.
- Following FCA guidelines we liaised with the Takeover Panel in order to ensure we were acting in accordance with the Takeover Code to ensure the fair treatment of all shareholders.

Regulatory environment

Our business activities, and those of BT, our largest supplier, are subject to the laws and regulations of the UK.

The UK electronic communications regulatory framework is mainly contained within:

- the Communications Act 2003; and
- the Wireless Telegraphy Act 2006.

The EU Common Regulatory Framework is implemented through the above legislation.

This domestic legislation governs the regulation of the telecoms markets, guarantees basic user rights, and sets out the powers and duties of Ofcom as the national regulator, including how radio spectrum in the UK is managed.

The EU Common Regulatory Framework has been under review and a new electronic communications directive – the European Electronic Communications Code (EECC) – was adopted by the EU in December 2018 with EU countries applying the new directive to their national law by 21 December 2020. This included the UK given that this date fell within the transition period.

We 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, the Enterprise and Regulatory Reform Act 2013 and the Digital Economy Act 2017.

The UK telecommunications market is regulated by Ofcom, which sets the charges and other terms for wholesale access to infrastructure and associated services provided by BT, where BT is deemed to have 'Significant Market Power'. Most of the regulated wholesale products we purchase from BT are provided by Openreach. Ofcom's objective is to serve consumers' interests through encouraging investment and ensuring that these wholesale products enable effective competition in retail markets, so that consumers and businesses benefit from a choice of attractive services and retail service providers.

We rely upon a number of wholesale products from Openreach to be able to offer services to our customers. The key wholesale products we currently rely on are LLU (the Copper connections into homes/businesses), Generic Ethernet Access (GEA) (access to Openreach's FTTC network) and Ethernet (dedicated Fibre links used to connect exchanges to our core network and also to connect some business customers). The prices and terms of these are set by Ofcom through a number of market review processes which gives us reasonable certainty of future wholesale charges. In March 2021, Ofcom published its five year review that sets the regulations and charges that will apply from April 2021-2026 for major wholesale products such as MPF, GEA and Ethernet.

We, along with other communication providers, are required to comply with various regulation and legislation. Our compliance with regulation is monitored internally by the Regulatory Compliance Committee, made up of various members of the senior management team.

Electronic communication services

European Electronic Communications Code

Despite the UK's departure from the European Union, the EECC was still required to be adopted which brought into effect a range of new requirements. This included the requirement to update rules on fair treatment and easier switching for mobile and broadband customers. In February 2021, Ofcom published proposals on a new customer switching process called 'One-Touch Switch' (where the customer would not need to contact their existing provider in order to switch broadband provider). Following a consultation until the middle of April 2021, Ofcom will publish its final decision which will come into force in December 2022. The implementation of the new rules will require some investment of resource and cost.

There are some further requirements in the EECC which are also being implemented such as updated contract information at the point of sale, stricter right to contract exit rules and more support for vulnerable/disabled customers.

Ofcom Strategic Review of Digital Communications

BT completed the legal separation of Openreach in October 2018 to address the competition concerns Ofcom identified in its 2016 Strategic Review of Digital Communications. Ofcom has committed to monitor the new arrangements and if they are not effective will review whether to impose structural separation. We continue to engage with Openreach and Ofcom to urge quicker progress and believe that structural separation will be required if legal separation does not yield tangible consumer benefits.

Wholesale Fixed Telecoms Market Review

Ofcom published its Wholesale Fixed Telecoms Market Review (WFTMR) which came into effect in April 2021. This sets regulation for both the Business Connectivity Market and Wholesale Local Access Market for a five year period until March 2026. The rules are aimed at encouraging FTTP investment whilst also protecting customers. The proposals are a departure from the previous approach in many cases. For instance, in 70% of the UK where there exists or is planned competition to Openreach, Ofcom is not imposing charge controls that reflect Openreach's costs but rather allowing current Openreach MPF and FTTC prices to rise at CPI inflation. We consider Ofcom's changes will result in many customers paying excessive prices whilst not benefiting from FTTP investment. In the other 30% of the UK prices will also rise at CPI+0 but the prices are dependent on Openreach rolling out FTTP to 3.2 million premises. The minimum quality levels that Openreach must provide are broadly similar to the previous levels. In the business connectivity market a CPI+0 price cap to Ethernet products applies across the UK though in the 30% of the UK Openreach must also provide a dark fibre access product.

Duct and pole access

Openreach will still be required to provide wholesale access to its ducts and poles so that its rivals can use these assets to roll out their own FTTP networks and Ofcom expects that PIA will be widely used by non-Openreach FTTP builders and make more roll-out viable. Effective duct and pole access will benefit us by reducing the cost and increasing the speed of the roll-out of non-Openreach FTTP networks which we will rely on in certain areas.

FTTP policy
Following the 2019 General Election, the Government set a new and more ambitious goal of ensuring that there is nationwide coverage with 'gigabit capable' broadband by 2025. This term would cover both FTTP connections and Virgin Media's Data Over Cable Service Interface Specification (DOCSIS) network. As part of this goal, the Government is committed to promoting infrastructure competition and bringing down barriers to network deployment. The key components of the strategy are:

- reducing build costs through bringing forward legislation to ensure Full Fibre deployment to new builds; and simplifying wayleaves so that telecoms companies have a 'right to entry' like other utilities. It is also seeking to streamline street works by issuing a standardised national framework for operators and local authorities;
- supporting access to passive infrastructure through Openreach delivery of the DPA improvements and reviewing the regulations for access to third party infrastructure;
- supporting roll-out in rural areas through an 'outside-in' strategy to connect the final 20% using public investment;
- requiring Ofcom to oversee an industry-led switchover from Copper to Full Fibre networks; and
- improving access to spectrum and cell sites to enable increased mobile coverage and enable 5G deployment.

In December 2020, the Government launched the UK Gigabit Project to incentivise Full Fibre build in more rural areas, in order to reach 85% of the country by 2025. This took the form of £1.2bn investment. In March 2021, the Government published the first areas to benefit from this pledge, identifying the 20% of the country unlikely to attract commercial investment.

Automatic compensation
TalkTalk continues to implement this voluntary code which provides customers with automatic compensation in specific instances on broadband and landline services. Following an Ofcom-permitted suspension of the regime for operators due to Covid-19, payments have been restored in 2021.

Television and video-on-demand regulation
As a provider of an On-Demand Programme Service (ODPS), we must comply with a number of Statutory obligations in relation to 'editorial content' and notify Ofcom of our intention to provide ODPS. Failure to notify Ofcom or comply with the relevant Statutory obligations may result in the imposition of fines or, ultimately, a prohibition on providing an ODPS.

There is, at present, no wholesale or retail price regulation on the provision of any TV channel, following Ofcom's withdrawal of regulation on Sky Sports in December 2015.

Brexit and future UK-EU trade arrangements
On 31 January 2020, the UK left the European Union (EU), although it remained in a transitional arrangement with the EU until the end of 2020. The UK-EU Trade and Cooperation Agreement agreed on 24 December 2020 has brought certainty and clarification about many (but importantly not all) of the changes arising from the UK's departure from the EU. It is assessed that the Group has limited direct exposure to Brexit as it only provides services within the UK, has limited non-UK suppliers and contingency plans are in place for identified risks. In respect of telecoms services, the agreement is relatively restricted, which reflects the fact that the European Electronic Communications Code (EECC) was implemented by all Member States by 21 December 2020, including the UK, so there is a high degree of alignment and shared objectives regarding telecoms. The agreement limits the extent to which either party can diverge from current EU telecoms regulations.

The EU's decision to award adequacy status to the UK has resolved concerns about potential limits to data-sharing. However, we continue to closely monitor our key potential supply chain exposures and the longer term implications of the new relationship with the EU.

Child online safety
Following a long consultation process, the Government published its response to the Online Harms White Paper in late December. It confirmed it will appoint Ofcom as the online harms regulator to oversee a regulatory system based on a new statutory duty of care on companies which allow users to share content or interact with each other online. Ofcom will oversee an enforcement regime which could see the regulatory levy fines of up to 10% of their annual global turnover.

The Government's response confirmed that ISPs will not be in scope of the new regulation. However, the Government proposes that ISPs will be required to play an enforcement role on behalf of a regulator by blocking access to non-compliant sites. This is intended to be a measure of last resort in cases of repeated or particularly egregious non-compliance. To protect freedom of expression, the regulator will be required to obtain a court order ahead of requesting this step.

The Online Harms Bill is expected to be introduced to Parliament in the next session and will be subject to pre-legislative scrutiny. We are in discussion with Ofcom and Government about the legislation and future implantation of these requirements.

Corporate social responsibility

Digital safety and security

Internet Matters

We are a founding member and a proud partner of Internet Matters, an organisation that provides information, support and advice for parents and carers across the UK about digital safety. We are a top-tier funder and are represented on its Board and CEO Governance Committee. We continue to support the organisation's development, including bringing new partners on board and helping with a new membership and funding strategy. In addition to our contributions, we also provide in-kind marketing support and regularly promote its work to colleagues and customers, including participating in Safer Internet Day 2021.

Internet Watch Foundation

TalkTalk is also a top-tier member of the Internet Watch Foundation (IWF), the not-for-profit entity whose vision is to eliminate child sexual abuse imagery online. We continue to implement the charity's URL list service so that our customers are prevented from accidentally stumbling upon child sexual abuse imagery. In addition to these core services, our funding contributes to the IWF's Hotline function, which offers a way for victims and members of the public to report abusive imagery anonymously so that they can be removed, and research into the impact of new technologies.

Our products and services

One of the most significant ways we can improve overall digital safety and security is through the products and services we offer. 10 years ago, TalkTalk was the first internet service provider to launch a whole-home filtering service, HomeSafe®, to all residential customers at no extra cost. We continue to offer SuperSafe to customers, providing protection from viruses and malware, plus the peace of mind of secure web browsing.

Blocking scam and unwanted calls is another priority. CallSafe, a free security feature for customers that screens inbound calls, continues to be popular with our customers. We identify and block millions of scam and unwanted calls every month. We continue to innovate in this area and have made a number of proactive recommendations to the industry and Ofcom about further options to tackle nuisance calls, including number spoofing.

Our communities

Ambitious about Autism

We are delighted to continue providing support for Ambitious about Autism, the national charity for children and young people with autism. It provides pioneering education services and campaigns for better outcomes for autistic young people. In 2020, our usual fundraising activity was disrupted due to the pandemic. However, we continued to support Ambitious by donating to their emergency appeal and organising fundraising activities throughout the year. We also help raise awareness with our colleagues, including partnering on a series of events during World Autism Awareness Month.

TalkTalk is the lead partner for Ambitious about Autism Employ Autism project in the north-west. This project connects businesses with young autistic people to provide high-quality, paid work placements to support the development of work-based skills. After a pause during lockdown, we have made good progress in reviewing our recruitment and employment practices to make them more inclusive for neurodiverse candidates. We hope to recruit interns for the programme in Summer 2021, who will spend up to three months with TalkTalk.

Local Salford community

We are proud to be a Salford business and committed to building a strong connection to our neighbours and prosperity in our city. We are involved in several initiatives to promote social wellbeing and economic growth in the region. We have built a strong partnership with the Department for Work and Pensions (DWP) and supported local employment initiatives, including working together to host a virtual jobs fair. We are also participating in the Kickstart scheme to offer paid work placements to young people in the area. This work complements strong partnerships with local education organisations, including local colleges and universities. Our Employee Networks have partnered with local organisations, including the Proud Trust, Salford Pride and the University of Salford, and we promote local volunteering opportunities to our colleagues, including trustee positions in local charities.

Since the beginning of the Covid-19 pandemic, we have adapted our corporate responsibility work to tackle acute needs and support the most vulnerable in society. We have made several donations to the Salford Food Share Network to provide emergency food support, while also supporting the production of Personal Protection Equipment (PPE) for local health workers. When schools were closed in January 2021, we donated new laptops to Salford City College to support young people to learn remotely.

We also adapted our customer processes in recognition of the disruption and distress caused by the pandemic. We capped prices for vulnerable customers on a landline only service to ensure they were not penalised for increased reliance on their phoneline during the first lockdown. We also created a dedicated hotline for vulnerable customers to speak to a customer support agent. We have reviewed and adapted our debt and disconnection policies to give flexibility to customers whose income may have been impacted due to Government restrictions. We have also worked to tackle digital exclusion over the past year, including piloting a new approach to subsidised connections for jobseekers in partnership with the Department for Work and Pensions. This pilot began in the north-west in November 2020 and will be evaluated later this year, with the intention to expand it across the whole country. As we come out of a pandemic period which has demonstrated the importance of a good broadband connection, we retain our commitment to offering value to customers and promoting affordable connections for all.

Our people

Good employment

TalkTalk is proud to be a good employer and we strive to support our colleagues' wellbeing and development. We have also been accredited as a Supporter of the Greater Manchester Good Employment Charter, in recognition of our commitment to good employment and employee wellbeing including good recruitment processes, strong learning and development opportunities, fair employment terms and a commitment to flexible working. We are currently working towards Membership of this Charter. TalkTalk was accredited as a Living Wage employer by the Living Wage Foundation in 2020 and we continue to champion its work.

Inclusivity and diversity

At TalkTalk we celebrate diversity and pride ourselves on being an inclusive place to work. We commit to ensuring that everyone is treated fairly and that there is diverse representation at all levels, and in all areas, of the business. We also ensure there are no barriers to progression or recruitment at TalkTalk and that appointments are based on merit.

Our equality policy outlines that it is unlawful to discriminate directly or indirectly in recruitment or employment because of age, disability, sex, gender identity, pregnancy, maternity, race (which includes colour, nationality and ethnic or national origins), sexual orientation, religion or belief, or because someone is married or in a civil partnership. This also extends to discrimination after employment, for example refusing to give a reference for a reason related to one of the protected characteristics. This policy is considered through processes across the people team to ensure equal opportunities.

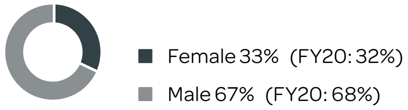
We are working towards aspirational targets for ethnicity and gender diversity at all levels of our business, with a particular focus on getting women into technology roles. During the year we were recognised as a leader of equality, diversity and inclusion, by being selected in the 'Inclusive Top 50 UK Employers List' for demonstrating best practice across all strands of diversity including age, disability, gender, LGBT, race, faith and religion.

We have a positive approach to attracting, recruiting and developing disabled talent. We are a Disability Confident Committed employer and offer all disabled candidates who meet the minimum role requirements an interview. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

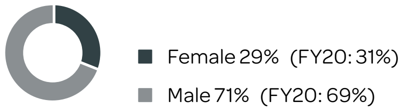
Our Dignity at Work policy addresses issues of bullying and harassment on any ground, and how complaints of this type will be dealt with. We recognise our obligations not to discriminate for any reason and will not discriminate unlawfully against any of our employees, agency workers, self-employed persons, contract workers or customers using or seeking to use goods, facilities or services provided by us.

Gender diversity(1)

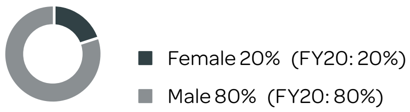
Gender diversity – all colleagues



Gender diversity – senior management (Band C and above)



Gender diversity – Directors(2)



(1) FY21 numbers as at 28 February 2021. FY20 numbers as at 31 March 2020.

(2) Post the completion of the Public to Private Transaction on 12 March 2021, the new Board of Directors consists of nine people (11% female and 89% male).

Corporate social responsibility continued

Our people continued

Anti-bribery and corruption

The Group has robust anti-bribery and corruption policies in place. These policies:

- remind colleagues of the relevant law governing these issues;
- define the high standards we expect colleagues and partners to adhere to;
- set out scenarios and examples to ensure colleagues can identify instances of bribery or corruption;
- advise colleagues on how they can ask questions or report concerns; and
- define the disciplinary consequences for failure to comply with our policies.

The policies include, but are not limited to:

- Offering a bribe – such as offering bribes to potential customers to gain their business and offering discretionary cash rebates to customers in order to inflate their sales/retention bonuses.
- Receiving a bribe – such as accepting a gift to secure new or continued business with our suppliers.
- Bribing foreign officials – such as arranging for the business to pay an additional payment to a foreign official to speed up administrative processes and inappropriate payments relating to customs.
- Facilitation payments/kickbacks – any form of facilitation or kickback payment made in return for a business favour or advantage.
- Charity donations – whilst TalkTalk does on occasion make charitable donations, our anti-corruption and bribery policy sets out the required approval process to ensure these payments are appropriate and not used to solicit business advantage.

The anti-corruption and bribery policy offers advice and guidance on how colleagues should ask for advice or report concerns. Calls can either report concerns to HR, or use a confidential reporting helpline if they wish to remain anonymous. Calls made to this service are regularly reviewed and investigated where appropriate.

Our anti-corruption and bribery policies are available for colleagues to view on the corporate intranet and are reviewed on a regular basis to ensure they remain fit for purpose.

Human rights and modern slavery

Ethical behaviour is at the heart of everything we do at TalkTalk. We are committed to identifying and addressing any human rights risks, such as modern slavery within our business and supply chains, including those of our subcontractors and partners. We have recently launched a review of all our policies to ensure they fully reflect human rights and we will update our processes where needed.

Our Modern Slavery Statement can be found on the TalkTalk Group website.

Protecting our environment

At TalkTalk we take our environmental responsibility seriously and we are committed to doing everything we can to step up and help meet the challenges of climate change reduction.

Climate change and environment is one of the defining issues of our time. No business is immune from the consequences. Every business can and should play a role.

We have recently published a new Environmental Policy which addresses a number of areas, such as measuring our carbon footprint and our route to achieve 'net zero', our use of materials in our equipment, how our people can help tackle environmental issues and how we can enable our customers and wider stakeholders to reduce their environmental impact. More information on our new Environmental Policy can be found on the TalkTalk Group website.

Our biggest environmental impact is from CO_2 and greenhouse gases produced as a result of the energy we consume to operate our business (predominantly electricity). In 2010 we set a target to reduce our tCO_2 intensity (measured in tonnes of CO_2/gigabit of bandwidth) by 80% by 2020, which we have achieved due to a 1,752% increase in bandwidth and a 58% reduction in tonnes of CO_2.

We are now taking the next step in emissions reduction, and in November 2020 committed to setting a Science Based Target for our carbon emission reductions. That target will be consistent with the 'Business Ambition for 1.5°C' campaign to limit global temperature rise to no more than 1.5°C above pre-industrial levels.

In October 2020, we took great strides in reducing our footprint by switching to a renewables energy provider. This will cover our scope 2 emissions. Furthermore, we will switch the gas used in our offices to green gas, creating further efficiencies. These reductions mean that future scope 1 and 2 emissions are unlikely to exceed 1,000 tonnes. In order to reflect this in our reporting and in accordance with the Greenhouse Gas Protocol Scope 2 Guidance, electricity emissions for 2021 have been calculated using both the location and market based methods, meaning electricity obtained from low-carbon suppliers can now be reflected in Scope 2 market based reporting.

We continue to operate an energy management system in accordance with the internationally recognised energy management standard ISO 50001 and are certified by a UKAS registered assessment body. As well as ISO 50001 accreditation, we also hold Carbon Saver Gold certification and participate in the Carbon Disclosure Project which is a global system for investors, companies, cities, states and regions to manage their environmental impacts. In our 2020 Carbon Disclosure Project submission, we improved our ranking and progressed to A-, above the industry benchmark.

As a result of a number of the actions noted above, we have reduced our total emissions, intensity and energy consumption, as evidenced by the tables below. These tables cover our mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. All emissions refer to UK operations only.

Since the Group changed its fiscal year end from 31 March to 28 February, to allow for more meaningful year on year comparisons going forwards, the 2021 reporting period is the twelve months from 1 March 2020 to 28 February 2021, which differs from the eleven months to 28 February 2021 reported in the financial statements.

Mandatory greenhouse gas emissions

Emissions source	2021 Market based	2021 Location based	2020 Location based
Fuel combustion: stationary	220	220	214
Fuel combustion: mobile	59	59	523
Facility operation(1)	1,812	1,812	129
Purchased electricity	5,888	6,382	7,016
Total emissions (tCO_2e)(2)	7,979	8,473	7,882
Bandwidth (Gb/sec)	5,895	5,895	4,345
Intensity (tCO_2e per Gb/sec)	1.4	1.4	1.8

(1) The year on year increase in facility operation emissions was a result of a large release event in one of our data centres due to the erroneous activation of our fire suppression systems.

(2) The 2021 market based emissions figure for purchased electricity above reflects our investment in zero-carbon electricity tariffs at some sites from October 2020 onwards.

Total greenhouse gas emissions (including scope 3)

As part of our overall commitment to reducing our carbon emissions, we also track specific scope 3 CO_2 emissions, including third party electricity, business travel (trains, planes and hotels), water and waste.

	2021 Market based	**2021 Location based**	2020 Location based[3]
Total emissions (tCO_2e)[1][2]	**10,793**	**29,458**	32,240
Bandwidth (Gb/sec)	**5,895**	**5,895**	4,345
Total intensity (tCO_2e per Gb/sec)	**2**	**5**	7

(1) Scope 1, 2 and 3 emissions.

(2) Scope 3 emissions from co-located sites have seen a considerable reduction under the market based approach due to many of those sites switching to renewable electricity tariffs.

(3) The 2020 figure has been restated from 34,805 due to an error in the calculation of scope 3 electricity and third party site emissions in the prior year.

In-house energy consumption

Disclosure of in-house energy consumption in kilowatt-hour (kWh) is a legal requirement introduced with Streamlined Energy and Carbon Reporting.

Emissions source	**Consumption 2020/21 (kWh)**	Consumption 2019/20 (kWh)	Year on year change %
Electricity	**25,205,657**	25,301,403	(0.4%)
Natural gas for heating	**550,908**	656,674	(16.1%)
Transport fuel[1]	**238,813**	2,086,366	(88.6%)
Gas oil for backup generation[2]	**463,603**	361,796	28.1%
Total	**26,458,981**	28,406,239	(6.9%)

(1) The 2019/20 figure has been restated to include consumption from private cars used for business purposes in line with mandatory emissions reporting. The 88.6% reduction year on year is a result of a significant reduction in transport usage due to travel restrictions during the Covid-19 pandemic. It is, therefore, expected to increase from 2020/21 levels in future years.

(2) The year on year increase was due to an increased use of generators as we upgraded our electrical infrastructure systems, which required us to use backup generators whilst completing the work.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019. Emissions have been calculated using the 2020 conversion factors provided by Department of Business, Energy and Industrial Strategy. There are no material omissions from the mandatory scope 1 and 2 emissions.

Case study – brown box packaging

As a business we issue over a million pieces of equipment to our customers every year. Each of those comes in its own packaging, which requires a lot of materials we ask our customers to dispose of. We are actively working to re-use, repair and reduce our materials consumption.

Last year we turned our attention to packaging. Our equipment has previously been sent out in a premium, high gloss, non-recyclable material box. Now we have introduced our 'brown box'; this simple plain packaging uses FSC-accredited materials and is 100% recyclable.

The box has a perforated seal so we can ship as a completely self-contained item. It has been rigorously tested with drop tests and weather tests. Its rigidity means the equipment remains safe and we no longer need to add an additional external plastic shipper bag. As a result, we have removed all external single use plastic packaging. Additionally, we have also considered the reverse logistics – what customers do when they need to return the devices. We have included two adhesive strips; the first one closes the box, whilst the second one allows the customer to seal the same box to return the device.

This is a major step forward in addressing our materials impact as part of our Environment Policy. In addition to introducing the new brown box, another successful initiative was a new Royal Mail service to make return of equipment even easier for customers. This is vital as our calculations show that refurbishing devices is 18 times less carbon intensive than manufacturing a new one.

Corporate governance

Introduction

During the period the Company's shares were quoted with a primary listing on the London Stock Exchange and therefore the approach to corporate governance was to comply with the provisions of the 2018 UK Corporate Governance Code issued by the Financial Reporting Council ('the Code'). This section, together with the Strategic Report, explains how the Company applied the principles and complied with the provisions of the Code and its five key sections: 1. Board Leadership and Company Purpose; 2. Division of Responsibilities; 3. Composition, Succession and Evaluation; 4. Audit, Risk and Internal Control; and 5. Remuneration. Where there have been departures from the provisions of the Code, there are explanations provided later on in this section. The Board of the Company is still reviewing what approach to corporate governance is required to be followed for the current and future financial years given the Company is no longer a quoted company.

Board leadership and Company purpose

During the period, the Board reported business developments and financial results to the Company's stakeholders through news releases (including results announcements) and Company publications.

The Chief Executive Officer and the Chief Financial Officer led responsibility for investor relations. They were supported by the Head of Investor Relations who, amongst other matters, organised presentations for analysts and institutional investors. There was a full programme of regular meetings and dialogue with major institutional shareholders, fund managers, analysts, retail brokers and credit investors, and the Chairman ensured the Board received regular updates at the Board meetings held during the period. The Board also received periodic reports on investors' views of the performance of the Company.

The Company has historically communicated with shareholders through its AGM, at which the Chairman provided an account of the progress of the business over the previous year and a review of current issues, which presented the opportunity for shareholders to ask questions. Due to the restrictions caused by the Covid-19 pandemic, the 2020 AGM was held as a closed meeting to shareholders, and although shareholders were unable to attend the meeting in person, the Company set up a dedicated electronic mailbox for shareholders to ask questions of the Board in advance of the meeting.

The Company also kept its customers and suppliers informed of any service updates through a combination of emails, letters and telephone communications throughout the Covid-19 pandemic. Our larger customers and suppliers were also connected with their account managers, in addition to dedicated teams that engaged with the Company's regulators and key external stakeholders. The Company's employees had access to 'the Wire' an internal portal which contains regular updates provided by the Executive Committee and senior management team along with regular email blogs from the business.

The Board also communicated with employees via the 'Employee Voice' forum, and pursuant to Provision 5 of the Code, Nigel Langstaff was appointed as the Non-Executive Director to lead the group. More information can be found on page 19.

Further detail on how the Board engaged with stakeholders can be found under the Strategic Report on page 18 to 23.

The Company operated a Whistleblowing service, which had been in place since 2017, provided by Navex Global (previously known as InTouch CRS), with details available to all colleagues on the Company intranet. The service provided a confidential phone and web based channel for colleagues to report any incident or activity which they believed should be raised.

The disclosure requirements of this corporate governance statement as required under Disclosure & Transparency Rule 7.2 are fulfilled in the Directors' Report which can be found on pages 53 and 54.

Division of responsibilities

Taking into account the changes to the Board during the year, which are described below, as at 28 February 2021 the Board had ten members, comprised of three Executive Directors; Sir Charles Dunstone (Chairman), Tristia Harrison (Chief Executive Officer) and Kate Ferry (Chief Financial Officer) and seven Non-Executive Directors; John Gildersleeve (Deputy Chairman), Ian West (Senior Independent Director), Roger Taylor, Sir Howard Stringer, Nigel Langstaff, Phil Jordan and Paul Reynolds.

During the period the following Board changes occurred: the Company announced on 27 March 2020 that Paul Reynolds would be appointed as a new Independent Non-Executive Director with effect from 1 April 2020 and he was subsequently appointed to chair the Board's new Fibre to the Premises (FTTP) Committee, further information on this committee can be found on page 31.

The Company announced on 17 December 2020 that Kate Ferry would stand down from the Board with Phil Eayres assuming the role of Chief Financial Officer, which became effective from 12 March 2021. Phil has worked with the business for over six years, initially as Operations Director in Consumer and more recently as an independent strategic adviser leading the development and disposal of FibreNation, as well as the strategic planning for the Group, whilst also playing a key role in the successful Public to Private Transaction.

In accordance with Provision 10 of the Code at least half of the Board (excluding the Chairman) were considered Independent Non-Executive Directors during the period being: John Gildersleeve (Deputy Chairman), Ian West (Senior Independent Director), Sir Howard Stringer, Nigel Langstaff, Phil Jordan and Paul Reynolds. The Board considered John Gildersleeve and Ian West as independent even though they had served on the Board for over nine years because both satisfied all of the other tests of independence set out in the Code and each demonstrated a strong degree of independence in their interactions with the Board. Additionally, the Board believed their skills and experience of the Company far outweighed what the loss to the Company would be if their appointments had ended. Roger Taylor, although a Non-Executive Director, was not considered to be independent as he was previously Deputy Chair of the Company from January 2010 to July 2012 and had other significant business interests with the Chairman.

As explained in the Company's prospectus in 2010, Sir Charles Dunstone was not considered to be independent on his initial appointment as Chairman in accordance with Provision 9 of the Code primarily because of the size of his shareholding in the Company and because he was previously Chief Executive Officer of The Carphone Warehouse Group Plc in which the Company was created. In accordance with Provision 19 of the Code in respect of his tenure as Chairman being beyond nine years and effective succession planning in order to develop a diverse board, the Board considered overall that the wealth of experience Sir Charles brought to the Board and his role as Chairman, along with fact that he continues to be the driving force behind the Company's development, meant it was in the best interests of the Company for Sir Charles to continue as Chairman. Further, the Board also believed that the fact the Board as a whole had a strong element of independence meant Sir Charles was not able to exercise any undue influence on the Company's decision making processes.

The Chairman and the Executive Directors have service contracts that could be terminated by either the Company or the Director on twelve months' notice. Further, the Non-Executive Directors were expected to serve for an initial period of three years, albeit either party could terminate their appointment on three months' notice with no compensation for loss of office. After each three year period, their contracts automatically renewed. The initial three year periods commenced on the following dates: John Gildersleeve (20 January 2010); Ian West (8 February 2011); Sir Howard Stringer (26 July 2012); Roger Taylor (11 November 2015); Nigel Langstaff (15 November 2017); Phil Jordan (16 October 2018); and Paul Reynolds (1 April 2020).

The Company Secretary maintained a register of Directors' interests and external appointments, which included any situational and transactional conflicts of interest. Directors were required to report actual or potential conflicts of interest to the Board for consideration and, if appropriate, authorisation. No conflicts of interest were reported during the period.

How the Board operated

The Board reserved certain matters which required Board approval, and delegated others to a Committee of the Board for approval. Matters that were reserved for the Board included approving the Group's strategy, annual budgets and other planning.

During the period, day to day management of the Company rested with the Group's Executive Committee, which was led by the Chief Executive Officer and was part of the operational management of the Group.

Non-Executives did not form part of the executive management team and their responsibilities included: constructive challenge and help in developing proposals on strategy; scrutiny of management's performance in meeting agreed goals and objectives; satisfying themselves on the integrity of financial information; and ensuring that controls and risk management systems were robust and defensible.

Board Committees(1)

The Board established six principal Committees as set out below, to which it delegated certain matters; the first three were as required by the Code, the fourth was to ensure the compliance of the Group within the consumer and business regulatory environment in which it operated, the fifth, the Security Committee, managed any security threats and risks to the business and the sixth was the newly established FTTP Committee, which was put in place to direct and govern those involved in the day to day management of the Company's business relating to FTTP.

In the period, the current members of each Committee are listed below:

Audit	Remuneration	Nomination	Compliance	Security	FTTP
Nigel Langstaff (c)	John Gildersleeve (c)	John Gildersleeve (c)	John Gildersleeve (c)	Phil Jordan (c)	Paul Reynolds (c)
Ian West	Ian West	Ian West	Tristia Harrison	Sir Charles Dunstone	Tristia Harrison
Phil Jordan	Roger Taylor	Sir Howard Stringer	Tim Morris	Tristia Harrison	
	Sir Howard Stringer				

(c) Chair.

The work of each Committee is described in more detail in the section relating to it below:

Committees required by the Code

Audit Committee

A detailed description of the Committee's remit and work during the period is contained in the Audit Committee Report on pages 35 to 37. Other Directors and senior management, including the Chief Financial Officer, the Chief Executive Officer, the Company Secretary and the external auditor, attended by invitation of the Committee.

The Chair of the Committee updated the Board following each Committee meeting.

The Committee's terms of reference during the period complied with the Code.

Remuneration Committee

A detailed description of the Committee's remit and work during the period is contained in the Directors' Remuneration Report on pages 38 to 52. Other Directors, including the Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the Chief People Officer and advisers, attended meetings by invitation of the Committee.

The Chair of the Committee updated the Board following each Committee meeting.

The Committee's terms of reference, during the period complied with the Code.

Nomination Committee

The Committee was responsible for supporting a diverse pipeline of succession planning at Board level, overseeing the selection and appointment of Directors, regularly reviewing the structure, diversity, size and composition of the Board and making its recommendations to the Board. It assisted in evaluating the commitments of individual Directors and the balance of skills, knowledge and experience on the Board.

Following the appointment of Paul Reynolds to the Board, an induction pack was provided which included key contacts, Group structure, corporate calendar, key Group policies and the Company's share dealing code. A number of governance matters were also outlined, including Directors' duties, conflicts of interests, the Code and further detail was provided on requirements under the Market Abuse Regulation. The Company Secretary met with Paul Reynolds to talk through the induction pack to ensure that his duties and responsibilities were fully understood and thereafter was available to advise on any queries or concerns. In addition, Paul Reynolds participated in a thorough induction process meeting virtually via Microsoft Teams with the Executive Committee and other members of key management.

When taking into account appointments, the Committee and the Board overall understood the importance of having a diverse membership and recognised that diversity encompasses diversity of skills and experience, age, gender, disability, sexual orientation, ethnicity, cultural background and belief.

The diversity policy applied equally to all appointments in the Company, and the Board continued to believe that appointments should be made on merit, the key criterion being whether or not the appointee would add to or complement the existing range of skills and experience on the Board. Enhancing diversity at all levels is important and we reviewed it annually in accordance with relevant guidance.

(1) Following the Public to Private Transaction the Board of the Company is reviewing what Board Committees there will be going forwards and will provide an update in next year's Annual Report.

Corporate governance continued

Committees required by the Code continued

Nomination Committee continued

Further detail on the Company's diversity policy, its objectives and linkage to company strategy and the gender balance of those in the senior management and their direct reports can be found in the Strategic Report (page 27).

Due to the advanced stages of the Public to Private Transaction towards the end of the period and the potential outgoing Board, it was decided the scheduled Nomination Committee meeting for FY21 was not required and therefore it did not take place.

The Committee's terms of reference, during the period complied with the Code.

Other committees

Compliance Committee

The purpose of the Committee was to provide the Board with visibility of how the Group remained compliant with consumer regulations affecting its businesses from time to time. Its members therefore included those senior executives who were operationally responsible for implementing permanent changes necessary to ensure the Group remained compliant.

Such members were accountable to the Committee and the Board for the successful delivery of such changes.

This Committee met three times during the year and reported to the Board accordingly. The Group also operated a weekly Compliance Committee made up of those senior executives responsible for all key areas of compliance across the Group. At those meetings relevant compliance was monitored against a weekly scorecard.

Security Committee

The Security Committee provided overall assurance and oversight of TalkTalk's Security Programme by managing the security threats and risks based off the Company's business strategy and risk appetite.

The Committee met four times during the year and was chaired by Phil Jordan (Non-Executive Director); members of the Committee included: Tristia Harrison (Chief Executive Officer), Sir Charles Dunstone (Executive Chairman), the Head of Security and various other members of the executive management team.

FTTP Committee

The purpose of the Committee was to supervise, direct and govern those executives of the Group involved in the day to day management of the Company's business relating to FTTP, broadband connectivity products and services, including without limitation in respect of negotiations with third party suppliers of wholesale FTTP connectivity products and services and the development, marketing, sales and operation of FTTP products and services for the Group's consumer and business customers.

The Committee met twice during the year and was chaired by Paul Reynolds (Non-Executive Director); members of the Committee included: Tristia Harrison (Chief Executive Officer) and various other members of the executive management team.

The Chair of the Committee updated the Board following each Committee meeting.

Number of regular formal Board meetings attended during the year

Director	Role	Board	Audit	Remuneration	Nomination(1)
Number of meetings		5	4	4	0
Sir Charles Dunstone	Executive Chairman	5/5			
Kate Ferry	Chief Financial Officer	5/5			
Tristia Harrison	Chief Executive Officer	5/5			
John Gildersleeve	Deputy Chairman	5/5		4/4	
Ian West	Senior Independent Director	5/5	4/4	4/4	
Sir Howard Stringer(2)	Non-Executive Director	4/5		3/4	
Roger Taylor	Non-Executive Director	5/5		4/4	
Nigel Langstaff	Non-Executive Director	5/5	4/4		
Phil Jordan(3)	Non-Executive Director	5/5	3/4		
Paul Reynolds(4)	Non-Executive Director	4/5			

(1) No Nomination Committee meeting was held in the period.

(2) Sir Howard Stringer was absent from the November Board meeting due to illness and the December Remuneration Committee as it was called at short notice and he had a prior engagement.

(3) Phil Jordan was absent from the December Audit Committee meeting as it was called at short notice and he had a prior engagement.

(4) Paul Reynolds was absent from the November Board meeting due to a prior engagement.

As well as the formal meetings during the period, the Board met at other times as appropriate for specific matters including the offer of the Company, upsizing of the Company's bond and approval of the Company's trading announcements to shareholders.

It was important to the Board that Non-Executive Directors had the ability to influence and challenge appropriately. To this end all Non-Executive Directors were given a thorough induction to the Group and took part in Board discussions. All Directors received papers to review in advance of meetings.

The Chairman would meet regularly with the Non-Executive Directors, prior to every Board meeting. however, due to the Covid-19 pandemic, those meetings were limited due to restrictions enforced by the Government during 2020. The Chairman remained available to the Board to ensure any concerns could be raised and discussed, if required, outside of the formal Board meetings.

There was a clear division of responsibilities in place between the Chairman and the Chief Executive officer during the period which was set out in writing and displayed on the Company's corporate website.

The management of the Group's business activities during the period was delegated to the Chief Executive Officer who had ultimate responsibility for establishing objectives and monitoring executive actions and performance through the Executive Committee.

The Chief Executive Officer was responsible for chairing the Executive Committee weekly and monthly meetings. Key responsibilities of the Executive Committee during the period were to:

- rigorously assess the Group's trading performance;
- identify and develop to a successful conclusion those large-scale cross-Group projects that were critical to delivering the Group's strategy and maximising shareholder value;
- provide a cross-functional forum for the discussion of opportunities and risks arising from business activities, as well as to communicate business performance; and
- manage the Group's Covid-19 response, through three governance workstreams; 'People, Property and Continuity', 'Customer Support' and 'Business Scenario Planning'.

Composition, succession and evaluation

During FY20 and in compliance with Provision 21 of the Code, the Board was subject to an externally facilitated independent Board evaluation by NJMD Corporate Services Limited (NJMD). A summary of this evaluation was contained in the 2020 Annual Report. This type of external evaluation takes place every three years. Due to the Public to Private Transaction resulting in a new incoming Board, the internal Board evaluation which usually takes place in March did not take place during 2021.

The Company Secretary ensured that the Board was made aware of new laws, regulations and other information appropriate to the Group to ensure that all Directors continually updated their skills, knowledge and familiarity of the Group in order to fulfil their roles. Additionally, each Director had access to the advice and services of the Company Secretary and also had the ability to take independent external advice if required.

Remuneration

The Board, primarily through its Remuneration Committee, set clear guidelines and objectives in respect of Executive pay, which are described below in the Directors' Remuneration Report.

Risk management and internal control

The Board views management of risk as integral to good business practice. The Company had established an ongoing risk management programme to identify, assess and mitigate business, financial, operational and compliance risks. The programme was designed to support management's decision making and to improve the reliability of business performance. The risk management process operated throughout the Group, being applied equally to the main business units and corporate functions.

The nature of risks identified and assessed was wide ranging, covering risks arising from the regulatory environment, strategy, counterparties and organisational change associated with major projects. Action plans and controls to mitigate identified risks were put in place where possible and if considered appropriate by the Board, took account of costs and benefits. A report was provided to the Directors at relevant Board meetings setting out key risks, changes in the status of the key risks and updates on mitigation.

The Directors had overall responsibility for the Group's system of internal controls and for reviewing their effectiveness. The Board delegated to Executive management the responsibility for designing, operating and monitoring these systems. The systems were based on a process of identifying, evaluating and managing key risks and included the risk management processes set out above and channels to enable employees to raise concerns about possible irregularities in financial reporting and other issues and associated processes for those matters to be investigated. Further details are contained in the Strategic Report on pages 13 to 17.

The systems of internal control are supported by the Internal Audit and Risk function. Any significant risks identified in the year were given appropriate priority.

The systems of internal control were designed to manage, rather than eliminate, the risk of failure to achieve business objectives. They could only provide reasonable and not absolute assurance against material errors, losses, fraud or breaches of law and regulations.

The effectiveness of these systems was periodically reviewed by the Audit Committee in accordance with the revised guidance in the Turnbull Report, including ensuring the external audit goes out to tender every ten years in line with the EU regulations and directive on audit. These systems were also refined as necessary to meet changes in the Group's business and associated risks.

The Audit Committee also adopted an internal audit charter each year in accordance with International Internal Auditing Standards.

The systems of internal control were in place throughout the period and up to the date of approval of the Annual Report. The Board conducted an annual review of the effectiveness of the systems of risk management and internal control in operation during the year and up to the date of the approval of the Annual Report. This was approved by the Board.

Further to the changes described above, the Board continued to ensure that the Group's culture and ways of working further embedded information security risk management across the business.

Viability statement

The context for assessment

The objective of the viability statement is for the Directors to report on their assessment of the prospects of the Group meeting its liabilities over the assessment period, taking into account the Group's available financing facilities, business model, strategy, regulatory environment, principle risks and uncertainties, recent financial performance, outlook, and current financial position. The Group's Strategic Report on pages 1 to 29 provides further information on these matters. As part of this assessment the Directors have given due consideration to the Group's breadth of customer base, value for money proposition, position in the market, continuing improvements in operating efficiency, large unbundled network and its ability to operate and compete effectively in the UK telecoms sector.

The assessment period

The Directors have assessed the viability of the Group over the three year period to February 2024, as this is an appropriate planning time horizon given the speed of change and customer demand in the industry and is in line with the Group's business planning cycle. A three year period is also in line with long term management incentives and the outputs from the long term planning process.

Viability statement continued

Assessment of viability

The annual budget, together with the long term plan are used to make the viability assessment, reflecting the three year viability period until February 2024. The approach (including the methodology, key considerations, sensitivities, mitigations and reverse stress tests) described on pages 53 and 54 with reference to the assessment of going concern is consistent with the approach applied to the viability assessment.

The table below summarises the key scenarios considered and how they link to the Group's principle risks and uncertainties and what the potential impact could be:

Scenario	Associated principal risks and uncertainties	Description and potential impact
Material changes in competition and the market	Covid-19 Customer trust and brand reputation Competitive landscape Changing market structure Regulatory compliance Data and cyber security Input pricing/access to competitive input propositions	Failure to respond to adverse market conditions, a decline in customer demand/trust, a changing market structure, regulatory non-compliance or a cyber security event may potentially give rise to increased levels of churn, lower than forecast connections and/or higher bad debt. In addition, the Group could potentially experience lower revenue as a result of a change in the competitive landscape. The potential impact of the above may result in reduced revenue, profitability and cash generation.
Executing the Group's strategy of simplifying the business – reduction in cost savings or increased costs	Covid-19 Changing market structure People capability Resilience and business continuity Change delivery and execution Data and cyber security Changing market structure	Failure to achieve the Group's objectives to continue to simplify the business, or an adverse change in the regulatory environment/general market conditions may have a negative impact on the Group's cost base due to a failure to deliver and execute change. The potential impact of the above would result in reduced profitability and cash generation, notwithstanding that the Group's strategy would also offset some of this impact as the Group would expect to have better quality revenue and gross margin and lower operating costs and capital expenditure.

Viability statement

Based on this assessment using these severe but plausible scenarios, as well as the completion of a reverse stress test assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to 28 February 2024.

Audit Committee report

This report provides further information on the Committee's roles, responsibilities and key areas of focus during the period, and what was done to ensure the integrity of the Group's Annual Report and the effective management of our risks and controls.

Restoring trust in audit and corporate governance was the key theme in the Government's whitepaper, issued in March 2021, in response to the three independent reviews by Sir John Kingman, Sir Donald Brydon and the Competition and Markets Authority. Amongst the proposals within the whitepaper it is clear that strong internal controls and clear reporting of both financial and non-financial information remains of the upmost importance. Management is responsible for implementing and maintaining appropriate internal control processes to ensure the appropriate management of risks and effective operation of the business. During the period, management continued the implementation of a number of enhancements to strengthen controls and processes in areas identified as benefiting from improvement. Such improvements include a focus on our general IT controls and documentation of our internal control framework.

Committee structure

During the period, the Committee comprised Nigel Langstaff, Phil Jordan and Ian West.

The Committee was structured to provide a range of relevant financial, commercial and operation expertise to meet the responsibilities of the Committee. Nigel was the member of the Committee with relevant and recent financial experience (as recognised by the Consultative Committee of Accountancy Bodies) though all members of the Committee have been expected to be financially literate and have an appropriate understanding of:

- the principles of, contents of and developments in financial reporting, accounting standards and statements of recommended practice (including the Guidelines on alternative performance measures (APMs), issued by the European Securities and Markets Authority);
- key aspects of the Company's operations;
- matters that influence or distort the presentation of accounts and key financial information;
- the principles of, and developments in, key applicable company law and other legislation relevant to the Company;
- the role of internal and external audit and risk management;
- the regulatory framework of the Company's business; and
- environmental and social responsibility best reporting practices.

On 12 March 2021, following the Public to Private Transaction, Nigel Langstaff, Phil Jordan and Ian West resigned as Directors of the Group and members of the Audit Committee.

Following the Public to Private Transaction a new committee structure will perform the role previously performed by the Audit Committee. For the purposes of these Annual Report and Accounts, the role of the Audit Committee was performed via a number of formal meetings including Executive and Non-Executive Board members, and the full Board.

Meetings and responsibilities

Throughout the 2021 financial period, the Committee updated the Board, following each Committee meeting, on any significant issues that may have arisen. During the period, all requirements of the Code in respect of the Committee were met.

The Chief Executive Officer, the Chief Financial Officer as well as representatives of the Company's external auditor and other members of senior management from Finance, Legal and Internal Audit and Risk attended these meetings by invitation. The external and internal auditors have direct access to the Committee during formal meetings and time is set aside for them to have private discussion with the Committee, in the absence of management attendees. In addition, the external auditor has access as required outside formal meetings.

During the period, the formal calendar of items considered at each Audit Committee meeting within the annual cycle encompassed the Code requirements to:

- monitor the integrity of the financial statements of the Company and review significant financial reporting judgements made by management;
- disclose the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
- confirm that the Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable, to ensure that the narrative sections of the report are consistent with the financial statements and accurately reflect the Group's performance;
- review the Company's internal financial controls and its internal control and risk management systems and to make recommendations to the Board;
- review the Company's arrangements by which employees may raise concerns in confidence;
- monitor and review the effectiveness of the Company's internal audit function (for example: qualifications and experience). In addition, review the annual internal audit plan for the forthcoming year considering the level of internal audit resource;
- review the output and findings of the internal audit team;
- make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and to approve its remuneration and terms of engagement;
- review the Company's policy on the engagement of the external auditor to supply non-audit services;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- consider communications from the Financial Reporting Council including matters for CFOs and Audit Committee Chairs;
- disclose how the Committee has assessed the effectiveness of the external audit process and provide information on the length of tenure of the current audit firm; and
- review and approve changes to the Company's accounting policies.

Covid-19

The Committee assessed the effect of Covid-19 on the Group, with specific consideration of:

- guidance provided by the FRC and other regulatory and government bodies on Covid-19;
- how the Group's operations were being affected;
- the effect on the Group's financial statements, especially in relation to the going concern assessment, viability statement, carrying value of assets and disclosures in the Annual Report;
- the impact on the Group's principal risks and uncertainties; and
- implications to the Group's internal control processes, including any increased risk of fraud.

Significant financial reporting matters

The significant financial reporting matters considered by the Audit Committee in the current year were as follows::

Significant issue considered by the Committee	How the issue was addressed by the Committee
The appropriateness of preparing the Group financial statements on a going concern basis and the viability statement	The Committee considered and challenged management's papers, analysis and forecasts in relation to the Group's going concern assessment which took into account the Group's financing facilities and associated covenants, reasonably possible changes in trading performance, feasible mitigating actions, and specifically considered the potential impact of the UK's future trading relationship with the EU and Covid-19. The Committee also considered and challenged management's approach to the viability statement, including the period of review, sources of finance, risk factors, commitments, key judgements and estimates, sensitivities, feasible mitigating actions and a reverse stress test analysis. The Committee concluded that the conclusions reached and the external disclosure for both the going concern assessment and viability statement were appropriate.
The treatment and disclosure of non-Headline items and alternative performance measures	The Committee considered management's approach to and presentation of non-Headline items and alternative performance measures. The Committee assessed the appropriateness of each of the items recognised as non-Headline during the financial year, and as part of this assessment considered the views of the external auditor and Guidelines on APMs issued by the European Securities and Markets Authority (ESMA) and the Financial Reporting Council (FRC). At each meeting, the Committee reviewed a paper prepared by management on non-Headline items, including an assessment of the nature of all items, an update on the status of all items with a particular focus on any material changes, whilst also considering the appropriateness of classification of other items included in Headline results. The Committee reviewed and agreed the conclusions reached and the disclosure made for non-Headline items and alternative performance measures.
Leases	During the prior year, the Group adopted IFRS 16 'Leases'. As part of applying the standard the Group was required to make significant judgements in assessing which arrangements fall under the scope of IFRS 16 including contractual arrangements for 'the last mile' and made significant estimates when assessing the useful economic life of the right of use assets recognised. The Committee reviewed and challenged management's papers re-assessing conclusions reached and judgements and estimates made. The Committee agreed with the conclusions reached.
Revenue recognition	The Group is required to make judgements in relation to the appropriate transaction price used, performance obligations, the probability of collectability of revenue, identification of material rights, agent vs principal in certain channels and determination of contract costs that are appropriate to be capitalised. The Group is also required to make certain estimates that affect the determination of the amount and timing of revenue and costs from contracts with customers, with customer tenure being a key source of estimation uncertainty. The Committee reviewed and challenged management's papers re-assessing the judgements made and estimates used and agreed with the conclusions. The recording of revenue is also dependent on the Group's IT systems, infrastructure and outsource providers and the Committee carefully considered relevant IT control weaknesses identified, related mitigating controls and programmes for process improvement and assessed that the revenue recognised was appropriately stated.
Supplier arrangements and income received in relation to service level related disputes	The Committee reviewed certain new or amended supplier and revenue arrangements during the period, due to the complexity of the arrangements and the key judgements applied by management to ensure that costs and income were classified and measured appropriately and recognised in the correct period. This review required an understanding of the nature of the transactions and adherence to the Group's accounting policies. In addition, the Committee considered management's assessment of the quantification of service level related credits that may be subject to regulatory guidance, legal ruling or alternative dispute resolution processes. As a result of the review, without prejudice to the Group's legal position, the Committee concluded that the income had been appropriately recorded.
Non-current assets and impairment review	The Group's assets include capitalised internal costs incurred in relation to the development of software and other assets for internal use. During the period, management performed an impairment review of goodwill and non-current assets, together with a review of useful economic lives. The Committee considered the appropriateness of the Group's capitalisation policy and the judgements applied and agreed with the conclusions reached by management.

Statement of Directors in respect of the Annual Report and Accounts

As required by the Code, the Directors confirm that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and Company's position, business model and strategy, including giving consideration to the balance of income and costs between Headline and non-Headline earnings. When arriving at this position the Board was assisted by a number of processes including:

- the Annual Report and Accounts are drafted by appropriate senior employees across all areas of the business with overall supervision being provided by the Chief Financial Officer, to ensure the report is consistent across all sections;
- a comprehensive verification process is undertaken to ensure the factual accuracy of the entire Annual Report; and
- the final draft is subject to final consideration by the Board.

External audit

The Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit, which assigns responsibility for monitoring the independence, objectivity and compliance by the external auditor to the Committee.

In the period ended 28 February 2021, the Committee discussed the effectiveness of the external audit process and audit quality with the other attendees of the Committee meeting. Based on the results of the auditor assessment carried out in the year, the Committee is satisfied with the effectiveness and quality of the external audit process. The Committee continues to consider the appropriateness of the re-appointment of the external auditor, including rotation of the audit partner. Deloitte LLP has been the Group's external auditor since August 2002, prior to TalkTalk's demerger from Carphone Warehouse Group plc and this is Katie Houldsworth's fourth year as lead audit partner.

Taking into account the Public to Private Transaction, the new Board will consider the requirement to conduct a competitive audit tender in the course of the coming financial year.

The policy relating to the provision of non-audit services by the external auditor specifies the types of work from which the external auditor is excluded; for which the external auditor can be engaged without referral to the Committee; and for which a case by case decision is required. In order to safeguard the auditor's objectivity and independence, the ratio of non-audit fees to audit fees has been monitored by the Committee. Any work proposed in excess of £100,000 has been referred to the Committee and amounts above £50,000 were approved by the Chairman of the Committee.

A statement of fees paid or accrued for services from the external auditor during the period is set out below:

	2021 £m	2020 £m
Fees payable to the Company's auditor for the audit of the Company's Annual Report and Accounts	**0.1**	0.1
Audit of the Group and its subsidiaries pursuant to legislation	**1.3**	1.1
Audit services provided to all Group companies	**1.4**	1.2
Other non-audit services	**0.2**	1.2
Total Group auditor's remuneration	**1.6**	2.4

During the period, the Group incurred non-audit fees of £0.2m for the Group's interim review procedures (£0.15m) and work completed on the Group's refinancing exercise in January 2021 (£0.07m). In the prior year, the non-audit fees incurred by the Group were higher at £1.2m as a result of reporting accountant services in relation to the disposal of the Fibre Assets Business (£1.0m), work on the Group's refinancing exercise in February 2020 (£0.1m) and the Group's interim review procedures (£0.1m). Having undertaken a review of the non-audit related work, the Committee satisfied itself that the services undertaken during the period did not prejudice the external auditor's independence.

Internal controls and risk management

The Committee has responsibility for overseeing internal control processes, including the internal audit function and the risk management framework.

The internal audit function provides independent assurance over the design and operating effectiveness of the Group's system of internal control through a risk based approach. The function comprises experienced team members and alongside this engages relevant professional service firms where additional specialist skills are required. The Committee reviews internal audit related matters which include; approving the annual audit plan, assessing the adequacy of resources available to the team, reviewing progress against the approved audit plan, the results of completed audits and that related issues are addressed by management within agreed timeframes.

The Group's risk assessment and management processes are an area of specific focus for the Committee. At each Committee meeting, the Group's key risks are reviewed along with the progress of mitigating actions and any change to the risk assessment. Further information on the Group's principal risks and uncertainties can be found on pages 13 to 17.

The Group is following an improvement programme around its system of internal control which is prioritised based on outputs from both the internal and external audits along with the assessment of higher inherent risk areas. During the period the primary areas of focus have been on strengthening and documentation of the Group's financial internal control framework and its general IT controls work.

Directors' remuneration report

Introduction

In line with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the 'Regulations'), the Remuneration Report for FY21 is split into two sections:

- The Remuneration Policy, which sets out the Company's policy on remuneration for Executive Directors. The policy was accepted by shareholders by a binding vote at the 2020 AGM and has been effective for one year from this date. There have been no amendments to the Remuneration Policy in FY21; and
- The Annual Report on Remuneration, which explains how the Remuneration Policy was applied in relation to Executive Directors for FY21 and how it will be implemented for FY22.

Aligning the Remuneration Policy with the Group strategy and performance

During FY21, we have continued to rigorously focus on being a value provider, whilst transitioning our customers to higher bandwidth products, improving customer experience and accelerating our FTTP offering. We have played a vital role in keeping the nation connected during the Covid-19 period and are proud of our network resilience through the year. Protecting the wellbeing of colleagues during the Covid-19 period has also been a priority and implementing fully flexible working and putting a suite of support activities in place have been important in helping us achieve this goal.

Over the course of FY21, the Remuneration Committee has reviewed the existing remuneration arrangements in order to ensure that the strong link between the Remuneration Policy and business strategy continues to remain clear and that the right incentives are in place to support the delivery of our strategy. As can be seen on page 46 of the report, this is clearly demonstrated in relation to performance against the annual bonus plan targets for the year, with the Company paying appropriately relative to the targets set out.

The Company's remuneration approach applies throughout the Group and continues to be focused on enabling it to attract, motivate and retain high-quality talent and ensuring there is a transparent link between remuneration and strategy at all levels, as well as the long term performance of the Group.

Key messages for FY21

- No changes have been made to the Remuneration Policy during FY21.
- Executive Directors will not receive a bonus payment under the annual bonus plan for FY21.
- Real Living Wage accreditation secured.

Our priorities for FY22

- To continue to grow the dialogue between our Board and employees as we transition to operating as a Private company.
- Continuing to improve the Company's gender pay gap and female representation within senior leadership roles.

Board changes during FY21

Board resignations

There were no resignations during the year. However, post year-end and following the Public to Private Transaction, Kate Ferry, Ian West, Sir Howard Stringer, Phil Jordan and Nigel Langstaff all stepped down as Board members.

Board appointments

Paul Reynolds was appointed as a Non-Executive Director of the Company on 1 April 2020. He became Chair of a new Board committee in respect of FTTP on 1 July 2020. His fees were set in line with Company policy for Non-Executive Directors' remuneration.

Remuneration Policy during FY21

In FY21 and in line with the binding shareholder vote at the 2020 AGM, the Remuneration Committee has reviewed the Remuneration Policy for Executive Directors and has determined that it remained appropriate and fit for purpose for that period. All remuneration arrangements for Executive Directors and Non-Executive Directors have been operated in line with that approved Remuneration Policy.

FY21 annual bonus performance

The Board carefully considered performance against the annual bonus plan targets for FY21 taking into consideration the wider business performance in the year. Despite strong KPI delivery through the year to open the bonus gate, the Headline EBITDA and free cash flow financial targets, which underpin the annual bonus plan and govern the bonus quantum, were not achieved. Therefore, the Board determined that no annual bonus payment would be due to Executive Directors for FY21. Achievement against the financial measures determining the annual bonus is shown on page 46 of the report.

Remuneration Committee meeting attendance during FY21

Over the course of FY21, Remuneration Committee meeting attendance was as follows:

Non-Executive Director	Number of meetings held	Number of meetings attended
John Gildersleeve	4	4
Ian West	4	4
Roger Taylor	4	4
Sir Howard Stringer	4	3

Sir Howard Stringer was absent from the December Remuneration Committee meeting as it was called at short notice and he had a prior engagement.

Remuneration Policy for FY22

Following the Public to Private Transaction, any decisions previously made by the Remuneration Committee have been, and will be, made by the Board. The Board firmly believes that remuneration arrangements for Executive Directors should be based on the same principles as those of the wider employee population and should strive to achieve the objective of a simple, transparent and fair approach to remuneration for all colleagues.

The Remuneration Policy, which was approved by a binding shareholder vote at the July 2020 AGM, and details how the Remuneration Policy will be implemented for FY22, albeit with many Policy items ceasing to be relevant following the Public to Private Transaction, are set out on pages 45 and 47.

The Regulations require the Company's auditor to report to the members on the 'auditable part' of this report (marked*) and to state, in its opinion, that this part of the report has been properly prepared in accordance with the Companies Act.

Remuneration Policy

This section sets out the Company's policy on remuneration for Executive Directors. The Remuneration Policy in operation for FY21 was approved through a binding vote by shareholders at the 2020 AGM, receiving 86.77% support, and took immediate effect following that AGM and applies for a period of three years from that date, albeit many of the policy items cease to be applicable after the Public to Private Transaction. For FY21 there has been no change to that Policy.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board in relation to the individual remuneration packages for the Executive Directors and the Chairman. These recommendations comply with the Remuneration Policy, which is set by the Board, and the terms of reference of the Remuneration Committee. The Remuneration Committee works with the Board to determine the balance of allocation of profits between employee incentives, shareholder dividends and reinvestment into the Group.

Remuneration approach

The aim of the Remuneration Policy is to support the Group in:

- aligning individual and business performance with the interests of shareholders through the delivery of clear and stretching targets;
- strengthening the link between employee output and the delivery of shareholder value;
- supporting the Group's overarching philosophy, to maintain its 'value player' positioning in the marketplace;
- attracting, motivating and retaining high-quality talent;
- maintaining a stable, efficient cost base;
- enabling the Group's remuneration strategy to be tailored to its changing circumstances; and
- reflecting corporate governance best practice.

The Company firmly believes that remuneration should be structured in a fair and competitive way, in order to incentivise individuals to achieve the highest levels of performance, and takes a consistent approach throughout the Group.

Packages are designed to be market competitive with fixed remuneration set at market median levels. Variable rewards, which are linked to challenging objectives based on the performance of the Group, are designed to reward exceptional performance and for the delivery of shareholder value creation.

Employee and shareholder consultation

The Remuneration Committee did not formally consult with employees of the Company on the application of the Remuneration Policy in FY21. In reaching their decisions in relation to the application of the Remuneration Policy, the Remuneration Committee is mindful, however, that with the Company's strong culture of employee share ownership, with around 45% of employees who held shares in the Company, employees had the opportunity to comment and vote on all elements of this report and Policy in their capacity as shareholders. Employees are also given the opportunity to share their views through regular employee surveys, the 'Employee Voice' forum and the all-employee consultation body 'One Voice'. It should also be noted that although the Remuneration Policy is specifically used to set the remuneration for Executive Directors, where appropriate, similar remuneration practices are adopted throughout the Group for all employees.

The Remuneration Committee is committed to consultation with major shareholders both when setting the Remuneration Policy and when amending or applying new elements of the Policy from time to time. Any significant changes are put to major shareholders and, if any of these shareholders are opposed to any proposed application of the Policy, the Remuneration Committee will endeavour to meet with them, as appropriate, to understand and respond to any issues they may have.

Remuneration components

We define our main fixed and performance related elements of remuneration as follows:

- base pay, car allowance, benefits and pension contribution (fixed); and
- annual performance bonus (variable).

In addition, for Executive Directors and other key senior management, there are two long term incentive plans – the DSOP and the SVP. It is the intention that Executive Directors should not concurrently be granted awards under both of these plans.

The Remuneration Committee intends that, generally, in any one year, participants may only receive an award under the DSOP and no other long term incentive plan, unless exceptional circumstances apply such as the recruitment of key individuals or to incentivise exceptional performance.

The Remuneration Committee reviews, at least on an annual basis, pay-out levels for Executive Directors at 'minimum', 'on target', 'stretch' and 'super stretch' levels of performance, in order to ensure alignment with our shareholders.

Malus and clawback

The rules of the annual performance bonus plan and long term incentive plans allow the Remuneration Committee to exercise its discretion in using malus or clawback provisions, should it feel that it is in the best interests of the Company and its shareholders. The Remuneration Committee's policy on the exercise of its discretion is set out in this Remuneration Policy. All future long term incentive awards for Executive Directors will be subject to malus and clawback provisions.

In order to retain flexibility, the events under which this may apply are not formally stipulated in this Policy. However, such events may include, but are not limited to, misstatement of financial accounts, fraud and other gross misconduct and material failure of risk management.

Consideration of remuneration arrangements throughout the Company

The committee considers the pay and conditions of colleagues throughout the Company when determining the remuneration arrangements for Executive Directors and is provided with relevant information and updates by the Chief People Officer.

Remuneration Policy continued

Executive Director shareholding requirement

Prior to the Public to Private Transaction, to ensure that the interests of the Executive Directors are closely aligned to those of its shareholders, the Company requires Executive Directors to build over a number of years and retain a shareholding in the Company of at least 200% of their annual base pay.

For the purpose of this requirement, the Company requires these to be in unfettered and beneficially owned shares.

On leaving the Company, Executive Directors are required to maintain for two years such number of shares equal to 200% of their annual base pay on the date they leave or all the shares they own on the date they leave if they have not built up such 200% shareholding by the leave date, unless the Remuneration Committee decides otherwise in exceptional circumstances.

Summary of remuneration components of Executive Directors

Component	Aim and link to strategy	Description of operation and any performance measures	Further detail on maximum opportunity and framework used to assess performance
Fixed Base pay	To attract and retain talent by ensuring base pay is competitive in the market. Set at a level which incentivises Executive Directors to implement and deliver the Company's business strategy.	Paid monthly in cash.	Reviewed annually. Benchmarked against external market data from external specialists. Takes into account the individual's skills, experience and performance. The Remuneration Committee considers the level of the all-employee pay review when making recommendations and decisions on pay for Executive Directors. Any increase typically takes effect from 1 July annually. Under normal circumstances no Executive Director will receive an increase in excess of 10% of their base pay in any given financial year.
Fixed Core benefits	Designed to be competitive in the market.	Core benefits typically include: • a defined contribution pension scheme, or a cash payment in lieu of a pension contribution in certain circumstances; • private medical insurance for Executive Directors and their immediate family; and • car allowance/company car. Executive Directors are also entitled to participate on the same terms as all other employees in respect of the following benefits: • four times base pay life assurance; • income protection; and • annual leave.	Reviewed annually relative to the market. Pension contributions are made through salary sacrifice, with the Company making a contribution of 6% base pay for Executive Directors. Cash payments in lieu of pension contributions may also be made to Executive Directors, but these will be subject to normal tax and NI deductions. Company contributions for all participating employees are made at 6% base pay and all employees have the ability to join the Company's defined contribution pension scheme. Company contributions will be reviewed over time, to ensure compliance with minimums set under auto enrolment guidelines.
Fixed Voluntary benefits	Benefits may vary dependent on the role of the individual and the personal choices they make.	These voluntary benefits arrangements include the purchase of additional holiday and the ability to participate in all-employee share plans.	Reviewed periodically relative to the market.

Component	Aim and link to strategy	Description of operation and any performance measures	Further detail on maximum opportunity and framework used to assess performance
Variable Annual performance bonus	Designed to focus Executive Directors on the business priorities for the financial year ahead and to align the individual's remuneration with the delivery of superior business performance.	The bonus scheme is based on a 'balanced scorecard' that is comprised of financial and non-financial measures, which are reviewed annually. Such measures will link to the Company's strategic objectives and typically include customer satisfaction, Fibre penetration and network performance targets. The measures and targets are set annually by the Remuneration Committee to ensure they are appropriately stretching for the delivery of 'on target', 'stretch', 'super stretch' and 'maximum' performance. The measures and targets are considered commercially sensitive but will be disclosed retrospectively in the relevant Annual Report on Remuneration. At least 40% of the 'balanced scorecard' will be based on financial measures.	Payment is typically made in June. The Remuneration Committee retains the ability to exercise discretion to adjust payments up or down in exceptional circumstances where they feel this course of action is appropriate, including one-off transaction payments, but this would only be with major shareholder approval. The annual bonus plan pays at the following levels with the maximum bonus opportunity being 200%: • on target awards for Executive Directors are equivalent to 50% of base pay; • stretch awards for Executive Directors are equivalent to 100% of base pay; • super stretch awards for Executive Directors are equivalent to 150% of base pay; and • maximum awards for Executive Directors are equivalent to 200% of base pay.
Variable Share-based incentive plans DSOP	Designed to reward and retain Executive Directors over the longer term whilst aligning an individual's interests with those of shareholders.	Discretionary awards of typically nil-cost options are granted over the Company's shares. Level of vesting is dependent on achievement of performance targets, usually over a three year performance period from the date of grant. Awards typically vest after three years from the date of grant with the threshold vesting level being 50% of the award value. Awards are typically either exercisable at date of vesting or with a split exercise in the third and fourth year. Awards made to Executive Directors will be subject to post-vesting holding requirements with any award vesting in three years subject to a two year post-vesting holding period and a one year post-vesting holding period applied to awards with a four year vesting.	Awards do not vest until the third anniversary of the date of grant and may have a deferral element. If employment ceases during the vesting period, awards will by default lapse in full, unless the Remuneration Committee exercises its discretion. The maximum level of award is a 300% base pay multiple, unless the Board determines that exceptional circumstances exist which justify exceeding this limit, in which case options will not exceed 400% of base pay. In line with the DSOP Rules, the Remuneration Committee has discretion over all aspects of the plan including but not limited to performance conditions, vesting conditions and levels and cancellation of the plan.

Remuneration Policy continued

Summary of remuneration components of Executive Directors continued

Component	Aim and link to strategy	Description of operation and any performance measures	Further detail on maximum opportunity and framework used to assess performance
Variable Share-based incentive plans SVP	Designed to reward and retain Executive Directors over the longer term whilst aligning an individual's interests with those of shareholders and in turn delivering significant shareholder value.	The SVP is designed to enable participants to share in the incremental value of the Group in excess of an opening valuation, as determined by the Remuneration Committee. Each award entitles the participant to purchase a fixed number of separate shares ('Participation Shares') in an appropriate subsidiary company. The number of publicly traded shares in the Company issued to each participant is determined by the incremental value pool created above a hurdle and therefore returned to shareholders. The vesting of awards will be subject to continued employment and the satisfaction of performance conditions and/or other specified events as determined by the Remuneration Committee. The Remuneration Committee has discretion to apply other appropriate performance conditions as it sees fit. Participation Shares that are purchased by participants are acquired at market value and participants are offered a loan from the Company at a commercial rate of interest in order to fund such a purchase. When the awards vest the Participation Shares will have a value equal to the corresponding percentage they represent of the incremental value (if any) of the Group businesses at the time of vesting in excess of the applicable opening valuation and shall then be purchased by the Company for cash and/or by the issue (or transfer) of ordinary shares in the capital of the Company. Any loan made to the participants to acquire Participation Shares will be required to be repaid at that time. If the market value of the Participation Shares is less than the amount of the outstanding loan (and any accrued interest) then the participant may be required to repay a proportion of the loan (up to 20%), the amount of which the Remuneration Committee may use its discretion to determine. Executive Directors will be required to hold 100% of any vested shares for a period of twelve months following vesting. Other participants will usually be required to hold 50% of vested shares for a twelve month period. Participation Shares are generally forfeited to the value of the original loan plus accrued interest in the event that a participant leaves the Company prior to the vesting date. As a result of the Public to Private Transaction, which completed on 12 March 2021, the Group has settled all schemes on this date. Please see note 5 for more details.	Awards are discretionary and are typically made as a 'block award' to last four years rather than an annual award. Each participant is entitled to purchase an agreed number of Participation Shares, with no participant being awarded more than 10% of the value of the pool created. 60% of the award vests after three years, with the remaining 40% of the award vesting after four years. Vesting may occur earlier if the Company was taken over, subject to the discretion of the Remuneration Committee. A cap on the total value of the awards that vest at the end of the four year period applies and total awards will not result in a dilution of the issued share capital of the Company of more than 2.75%. In line with the SVP Rules, the Remuneration Committee has discretion over all aspects of the plan including but not limited to performance conditions, vesting conditions and levels and cancellation of the scheme.

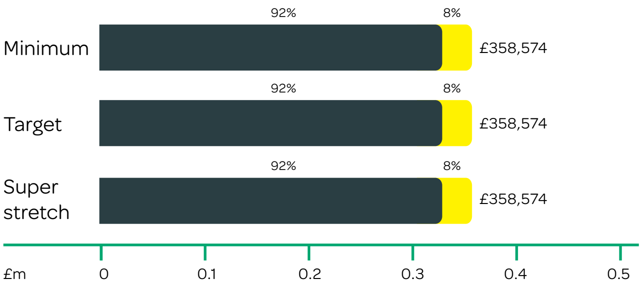
(1) See Note 1 to the consolidated financial statements for Headline EBITDA definition and note 9 to the consolidated financial statements for a reconciliation of Headline information to Statutory information.

Remuneration scenarios

The charts below illustrate the level of total remuneration the current Executive Directors could receive under the Remuneration Policy based on three levels of performance to ensure alignment with returns, which are received by our shareholders at: 'minimum', 'on target' and 'maximum' levels of performance. The 'on target' level of total remuneration represents performance in line with the Company's expectations and 'maximum' is considered to be the maximum level of total remuneration in practice.

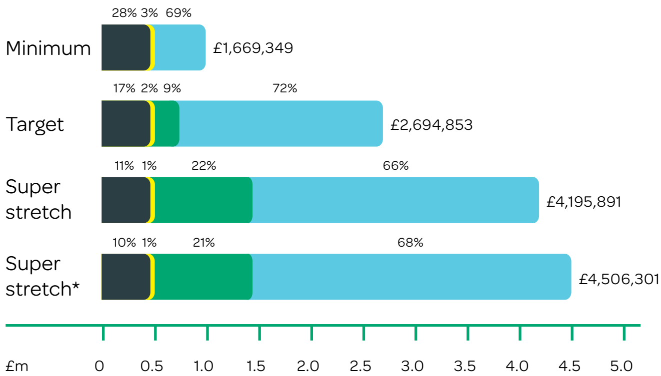
Executive Chairman

Sir Charles Dunstone



Chief Executive Officer

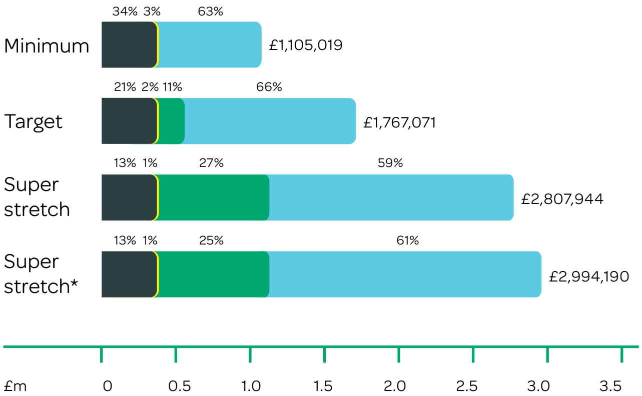
Tristia Harrison



* +50% share price increase.

Chief Financial Officer

Kate Ferry



* +50% share price increase.

Base pay | Benefits, pension and car allowance | Annual bonus | LTIP

(1) Base pay is actual base pay for the FY20.

(2) Taxable benefits are at the level over the FY20.

(3) Pension is based on a 6% Company contribution/cash for Tristia Harrison and Kate Ferry. Sir Charles Dunstone does not participate in the pension scheme.

(4) Annual performance bonus is at 50% of base pay for target performance, 100% of base pay for stretch performance and 200% of base pay for maximum performance. Sir Charles Dunstone does not participate in the annual performance bonus.

(5) For these purposes, a DSOP award with a maximum value of 400% of salary for CEO and 300% for CFO have been used, with valuation reflecting the Company value and associated share price growth required for vesting at minimum, target and super stretch levels. The maximum DSOP award under our remuneration policy is 400%. Sir Charles Dunstone does not participate in any long term incentive plan.

(6) Company DSOP awards are typically nil priced options which vest at the end of a three year performance period, subject to achieving a pre-determined compound annual growth rate in company market capitalisation. The maximum remuneration receivable, assuming 50% share price appreciation during the performance period, would be £3,060,000 for Tristia Harrison and £1,836,000 for Kate Ferry. This calculation reflects the DSOP award vesting at a maximum (13% CAGR) level and also any subsequent face value share price growth above maximum vesting level. Sir Charles Dunstone does not participate in any long term incentive plan.

Other share-based remuneration

Save-As-You-Earn (SAYE) Scheme

Until the Public to Private Transaction, the Company operated an all-employee, HMRC-certified, SAYE scheme, which all eligible employees and Executive Directors were able to participate in. All eligible employees were invited to join the scheme on an annual basis, subject to maximum participation levels, currently £500 per month. Details of current schemes can be found in the Annual Report on Remuneration section of this report.

Share Match Plan (SMP)

Until the Public to Private Transaction, the Company operated an all-employee, HMRC-certified SMP scheme. The SMP enabled eligible employees to purchase market priced shares by entering into a partnership share agreement and holding such shares in trust for up to five years. The SMP Rules allow an employee maximum contribution of £1,800 per annum. The Remuneration Committee, at its discretion, could award matching and/or free shares to eligible participants. Matching shares may be granted up to a maximum ratio of two matching shares for each partnership share purchased by a participant. Dividends accrued on shares, including matching shares, during any vesting period.

Free shares could be awarded up to a maximum value of £3,600 tax free per annum and the Company provided one matching share for each partnership share purchased by participating employees or Executive Directors.

Service contracts and remuneration packages

Service contracts for Executive Directors

Under the Executive Directors' service contracts, both parties are required to give twelve months' notice of termination of employment. At the Company's discretion, it may terminate the contract immediately and not require the Executive Director to work their notice and instead pay twelve months' contractual pay plus benefits. The Executive Directors' service contracts also include a twelve month non-compete period.

These contracts are available for inspection at the Company's registered office.

Recruitment policy for new hires

When hiring a new Executive Director, the Remuneration Committee will align the remuneration package with the Remuneration Policy, including the maximum limits for each remuneration component.

The Remuneration Committee will take all relevant factors into consideration when making a remuneration decision on a new Executive Director hire to ensure that these decisions are being made in the best interests of the Company and its shareholders, including, but not limited to:

Remuneration Policy continued

Recruitment policy for new hires continued

- quantum;
- type of remuneration being offered;
- the impact on existing remuneration arrangements for other Executive Directors;
- the remuneration package of any exiting equivalent Executive Director; and
- the remuneration arrangements of the candidate in their previous role.

In hiring a new Executive Director, the Remuneration Committee may also make a ‘buy-out’ award to an external candidate in compensation for any remuneration arrangements forfeited on leaving a previous employer. In making such an award, the Committee will take into consideration relevant performance conditions, vesting periods and the form in which the award was made. It is usual that any ‘buy-out’ awards will be made on a comparable basis. In exceptional circumstances, the Remuneration Committee may make an exceptional award under one of the Company’s existing long-term incentive plans in order to compensate a candidate for any remuneration arrangements forfeited on leaving a previous employer.

The Remuneration Committee would only consider making such awards where the individual has lost an award as a result of joining the Group and awards will be subject to continued employment and performance conditions, as appropriate. Following the appointment of a new Executive Director, the shareholders will be informed of the details as soon as practicable.

The Remuneration Committee emphasises that such discretion would only ever be used in genuinely unforeseen and exceptional events where it would be disproportionate to seek shareholder approval at a general meeting. The Remuneration Committee considers that in practice such events would arise highly infrequently, if at all, for the duration of the Remuneration Policy. Where such an event arises, the Remuneration Committee will consult with major shareholders and an explanation on how discretion has been exercised would be provided in the following year’s Remuneration Report.

Relocation packages

There may be occasions when hiring a new Executive Director that a relocation package is awarded, where a candidate and/or the candidate’s immediate family relocate either on a temporary or permanent basis in order to fulfil their role for the best interests of the Company and its shareholders. In such instances, the Remuneration Committee retains the right to compensate for reasonable and appropriate relocation expenses.

Expatriate packages

On appointing a new Executive Director, the Remuneration Committee may offer assistance where a candidate and/or the candidate’s immediate family is asked to relocate either on a temporary or permanent basis, from an overseas location to the UK or from the UK to an overseas location. In such instances, the Remuneration Committee retains the right to compensate for reasonable and appropriate relocation expenses.

Remuneration Policy for internal promotions

When an existing employee of the Company is promoted internally to the role of Executive Director, the Remuneration Committee will align the remuneration package with the Remuneration Policy, including the factors it considers for new hires.

Any remuneration awarded prior to promotion to the role of Executive Director will be retained and will be subject to the previous payment terms. The shareholders will be informed of any such remuneration in the Remuneration Report following promotion.

Exit payments

The Company operates the following policy in respect of exit payments:

- Executive Directors have a twelve month notice period from the Company and they in turn are asked to give the Company twelve months’ notice.
- Exit payments in relation to the service contract are limited to no more than one year’s contractual pay plus other benefits, and any contractual notice pay, unless determined otherwise by the Board in exceptional circumstances, or unless otherwise dictated by law.
- The Remuneration Committee may use its discretion to determine appropriate bonus amounts and the vesting of any share-based award, taking into consideration the individual circumstances under which an Executive Director is leaving the Company.

The default position is for annual bonus amounts and the vesting of share-based awards for ‘good leavers’ to be pro-rated for time served from the start date of the scheme to the individual’s exit date and will be subject to the applicable rules of the scheme. The Remuneration Committee will have sole discretion to determine the ‘good leaver’ status of an Executive Director. The Committee will determine on a case-by-case basis whether any vesting of a share-based award is appropriate.

How the Remuneration Committee exercises discretion

The Remuneration Committee has discretion relating to annual bonus, SVP and DSOP in line with its rules and according to the Remuneration Policy, and below provides further clarification on such discretion.

These include but are not limited to:

- timing of an award/payment;
- size of an award or bonus payment in line with the approved Remuneration Policy;
- performance and vesting conditions in line with the relevant scheme rules;
- cancellation of the scheme in line with the relevant scheme rules;
- dealing with a change of control; and
- treatment of leavers in line with the relevant scheme rules.

Any use of discretion within the Policy framework will be explained in the Remuneration Report. There may be exceptional circumstances under which the Remuneration Committee may use discretion or judgement in the interests of the Company and its shareholders, which may be discussed with major shareholders on a case-by-case basis.

Fees for Non-Executive Directors

The Non-Executive Directors do not take part in discussions on their remuneration. Each of the Non-Executive Directors has a letter of appointment substantially in the form suggested by the Code, and each has a three month notice period with no compensation for loss of office. The Company has no age limit for Directors. The dates of each contract are set out on page 31 of this report.

The fees for Non-Executive Directors are set out on page 49 of this report. These fees are reviewed (but not necessarily increased) on an annual basis, taking into account the responsibilities of the role and their participation in the various Governance Committees of the Company.

Non-Executive Directors are not entitled to participate in any annual or long term incentive plans, or any pension arrangements.

External appointments

The Board supports Executive Directors holding Non-Executive Directorships of other companies and believes that any such appointments are part of the continuing development of the Executive Directors from which the Company will ultimately benefit. The Board has reviewed all such appointments and those appointments that the Board believes require disclosure pursuant to the Code are set out on page 30 of this report. The Board has also agreed that the Executive Directors may retain their fees from such appointments.

Annual Report on Remuneration

The following sections set out how the Remuneration Policy was implemented in FY21 and how it will be implemented for FY22.

Single figure of remuneration*

To assist shareholders' understanding and in line with the Regulations, the table below provides a single figure of remuneration for each Executive Director. All figures reflect remuneration for the eleven month financial year. The information for Non-Executive Directors is included in the table on page 49 of this report.

FY21

	Fixed pay			Variable pay				
Executive Director	Base pay[1] £000	Taxable benefits[2] £000	Pension[3] £000	Bonuses[4] £000	LTIP £000	SAYE gain £000	Notice £000	2021 total £000
Sir Charles Dunstone	**330**	**28**	**–**	**–**	**–**	**–**	**–**	**358**
Tristia Harrison	**468**	**16**	**28**	**–**	**–**	**–**	**–**	**512**
Kate Ferry[5]	**374**	**14**	**22**	**–**	**–**	**–**	**865**	**1,275**
Aggregate emoluments	**1,172**	**58**	**50**	**–**	**–**	**–**	**865**	**2,145**

(1) Value of base pay received in the eleven month financial year.

(2) Value of benefits received by the Executive Director in the year.

The components of taxable benefits are as follows:

- car allowance – cash amount received in the year; and
- private medical insurance – cost to the Company in the year for the Executive Director and their family.

(3) Value of pension contribution made or cash in lieu paid made by the Company in the year.

(4) Value of annual bonus payable in respect of the year and based on performance for the financial year.

(5) Kate Ferry stepped down from the Board on 12 March 2021 and left employment with the company on 31 March 2021. The figures shown include notice payments in relation to base pay, car allowance, benefits and pension in line with the Company's exit payment policy.

FY20

	Fixed pay			Variable pay				
Executive Director	Base pay[1] £000	Taxable benefits[2] £000	Pension[3] £000	Bonuses[4] £000	LTIP £000	SAYE gain £000	Other[5] £000	2020 total £000
Sir Charles Dunstone	360	22	–	–	–	–	–	382
Tristia Harrison	510	17	31	–	–	–	510	1,068
Kate Ferry	408	15	25	–	–	–	408	856
Aggregate emoluments	1,278	54	56	–	–	–	918	2,306

(1) Value of base pay received in the year.

(2) Value of benefits received by the Executive Director in the year.

The components of taxable benefits are as follows:

- car allowance – cash amount received in the year; and
- private medical insurance – cost to the Company in the year for the Executive Director and their family.

(3) Value of pension contribution made or cash in lieu paid made by the Company in the year.

(4) Value of annual bonus payable in respect of the year and based on performance for the financial year.

(5) Other payment relates to the Fibre Assets Business transaction payment. Payment for both CEO and CFO was equivalent to 100% of salary as a one-off payment.

Appointments in FY21

Paul Reynolds was appointed as a Non-Executive Director of the Company with effect from 1 April 2020 and also appointed chair of a new Board committee in respect of FTTP. His fees were set in line with Company policy for Non-Executive Directors' remuneration.

In line with the Remuneration Policy, the Remuneration Committee considered both internal and external factors when setting the remuneration packages for the newly appointed Non-Executive Director, in order to ensure that the decisions taken were made in the best interests of the Company and its shareholders.

Postyear-end and following Kate Ferry's resignation as a Board member, Phil Eayres was appointed as CFO.

Leavers in FY21

There were no Board resignations during FY21. However, post year-end and following the Public to Private Transaction, Kate Ferry, Ian West, Sir Howard Stringer, Phil Jordan and Nigel Langstaff all stepped down as Board members.

Annual Report on Remuneration continued

Base pay

FY21

With due consideration of the impact of Covid-19 on the global and UK economy in 2020, the Company determined that a base pay increase for Executive Directors and all other employees was not appropriate in FY21.

FY22

For FY22, average base pay increases for all employees, including Executive Directors, will be budgeted at 2%. Any such increases will be applied in June 2021 and will not be backdated to the start of the financial year.

The Company has allocated budget so that adjustments continue to be made in order to ensure that no employee of the Company is in receipt of base pay lower than the Real Living Wage, in line with the commitment made in prior years.

Pension contributions*

FY21

During the course of the year, Executive Directors received Company pension contributions in line with the Remuneration Policy. There were no Executive Directors who were members of a defined benefit pension scheme during the year.

Pension contributions for Tristia Harrison and Kate Ferry were made by the Company of 6% of their base pay for FY20. Sir Charles Dunstone does not participate in the Company pension scheme.

FY22

In FY22, pension contributions for Tristia Harrison, Kate Ferry and Phil Eayres (and all other employees of the Company) will be capped at 6% of base pay. This contribution level will be reviewed periodically in order to ensure compliance with future statutory auto enrolment minimum thresholds.

Annual performance bonus

FY21

For FY21, an entry gate was applied to the annual bonus plan, which must be triggered for any bonus payment to be considered. The entry gate was a balanced scorecard of 15 measures including FTTP roll-out, Fibre mix, Ofcom complaints, First Time Fix, IT Incidents, Network Cost and Network Performance. The annual performance bonus was determined based on Headline EBITDA and operating cash flow financial targets. Performance is as set out in the table below and, in line with the Remuneration Policy. Executive Directors had an incentive opportunity in the range of 0% to 200% of base pay.

The Remuneration Committee carefully considered performance against the annual bonus plan targets for FY21, taking into consideration the wider business performance in the year and the ongoing impact of Covid-19 and the impact of the change in the Company's financial year end. Despite strong KPI delivery through the year, which opened the annual bonus gate, the Headline EBITDA and free cash flow financial targets, which underpin the annual bonus plan and govern the bonus quantum, were not achieved. Therefore, the Remuneration Committee determined that no annual bonus payment would be due to Executive Directors for FY21.

Achievement against the targets is presented in the table below:

Measure(1)	Weighting	Target performance	Stretch performance	Maximum performance	Actual performance	Performance against target	% base pay received in relation to measure
Headline EBITDA(2)(3)	40%	226	235	>253	198	Miss	–
Free cash flow(4)	60%	111	116	>125	105	Miss	–

(1) A balanced scorecard entry gate applied to the plan which had to be triggered for any bonus payment to be made.

(2) See note 1 to the consolidated financial statements for further information on Headline EBITDA and note 9 to the consolidated financial statements for a reconciliation of Headline information to Statutory information.

(3) Headline EBITDA performance measures are pre-FRS 16 adjustments and reflect the approved annual targets, adjusted for the eleven month performance period.

(4) Operating cash flow is cash flow generated by the Group before non-Headline items, interest, taxation, dividends and investments. Targets are adjusted to reflect the eleven month performance period.

FY22

A review of the annual bonus plan was conducted in FY21 to ensure that the performance measures in the balanced scorecard continue to be aligned to Company strategy. The expected performance measures and their weightings for FY22 are set out below:

Expected performance measure	Expected weighting
Financials(1)	100%

(1) Financials are expected to be measured through Headline EBITDA and Operating cash flow.

An entry gate will be applied to the annual bonus plan, which has to be triggered for any bonus payment to be made. The entry gate will be a balanced scorecard of measures including FTTP roll-out, Fibre mix, and NPS/customer satisfaction.

The Board has determined that the disclosure of performance targets for FY22 continues to be commercially sensitive and they are therefore not disclosed in this report. These targets are determined within the context of a longer term business plan and the disclosure of these targets could give information to the Group's competitors to the detriment of business performance.

The Remuneration Committee will disclose targets and performance against all of these measures in next year's Remuneration Report.

Share-based incentive plans*

FY21

The single figure of remuneration includes amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Executive Directors. Details of the options for the Executive Directors who served during the year are as follows:

The TalkTalk Group SVP III

Participation Shares were acquired at market value on 20 July 2017 for all participants with the exception of Kate Ferry, whose Participation Shares were acquired on her joining the Company, and loans were granted by the Company on the same basis as the SVP awarded in 2014.

There is one performance condition on which vesting is dependent:

- At least a 7% compound annual increase in the market capitalisation of the Company from the starting valuation over the following three and four year periods.

Subject to meeting the relevant performance conditions, the scheme would vest 60% in June 2020, with the remaining 40% vesting twelve months later. On vesting, all Participation Shares must be held for twelve months from the vesting date for Executive Directors and 50% of Participation Shares for a minimum of twelve months from the vesting date for other participants. If the market value of the Participation Shares is less than the amount of the outstanding loan (and any accrued interest), then the participant may be required to repay a proportion of the loan, the amount of which the Remuneration Committee may use its discretion to determine, up to a maximum of 20%.

Interest is accrued on the loan on an annual basis, which is set by HMRC and was charged at 2.5% during the year. A subsequent loan is provided to participants on an annual basis, until the scheme vests, at which point the loans plus accrued interest are repaid. Loans were outstanding to the following Executive Directors in FY21:

Executive Director	2021 % share of pool(1)	2021 Number of Participation Shares purchased	2021 Outstanding loan and interest(2) £000
Tristia Harrison(3)	10%	200	163
Kate Ferry(4)	7%	140	89
	17%	340	252

(1) SVP III Participation Shares were acquired by participants on 20 July 2017.

(2) The fair value of the award is equal to the outstanding loan and interest.

(3) The outstanding loan value includes the 20% liabilities rolled over from Tranche 1 and Tranche 2 of SVP I.

(4) Kate Ferry's SVP III Participation Shares were acquired on 9 October 2017 on her start date with the Company.

The remaining shares in the SVP pool were allocated to other senior management members of the Group.

There was no clawback in respect of SVP, SVP II or SVP III during FY21.

Outstanding DSOP share option awards at 28 February 2021*

Tristia Harrison	1 April 2020	Awarded/ granted	Dividend reinvested	Vested	Total share options at 28 Feb 2021	Vesting date	Grant price
DSOP19(1)	1,451,613	–	–	–	1,451,613	12 September 2022	£1.054
DSOP20(2)	–	2,276,786	–	–	2,276,786	19 June 2023	£0.896

Kate Ferry	1 April 2020	Awarded/ granted	Dividend reinvested	Vested	Total share options at 28 Feb 2021	Vesting date	Grant price
DSOP19(1)	967,742	–	–	–	967,742	12 September 2022	£1.054
DSOP20(2)	–	1,366,071	–	–	1,366,071	19 June 2023	£0.896

(1) Nil priced unapproved options granted on 12 September 2019. The number of share options awarded was calculated using the average closing price of a TalkTalk Group share for the five days prior to the grant.

(2) Nil priced unapproved options granted on 19 June 2020. The number of share options awarded was calculated using the average closing price of a TalkTalk Group share for the five days prior to the grant.

No Executive Directors exercised share options in FY20, nor do they currently hold any vested but unexercised share options.

There were no changes to options granted and the main conditions of their exercise in FY21 when compared to the prior year.

FY22

SVP

The Company will review its long term incentivisation and retention approach for Executive Directors and determine the most appropriate approach.

Annual Report on Remuneration continued

All-employee share plans*

SAYE scheme

The SAYE scheme is a share option scheme and is certified with HMRC. All UK Executive Directors and employees of participating companies within the Group are eligible to participate in the SAYE scheme as long as they have been employed for a qualifying period. To participate in the SAYE scheme an eligible employee must enter into a sharesave contract and agree to make monthly contributions between £5 and £500 for a specified period of three or five years.

Options granted to acquire shares in the Company under the SAYE scheme have an option price determined by the Board, which will be not less than the higher of 80% of the middle market quotation price or their nominal value.

No Executive Directors were awarded share options under the 2020 SAYE scheme.

No Non-Executive Directors participated in the SAYE scheme.

Further details of the features and operations of the SAYE scheme can be found in note 5 to the consolidated financial statements.

SMP

In June 2014, the Company introduced an all-employee, HMRC-certified SMP, which had been approved by the Remuneration Committee during the previous financial year. This enables eligible employees to purchase market priced shares by entering into a partnership share agreement and holding such shares in trust for up to a five year period. Approval for the SMP was granted by shareholders at the AGM on 24 July 2013.

No Executive or Non-Executive Directors participated in the SMP scheme in FY21.

Additional information

Shareholding requirements*

Executive Directors are required to build and retain a minimum shareholding in the Company, equivalent to 200% of base pay. Current shareholdings as at 28 February 2021 are set out below for Executive Directors:

Director	Holding requirement as a % of base pay	Actual holding	Requirement satisfied	Actual share ownership as a % of base pay(1)
Sir Charles Dunstone	200%	342,286,127	Yes	100,611%
Tristia Harrison	200%	2,350,313	Yes	488%
Kate Ferry(2)	200%	139,835	No	36%

(1) Share price on 28 February 2021 of £0.97 used for calculation.

(2) Kate Ferry joined the Company in 2017 and has the opportunity to build up her shareholding over a number of years in line with the Remuneration Policy.

There have been no changes to the shareholding of executive shareholders between 28 February 2021 and the Public to Private Transaction, which became effective on 12 March 2021 whereby Sir Charles Dunstone and Tristia Harrison rolled their entire shareholding over into Tosca IOM Limited. Due to the resignation of Kate Ferry on 12 March 2021, the cash option was elected.

Whilst there are no shareholding requirements for Non-Executive Directors, this is encouraged within the Company. Current shareholdings as at 28 February 2021 are set out below for Non-Executive Directors:

Director	Ordinary shares of 0.1p: 28 February 2021	Ordinary shares of 0.1p: 31 March 2020	Date of contract(2)
John Gildersleeve	**291,866**	291,866	20 January 2010
Ian West	**364,714**	364,714	8 February 2011
Sir Howard Stringer	**–**	56,000	26 July 2012
Roger Taylor	**11,326,688**	9,826,688	11 November 2015
Nigel Langstaff	**299,736**	299,736	15 November 2017
Phil Jordan	**42,750**	–	16 October 2018
Paul Reynolds(1)	**–**	–	1 April 2020

(1) Appointed as a Non-Executive Director of the Company with effect from 1 April 2020.

(2) There were no Non-Executive Directors proposed for re-election during FY21. The notice period for all Non-Executive Directors is three months.

Additional information continued

Fees for Non-Executive Directors

Remuneration for Non-Executive Directors is set by the Board, taking account of the commitments and responsibilities of the role and their participation in the various Governance Committees of the Company.

The fees for Non-Executive Directors and their appointment dates are set out in the tables below. Non-Executive Directors are not eligible to participate in annual bonus, LTIP and pension arrangements.

Non-Executive Director	**Fees £000**	**Taxable benefits £000**	**2021 total £000**	Fees £000	Taxable benefits £000	2020 total £000
John Gildersleeve	**73**	**–**	**73**	80	–	80
Ian West	**62**	**2**	**64**	80	1	81
Sir Howard Stringer	**50**	**–**	**50**	53	–	53
Roger Taylor	**46**	**2**	**48**	50	2	52
Nigel Langstaff	**55**	**–**	**55**	60	–	60
Phil Jordan	**55**	**–**	**55**	58	–	58
Paul Reynolds(1) (2)	**49**	**–**	**49**	–	–	–
John Allwood (3)	**–**	**–**	**–**	18	–	18
Cath Keers (4)	**–**	**–**	**–**	15	–	15
Aggregate emoluments	**390**	**4**	**394**	414	3	417

(1) Appointed as a Non-Executive Director of the Company with effect from 1 April 2020. A Non-Executive Director fee of £45,000 per annum was set, in line with other Non-Executive Directors of the Company.

(2) Appointed as FTTP Chair on 1 July 2020 with a fee of £12,000 per annum set.

(3) Stepped down on 17 July 2019.

(4) Stepped down on 17 July 2019.

There were no changes to fee levels for Non-Executive Directors in the year except where there were changes in the membership of the various Committees of the Board.

Payments to past Executive Directors*

In FY21, there were no payments made to past Executive Directors that are not disclosed elsewhere in the report.

Payments for loss of office*

In FY21, there were no payments made to Executive Directors, past or present, in compensation for loss of office that are not disclosed elsewhere in the report. Payments made to Kate Ferry in the period include notice payments in relation to base pay, car allowance, benefits and pension in line with the Company's exit payment policy. Further details are outlined in the FY21 remuneration table on page 45.

Non-Executive Directors' letters of appointment

The Committees that Non-Executive Directors serve(d) on and dates of appointment are set out below. Commentary on the length of service for Non-Executive Directors and where this has extended beyond a typical three term period is set out in the Corporate Governance section found on page 30 of this report:

Non-Executive Director	Committee membership	Date first appointed to the Board	Effective date of current letter of appointment
John Gildersleeve	Remuneration, Nomination, Compliance	20 January 2010	1 April 2016
Ian West	Audit, Nomination, Remuneration	8 February 2011	16 May 2016
Sir Howard Stringer	Nomination, Remuneration	26 July 2012	1 April 2016
Roger Taylor	Remuneration	11 November 2015	11 November 2015
Nigel Langstaff	Audit	15 November 2017	15 November 2017
Phil Jordan	Security, Audit	16 October 2018	16 October 2018
Paul Reynolds(1)	FTTP	1 April 2020	1 April 2020

(1) Appointed as a Non-Executive Director of the Company with effect from 1 April 2020.

Fees for external Non-Executive appointments

Director	Organisation	**2021 £000**
Tristia Harrison(1)	Next PLC	**51**
Kate Ferry(2)	Greggs PLC	**50**

(1) Annual fees are currently set at £56,834 plus £1,000 for each further day on Company business in excess of the normal time commitment. Pro-rata fees shown to reflect payments received during the Company's eleven month Financial year.

(2) Annual fees are currently set at £60,000 including payment as Chair of the Audit Committee. Pro-rata fees shown to reflect payments received during the Company's eleven month Financial year. NEDs took a voluntary fee reduction of 20% between April and August 2020.

Annual Report on Remuneration continued

Additional information continued

Advice and services provided to the Remuneration Committee

Except when matters concerning their own positions are being considered, the Chief Executive Officer, the Company Secretary and the Chief People Officer are normally invited to attend the meetings of the Remuneration Committee. The Committee may discuss any matter affecting the Chairman without the Chairman being present.

Over the course of FY21, the Remuneration Committee was advised on matters relating to the Public to Private Transaction and associated measures by Osborne Clarke LLP. The Remuneration Committee deems the advisers to be independent from the Company and the advice it received during the year to be appropriate and objective.

The fees paid for services are set out below:

Company	Nature of service	**2021 £000**
Osborne Clarke	Matters related to the planning and implementation of the Public to Private Transaction	**70**

Relative importance of spend on pay

The difference in actual expenditure between FY20 and FY21 on remuneration for all employees in comparison to distributions to shareholders by way of dividends is set out in the graphs below:

Dividend paid (£m)

(£11m)

Total employee pay (£m)

(£5m)

CEO pay ratio

The table below sets out the CEO pay ratio as at 31 March 2021. The report will build up over time to show a rolling ten year period.

The ratios compare the single total figure of remuneration of the CEO of £557,783 with the equivalent pay figures for 25th, median and 75th percentile employees.

		Total Employee Remuneration			Pay Ratio		
	CEO	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020 Ratio	£1,067,525	£35,161	£50,259	£77,821	30:1	21:1	14:1
2021 Ratio	£557,783	£29,155	£42,400	£61,480	19:1	13:1	9:1

		Base Salary			Pay Ratio		
	CEO	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020 Ratio	£510,000	£28,034	£37,528	£56,100	18:1	14:1	9:1
2021 Ratio	£510,000	£27,540	£40,000	£58,000	19:1	13:1	9:1

The calculation methodology used reflects Option B, as defined under the relevant regulations, as it represents an efficient, consistent and robust way to identify the individual reference points for the organisation. This uses our gender pay gap report data, with employees at the three quartiles identified from this data and their respective single figure values calculated. All colleagues were full time employees and as such no adjustments were required within the calculations to determine equivalent full time remuneration.

In calculating these figures, guidance has been followed to exclude any atypical variables that may, if included, lead to a misrepresentation of employee pay and benefits at the relevant percentile. Given this approach, the calculation excludes any one-off ex-gratia payments that are not performance related and the figures quoted align with the Company's wider policies and approach to pay and reward.

Additional information continued

Comparing pay to performance

The following tables and chart show a comparison of total pay for the CEO since the listing of the Company on 29 March 2010, with the remuneration of all other employees and with TSR.

	Single figure of remuneration(1)	Bonus as a % of maximum available	Shares vesting as a % of maximum(2)
2011 £000(3)	920	19.9%	–
2012 £000(3)(4)	967	40.0%	–
2013 £000	5,617	39.2%	100%
2014 £000	6,842	37.6%	–
2015 £000	1,047	47.3%	–
2016 £000(4)	2,810	23.5%	50%
2017 £000(5)(6)	1,142	23.5%	20%
2018 £000(7)	541	–	–
2019 £000	542	–	–
2020 £000(8)	1,068	–	–
2021 £000(9)	**512**	**–**	**–**

(1) The increase in the single figure number in 2013 represents the vesting of the first LTIP award since the listing of the Company.

(2) It is not possible to show this value for the VES/SVP which vested in 2012 and 2013 as it does not have a maximum percentage of shares. However, for information the 2010 DSOP award vested at 100% of the maximum in May 2012.

(3) Maximum bonus for Executive Directors was 200% base pay for FY11 and FY12.

(4) Only the 50% relating to TSR measures of the DSOP 2012 vested in May 2015.

(5) The Remuneration Committee determined that 20% of the DSOP 2013 should vest in May 2016.

(6) The reduction in the single figure number in 2017 represents the lower DSOP percentage vesting and a reduction in the share price from the prior year.

(7) The 2018 information onwards relates to Tristia Harrison in the post of CEO where all prior years relate to Dido Harding.

(8) The 2020 single figure includes payment of a £510,000 Fibre Assets Business transaction payment to Tristia Harrison.

(9) The 2021 single figure reflects total remuneration during the eleven month Financial year to 28 February 2021.

Annual Report on Remuneration continued

Additional information continued

Comparing pay to performance continued

The table below shows the percentage change in total base pay, bonus and taxable benefits for all Directors of the Company relative to the remuneration of the median employee of the Group between 2020 and 2021.

	FY21 Remuneration % change[2]
Charles Dunstone[1]	(6.2%)
Tristia Harrison[1]	(53.7%)
Kate Ferry[1]	(53.6%)
John Gildersleeve	(8.3%)
Ian West	(20.2%)
Howard Stringer	(5.7%)
Roger Taylor	(8.3%)
Nigel Langstaff	(8.3%)
Phil Jordan	(5.9%)
Paul Reynolds	0%
Median Employee[1]	(23.7%)

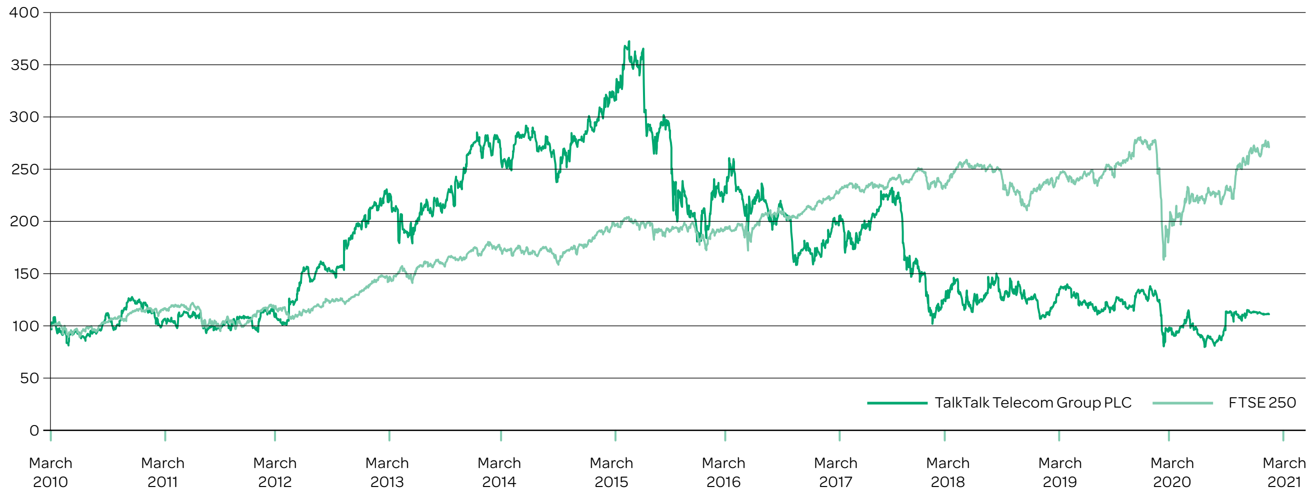
(1) There is no annual bonus payment due for FY21 which has reduced annual remuneration for the CEO, CFO and all employees eligible to participate in the annual bonus scheme.

(2) FY21 remuneration reflects the eleven month financial period, with an associated underlying 8.3% reduction in remuneration relative to FY20.

TSR performance graph

The graph below shows the Group's performance compared to the TSR performance of the FTSE 250 from the date of the Group's listing on 29 March 2010.

The FTSE 250 was selected as it is a broad market index of which the Group is a member.



This Remuneration Report has been prepared in accordance with the Regulations issued under the Companies Act, the UK Corporate Governance Code, the GC100 and Investor Group Directors' Remuneration Reporting Guidance and the Executive Remuneration Principles published by the Investment Association in November 2018. The constitution and operation of the Remuneration Committee are in compliance with the Code.

In framing its Remuneration Policy, the Remuneration Committee has given full consideration to the matters set out in Schedule A of the Code and the Regulations. As required by the Regulations, resolutions to approve the Remuneration Report will be proposed at this year's AGM. Voting regarding the 2020 Remuneration Report was as follows:

	Votes for	Votes against	Votes withheld	Total votes
Remuneration Report	867,521,865	139,572,962	108,742	1,007,094,827
	86.14%	13.86%		

Directors' report

Reporting requirements

The Group is required to produce a Strategic Report complying with the requirements of Section 414A of the Companies Act 2006 (the 'Act'). The Group has complied with this requirement and incorporates a detailed review of the Group's activities, business performance and developments during the period in a way that is fair, balanced and understandable and gives an indication of likely future developments on pages 1 to 29.

The Corporate Governance Statement, as required by Rule 7.2.1 of the Financial Conduct Authority (FCA) Disclosure and Transparency Rules, is set out on pages 30 to 34 of the Corporate Governance Report and forms part of the Directors' Report.

The Group has complied with the requirements of Section 414CB of the Companies Act 2006 by including certain non-financial information within the Strategic Report. This can be found as follows:

- Our business model is on pages 2 and 3.
- Information regarding the following matters, including policies, the process implemented in pursuance of the policies and outcomes of those policies, can be found on the following pages:
  - environmental matters on pages 28 and 29;
  - employees on pages 27 and 28;
  - social matters on page 26;
  - anti-corruption and anti-bribery matters on page 28; and
  - human rights and modern slavery on page 28.
- Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 13 to 17, including a description of the business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and a description of how the principal risks are managed.
- Key performance indicators of the Group, including those non-financial indicators, are on pages 6 and 7.
- The Business and financial review (pages 8 to 12) includes, where appropriate, references to, and additional explanations of, amounts included in the Group's financial statements.

Suppliers' payment policy

It is the Company's policy to develop and maintain key commercial relationships with its suppliers, one aspect of which is payment timing, to obtain mutually agreed payment terms. The Company has agreed longer commercial credit terms with certain suppliers; this includes an arrangement with a major distribution partner, under which the liabilities continue to be recognised in trade payables. Including this supplier, the average credit period taken on trade payables was 55 days in FY21 (FY20: 45 days).

Capital structure

The rights and obligations relating to the Company's shares are set out in the Articles of Association. The Articles of Association can be requested from the Company Secretary at the Company's registered office.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time to time. In accordance with the Disclosure and Transparency Rules, certain employees including the Executive Directors are required to seek approval to deal in the Company's shares. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights.

There is a general right of the Company to purchase its own shares, as set out in Article 16 of the Company's Articles of Association.

During the period, TalkTalk Telecom Holdings Employee Share Ownership Trust (ESOT) purchased approximately 24 million ordinary shares of 0.1p each in the capital of the Company for a total consideration of approximately £19m. The ESOT holds shares for the benefit of the Company's employees, and in particular for satisfying the vesting of awards made under the Company's various employee share schemes. The Trustees of the ESOT decide whether to vote or abstain.

The Articles of Association may be changed by special resolution.

The Company had a total of 1,146,269,670 ordinary shares in issue at 28 February 2021.

Details in the movements in authorised and issued share capital during the period are provided in note 23 to the consolidated financial statements.

Details in relation to share schemes are provided in note 5 to the consolidated financial statements.

In light of the Public to Private Transaction completing after the year-end, any changes to the capital structure of the Group will be outlined in next year's Annual Report.

Going concern

The Directors are required to satisfy themselves that it is reasonable for them to conclude that it is appropriate to prepare the financial statements on a going concern basis. This going concern assessment has given consideration to the Group's available financing facilities, business model, strategy, regulatory environment, principal risks and uncertainties, recent financial performance and outlook, which are detailed in the Strategic Report on pages 1 to 29.

Assessment of going concern

The going concern assessment has been carried out as follows:

- The assessment of going concern is carried out with reference to available financing facilities and the associated covenants.
- The Group's annual budget is used to calculate the net debt position, covenant compliance and available headroom over the going concern period.
- Severe but plausible scenarios are modelled to quantify the impact of an individual risk materialising over the going concern period. These are then combined to calculate the impact of multiple risks materialising over the period. These together provide the Group with its 'reasonable worst case scenario'.
- Mitigating actions which could be taken are identified, quantified and included in the assessment.
- The reasonable worst case scenario, along with mitigating actions, is then used to test that the Group would continue to have headroom in its available financing facilities and comply with the associated financial covenants over the going concern period.

Key considerations

The Directors have also assessed the going concern position for the Group together with the prospects of the Company over a three year period for the purposes of the viability statement, the details of which are set out on pages 33 and 34. The going concern and viability assessments are closely linked and therefore the approach, considerations and conclusions of the going concern assessment are also directly relevant to and should be read in conjunction with the viability assessment. Both the going concern and viability assessments have given specific consideration to the potential implications of Covid-19 and Brexit, which are further detailed as part of the assessment of the Group's principal risks and uncertainties on pages 13 to 17.

Financing facilities

The Group has committed financing facilities at the date of this going concern assessment of £1,090m and further information is provided on page 12 and in notes 20 and 21 of the financial statements on the Group's borrowings, cash and financial risk management objectives. The majority of these facilities have maturity dates beyond both the going concern and viability assessment periods; it is expected that refinancing of facilities will be possible in future periods.

Long range forecasts, risks and uncertainties

The Group's long term forecasts, being the annual budget combined with the annual three year plan, which are both approved by the Board, have been used to measure the going concern and future viability of the Group. These cash flow forecasts have taken into account typical cash cycles of the Group, timings of cash inflows and outflows and their effect on period end/covenant date net debt positions and cash management activities of the Group. Due to these factors net debt drawn under the Group's facilities fluctuates throughout the period and may be higher than the amount reported at 28 February 2021.

Going concern continued

Key considerations continued

Long range forecasts, risks and uncertainties continued

The going concern and viability of the Group have been assessed taking into account the potential impact of certain scenarios arising from the principal risks and uncertainties. In particular, the Board has considered the potential impact of Covid-19 and Brexit on trading performance and the wider business, sustainability of the business model, supplier pricing agreements, the impact of customer trust and brand reputation on churn, how the market environment and competitive pressures may impact ARPU, the regulatory environment, advances in technology and the Group's ability to raise long term funding. These risks and their potential impacts reflect the Group's assessment of its principal risks and uncertainties – further information on these risks can be found on pages 13 to 17. The specific scenarios considered are set at a level considered to be sufficiently severe but reflective of a reasonable downside scenario.

Mitigating actions

If faced with the reasonable worst case scenario, the Board also considered possible mitigating actions available to the Group to maintain liquidity, such as utilising uncommitted facilities, short term cost reduction actions and reducing or delaying capital expenditure.

Reverse stress test

In addition to the development of the reasonable worst case scenario, a reverse stress test was carried out by the Group to assess what combination of hypothetical scenarios could result in the Group no longer being in compliance with its financing facilities, which included combining multiple trading and operational sensitivities along with a significant one-off event such as a material cyber attack. The Directors consider that such a combination of multiple possible risks occurring to such a material extent is not a reasonable scenario to adversely impact the going concern or viability assessments.

Going concern conclusion

Based on this assessment, as well as the completion of a reverse stress test assessment, the Directors have a reasonable expectation that the Group has sufficient resources to continue its operations for the foreseeable future, and accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Borrowings and financial instruments

The disclosures required in relation to the use of financial instruments by the Company, including the financial risk management objectives and policies (including in relation to hedging), specific quantitative information on borrowings and financial instruments, and the exposure to foreign exchange risk, interest rate risk, liquidity risk and credit risk can be found in notes 20 and 21 to the consolidated financial statements and the risks and uncertainties section of the Strategic Report on pages 13 to 17, which are incorporated by reference to this report.

Board of Directors

The Board of Directors is outlined within the Corporate Governance Report on pages 30 to 34.

Results and dividends

The Group's results and dividends for the period ended 28 February 2021 are set out in the consolidated income statement and note 8 on pages 66 and 85 respectively. The Company may, by resolution in a general meeting, declare dividends in accordance with the respective rights of the members, but no dividend can exceed the amount recommended by the Board.

The Board remains committed to improving profitability and cash generation and reducing leverage. In light of the Public to Private Transaction no interim dividend for the eleven month period ended 28 February 2021 was declared and paid and no final dividend was declared. The Board of Directors will reassess the dividend policy going forwards.

Post-balance sheet events

Details on significant post-balance sheet events, such as the Public to Private Transaction, and the subsequent re-registration from a public company called TalkTalk Telecom Group PLC to a private company called TalkTalk Telecom Group Limited, can be found in the s172 case study in the Strategic Report on pages 22 and 23 and in note 28.

Significant shareholdings prior to Public to Private Transaction

At 10 March 2021, the Company had been notified of the following interests in the Company's shares:

Name	Number of shares	% of share capital
Sir Charles Dunstone	342,286,127	29.86
Toscafund Asset Management	338,409,955	29.52
Mr David PJ Ross	127,885,730	11.16
TalkTalk Telecom Group PLC Employee Share Ownership Trust	25,567,802	2.23
Vanguard Group	20,004,947	1.75

The total interests of the Directors are detailed in the Directors' Remuneration Report on page 48.

Directors' indemnities

Directors' liability insurance is provided for Directors.

Disclosures required under Listing Rule 9.8.4R

As a result of the Public to Private Transaction, the Company is no longer listed and therefore the listing rules do not apply.

Greenhouse gas emissions reporting

Details of the Group's greenhouse emissions can be found in the Corporate Social Responsibility section on pages 28 and 29.

Charitable donations

The Group made c.£0.1m of charitable donations in the period to a variety of different causes including Ambitious About Autism and local food banks and homelessness charities.

Political donations

There have been no political donations during the period.

Employees

Details of the Group's policy with respect to equal opportunities, diversity and inclusivity can be found on page 27 of the Strategic Report.

Details of how the Directors have engaged with employees and how the Directors have had regard to employee interests can be found on page 19 of the Strategic report.

Audit information

At the AGM we will propose a resolution to re-appoint Deloitte LLP as the Group's auditor.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved and authorised for issue and signed on its behalf by:

Tim Morris
Company Secretary

TalkTalk Telecom Group Limited
(formerly TalkTalk Telecom Group PLC)
Soapworks, Ordsall Lane,
Salford M5 3TT
24 May 2021

Directors’ responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, IAS 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity’s financial position and financial performance; and
- make an assessment of the Company’s ability to continue as a going concern.

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Corporate Governance section of the Annual Report, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and the financial statements, as taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.

This Responsibility Statement was approved by the Board of Directors on 24 May 2021 and is signed on its behalf by:

Tristia Harrison
Chief Executive Officer

Phil Eayres
Chief Financial Officer

Independent auditor's report

To the members of TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of TalkTalk Telecom Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2021 and of the group's loss for the 11 month period then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated and parent company balance sheets;
- the consolidated and parent company cash flow statements;
- the consolidated and parent company statements of changes in equity;
- the related notes to the group financial statements 70 to 107; and
- the related notes to the parent company financial statements 111 to 115.

The financial reporting framework that has been applied in their preparation is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the period are disclosed in the Corporate Governance report and note 3 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the audit of the financial statements continued

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- The going concern basis of accounting;
- Disclosure of non-Headline items and the presentation of alternative performance measures in the financial statements; and
- Revenue recognition and the application of IFRS 15.

Within this report, key audit matters are identified as follows:

Newly identified

Increased level of risk

Similar level of risk

Decreased level of risk

Materiality

The materiality that we used for the group financial statements was £6.0m (2020: £5.0m) which was determined on the basis of considering a number of different measures including Statutory loss before taxation, Headline profit before taxation, Headline EBITDA, Statutory revenue and Net assets. This approach is in line with prior year.

Scoping

Based on our assessment of the risks of material misstatement at the group level, we focused our group audit scope primarily on the TalkTalk Consumer ('TTC') and TalkTalk Business ('TTB') operating units. Each of these were subject to a full audit and together this covered over 99% (2020: over 99%) of the group's total revenues. Together with our audit of the group balances, our group audit scope covered 99% of statutory loss before taxation (2020: 86% of statutory profit before taxation) and 99% of net assets (2020: 96% of net assets).

Significant changes in our approach

Last year our report included management override of controls as a key audit matter. We have seen an overall improvement in the control environment and a commitment from management to improve further in this area. We have also seen a reduction in the number of areas requiring the application of judgement and estimation techniques. As such, this is no longer considered an area of most significance for the audit in the current period and we no longer consider this to be a key audit matter.

Our prior year report also included capitalised time and the impairment of network assets as a key audit matter. We no longer consider this to be a key audit matter as this is no longer considered an area of most significance for the audit in the current period.

Lastly, our report included judgements applied in the transition to IFRS 16 – Leases as a key audit matter. As this standard is in its second financial period of adoption and there have been no significant changes to the judgements applied on transition, we no longer consider this to be a key audit matter as this has not had a significant effect on our audit strategy in the current period.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report continued

To the members of TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)

Report on the audit of the financial statements continued

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 The going concern basis of accounting

Key audit matter description	As stated in note 1 to the financial statements, the Directors' report on page 53 and the Audit Committee report on page 36, the consolidated financial statements have been prepared on a going concern basis. The Board of Directors has concluded that there are no material uncertainties, which may cast significant doubt over the Group's and Company's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements. In undertaking their assessment of going concern for the Group, which is supported by the future cash flows of the Group, the Directors reviewed the forecast future performance and anticipated cash flows. In doing so they considered the committed financing available to the Group of £1,090m (2020: £1,290m) per note 20b, which reflects the re-financing in the period including the reduction in the RCF, the bond issued in February 2020 and increased in February 2021 and the renewal of the revolving credit facility in April 2020. The Directors also considered associated debt covenants, their planned strategic initiatives and mitigating actions, the potential impacts caused by Brexit and by the Global pandemic of Covid-19 on the future operations of the business, and other assumptions which are used to create the Group's forecasts as referenced in the Director's Report. Sensitivities to these forecasts have also been determined, including a reasonable worst case scenario involving a prolonged impact of the Global pandemic of Covid-19 and also sensitivities around the ability to fully execute strategic objectives and cost saving actions in the timeframe planned. The forecasts include the continued use of cash management activities in particular around reporting dates and also a number of mitigating actions that the Group would take if required including utilising uncommitted facilities, short term cost reduction actions and reducing or delaying capital expenditure. The Directors have also performed a reverse stress test of the Group's liquidity and considered the results in forming their conclusion. There continues to be uncertainty regarding the impact on the global economy from the Covid-19 pandemic, and as such there is significantly more judgement applied in developing cash flow forecasts including assumptions relating to churn, the level of new connections, pricing, recovery of trade receivables, the anticipated cost savings and also the ability to continue the use of certain cash management activities. Taking into account the sensitivities and identified mitigating actions, the Directors have concluded that the Group has sufficient resources available to meet its liabilities as they fall due and have concluded that there are no material uncertainties around the going concern assumption. We have identified a key audit matter related to going concern as a result of the judgement required to conclude there is not a material uncertainty related to going concern.

Report on the audit of the financial statements continued

5. Key audit matters

5.1 The going concern basis of accounting continued

How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter we completed the following audit procedures: • obtained an understanding of key controls relating to the Group's forecasting process and the preparation of management's going concern models including the review and challenge of the key inputs and assumptions used in those models; • challenged management's board approved three year cash flow forecasts and covenant compliance forecasts, including the impact of Covid-19 and the reverse stress-test; • assessed the appropriateness of the forecast assumptions by: – challenging the key assumptions within the base case forecasts and the reasonable worst case forecast; – reading analyst reports, industry data and other external information and comparing these with management's estimates to determine if they provided corroborative or contradictory evidence in relation to management's assumptions; – comparing forecast sales, gross margin and other costs with recent historical financial information to consider accuracy of forecasting; – enquiring of management regarding their forecast strategic objectives and actions to reduce costs and manage cash flows and challenging the quantum, timing and commitment of those actions with reference to supporting evidence; – testing the mechanical accuracy of the forecasts and the underlying data generated to prepare the forecast scenarios and determining whether there was adequate support for the assumptions underlying the forecast; – assessing correspondence relating to the availability of the Group's financing arrangements, including recalculating the covenant compliance ratios and both the committed and uncommitted facilities; – obtained management's reasonable worst case scenario and challenging management to run further downside scenarios in order to assess the possible impact; – assessing additional downside sensitivities and considered the impact on covenants and liquidity headroom; – challenging the level of identified mitigating actions to reduce costs and assessing whether the mitigating actions were within the Company's control; – assessing the use of cash management activities to reduce net debt at the reporting dates and whether these were within management's control; and – considering the results of the reverse stress-tests performed. • evaluated the Group's disclosures on going concern against the requirements of IAS1.
Key observations	We are satisfied that the Directors' conclusion that the Group has sufficient financial resources over the going concern period. We consider the forecasts prepared by the Directors and their underlying assumptions to be reasonable. We have reviewed the disclosures prepared by the Directors set out on pages 53 and 54 and consider them to be appropriate.

5.2. Disclosure of non-Headline items and the presentation of alternative performance measures in the financial statements

Key audit matter description	The Group presents alternative performance measures to provide supplemental information to enable users of the financial statements to gain an understanding of the Group's financial performance. During the period, the Group has recognised items classified as 'non-Headline items' amounting to a £39m adverse impact prior to the impact on taxation (2020: £82m benefit). The disclosure of non-Headline items and their presentation on the face of the consolidated income statement remains a key audit matter given the level of management judgement involved as inappropriate classification of such items would impact on the disclosure of Headline EBITDA, which is a key performance indicator used by the Group. Over recent years, the Group has disclosed a number of projects (such as 'Network Transformation' and 'One Team') as well as disclosing the impact of the loss on exiting the Mobile Virtual Network Operator (MVNO) operations as key non-Headline items. These are all multi-phase projects spanning a number of years and consequently, we consider there is significant management judgement in determining whether those costs or projects are non-Headline based on the Group's policy or are, in substance, 'business as usual' actions and therefore should be recognised in arriving at Headline earnings. There was increased judgement in this area in FY21, with the extension of the transformational reorganisation programmes and the change in presentation following the signing of a new commercial contract for the MVNO operations in December 2020, after which the profits have been reported within Headline results. In FY21, the Group incurred material costs in relation to the "Public to Private transaction" in addition to an impairment of contract assets following the termination of a significant customer contract. The nature of these costs has been defined in note 9 to the accounts and the related accounting policy has been disclosed in note 1. Detail of all Alternative Performance Measures used is included on page 117 and the Audit Committee's discussion of this matter is set out on page 35.

Independent auditor's report continued
To the members of TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)

Report on the audit of the financial statements continued

5. Key audit matters

5.2. Disclosure of non-Headline items and the presentation of alternative performance measures in the financial statements continued

How the scope of our audit responded to the key audit matter	We obtained an understanding of key controls in relation to the disclosure of non-Headline items and presentation of alternative performance measures. In addition to understanding the composition of non-Headline items and agreeing a sample of items to supporting documentation, we challenged management's rationale for the presentation of items within the consolidated income statement as non-Headline. This focussed around the areas of higher judgement such as the change in presentation of the MVNO results, the extension of the transformational reorganisation programmes and the costs incurred in the "Public to Private transaction", specifically in relation to the acceleration of the share based payments charge. This included assessing the incremental nature of the costs, whether they are specific to individual projects, transactions or commercial arrangements and considering whether they should be classified as part of Headline operations. Our work has also involved testing, on a sample basis, items within the consolidated income statement to identify income and expenses which may be non-Headline by nature but not separately identified. This comprised consideration of credit balances within Headline results, including those in relation to the release of inventory provisions. We have also assessed the disclosure of the accounting policy for non-Headline items, description of the items classified as non-Headline and the reconciliations between statutory and non-Headline measures. This was performed in the context of the latest guidance published by the European and Securities Markets Authority and the Financial Reporting Council ("FRC"), determining whether the purpose of using alternative performance measures was set out, that they were clearly defined, consistent over time and included appropriate reconciliations to statutory financial information.
Key observations	We have concluded that the items described as non-Headline in the consolidated income statement meet the requirements of IAS 1 and the Group's accounting policy, and that they are appropriately disclosed.

5.3 Revenue recognition and the application of IFRS 15

Key audit matter description	Revenue represents a significant balance, totalling £1,353m (FY 2020: £1,569m). The balance consists of a high volume of individually low value transactions across both the business and consumer customer bases. We have identified the following types of transactions and assertions related to revenue recognition and the application of IFRS 15 which give rise to a key audit matter relating to risks arising from the complexity of telecom transaction processing within the Group as well as the level of management judgement: • the accounting for one-off customer arrangements which tend to reflect both judgement and complexity in the application of IFRS 15, particularly where the accounting outcome negates or diminishes the commercial rationale for the transaction. This is particularly true of multi-year contracts, modifications and terminations, where there is a risk that these are incorrectly accounted for or recognised in the wrong accounting period; and • other key judgements made in the application of IFRS 15, principally the unbundling of customer contracts for revenue recognition and the estimation of average customer life and customer life value which are used to assess the potential impairment of capitalised costs and contract assets. See note 1 to the financial statements for revenue recognition policy and the key sources of estimation uncertainty relevant to the implementation of IFRS 15 that has been applied by the Group, and the Audit Committee report on page 36.

Report on the audit of the financial statements continued

5. Key audit matters continued

5.3 Revenue recognition and the application of IFRS 15

How the scope of our audit responded to the key audit matter	Complex Customer Arrangements We evaluated significant contract amendments signed during FY21, in particular a significant customer termination notice, the terms of which resulted in a difference between the recognition of the contract on an accounting and commercial basis. The application of IFRS 15 triggered the recognition of an impairment amounting to £8m in relation to the contract costs capitalised as 28 February 2021. We reviewed the terms of the termination notice and challenged the application of IFRS 15 to these specific circumstances, together with the support of subject matter experts in IFRS 15. Judgements made in relation to IFRS15 We challenged the completeness and appropriateness of the key judgements and estimates made in the calculation of both average customer life and customer life value, which are critical components of the amortisation rate applied to contract assets. Specifically, we challenged the inputs into these calculations, being the customer numbers and churn rates used within these metrics, completing substantive testing procedures to assess the completeness and accuracy of the customer numbers and churn and reviewing the outputs against historic trends.
Key observations	During FY21, we noted improvements in the IT environment over billed revenue, however notwithstanding these improvements, we have been unable to adopt a controls based approach regarding TTC revenue generated by Consumer systems. These deficiencies in internal control were mainly in relation to inappropriate access noted in the year, inadequate leavers' controls and findings in relation to periodic reviews of access controls. We note that the policies applied in relation to revenue recognition are in line with the guidance of IFRS 15 however note the high level of estimation applied in determining the IFRS 15 judgements applied. We note that estimates applied are sensitive in supporting the accounting applied in relation to IFRS 15 and refer to more detail outlined in relation to these in note 1.

6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Parent company financial statements**
Materiality	£6.0m (2020: £5.0m)	£5.7m (2020: £4.7m)
Basis for determining materiality	Materiality has been determined by considering a number of different measures including Statutory loss before taxation, Headline profit before taxation, Headline EBITDA, Statutory revenue and Net assets.	Parent company materiality equates to 1% of net assets (2020: 1%), which is capped at 95% of group materiality (2020: 94%).
Rationale for the benchmark applied	There continues to be volatility in the results of the Group due to the continuation of the group reorganisation. As such, we have considered a range of metrics when determining our materiality. The materiality applied equates to 0.4% of revenue (2020: 0.3%), 2.4% of headline EBITDA (2020: 1.6%) and 0.3% of total assets (2020: 0.3%).	We consider net assets to be an appropriate benchmark for the measure of the materiality of the parent company on the basis that that it is the Group's ultimate parent and is a non-trading company.

Independent auditor's report continued
To the members of TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)

Report on the audit of the financial statements continued

6. Our application of materiality continued

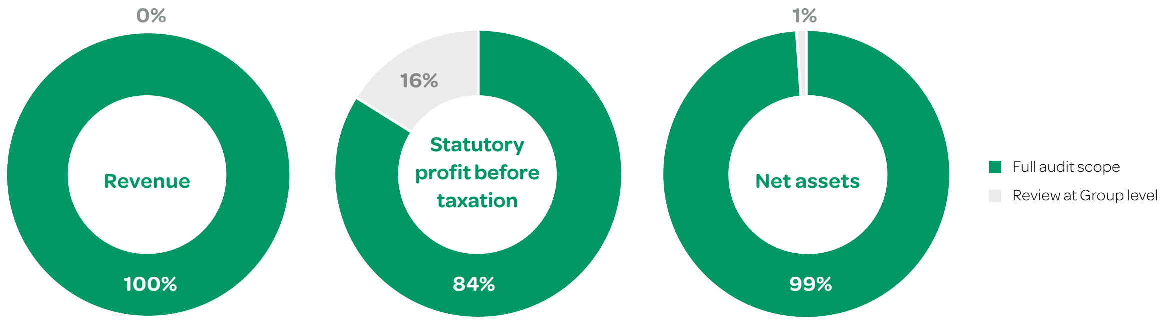
6.2 Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Materiality	50% (2020: 50%) of group materiality	50% (2020: 50%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the quality of the control environment and whether we were able to rely on controls given control deficiencies identified; b. the nature, volume and size of misstatements (corrected and uncorrected) in previous audits; and c. the significant changes in the group as they focus on simplifying the strategy which has impacted results.	

6.3 Error reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £300,000 (2020: £250,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment and consistent with the prior year, we focused our Group audit scope primarily on the TalkTalk Consumer and TalkTalk Business operating units. Each of these were subject to a full audit which was performed directly by the Group audit team and together they represent over 99% (2020: over 99%) of the Group's total revenues. Specific focused audit work was performed over Group functions, including those covering treasury and taxation. Together this covered 99% of statutory loss before taxation (2020: 86% of statutory profit before taxation) and 99% of net assets (2020: 96%). Our audit work at each division was executed at levels of materiality which were lower than Group materiality and ranged from £2.4m to £2.1m (2020: £4.0m to £3.5m).



All work was performed by the group engagement team.

7.2. Our consideration of the control environment
We obtained an understanding of the control environment of the group, including understanding the processes and controls in place over key business processes including financial reporting. In assessing the control environment of the Group, we obtained an understanding of the relevant IT controls associated with the Group's key accounting and reporting systems.

For IT systems related to the billing systems, as in prior year, we have identified certain control deficiencies and accordingly took a non controls reliance approach to our audit testing of revenue within TTC and TTB revenue with the exception of carrier and voice revenues.

We planned and took a controls reliance approach in relation to capitalised time. For this process we tested whether the relevant controls were designed appropriately to address the identified audit risk, and tested a sample of control instances, determined by the frequency of the control's operation.

We did not plan to take a controls reliance approach in the other business processes. For TTB carrier and voice revenue and TTC revenue streams we were unable to take a controls reliance approach as we were unable to rely on the IT systems involved in their processing.

Report on the audit of the financial statements continued

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, reward, IT, revenue and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: going concern, disclosure of non-Headline items and the presentation of alternative performance measures in the financial statements and revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's compliance with Ofcom regulation.

Independent auditor's report continued

To the members of TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)

Report on the audit of the financial statements continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.2 Audit response to risks identified

As a result of performing the above, we identified the going concern basis of accounting, disclosure of non-Headline items and the presentation of alternative performance measures in the financial statements and revenue recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with BT Openreach and other large suppliers and also Ofcom; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 53 and 54;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on pages 33 and 34;
- the directors' statement on fair, balanced and understandable set out on page 53;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 53;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 37; and
- the section describing the work of the audit committee set out on pages 35 to 37.

Report on other legal and regulatory requirements continued

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Use of our report

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Kate J Houldsworth FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
24 May 2021

Consolidated income statement

TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)
For the eleven month period ended 28 February 2021

		Eleven month period ended 28 February 2021			Year ended 31 March 2020		
	Notes	Headline[2] £m	Non-Headline (note 9)[2] £m	Statutory £m	Headline[2] £m	Non-Headline (note 9)[2] £m	Statutory £m
Revenue	2	**1,348**	**5**	**1,353**	1,557	12	1,569
Cost of sales		**(688)**	**(1)**	**(689)**	(763)	(4)	(767)
Gross profit		**660**	**4**	**664**	794	8	802
Operating expenses[1]		**(411)**	**(43)**	**(454)**	(486)	82	(404)
EBITDA[2]		**249**	**(39)**	**210**	308	90	398
Depreciation and amortisation	3	**(172)**	**–**	**(172)**	(185)	(8)	(193)
Share of results of joint ventures and associates	14	**(6)**	**–**	**(6)**	(8)	–	(8)
Operating profit	3	**71**	**(39)**	**32**	115	82	197
Net finance costs	6	**(43)**	**–**	**(43)**	(66)	–	(66)
Profit/(loss) before taxation		**28**	**(39)**	**(11)**	49	82	131
Taxation	7	**(4)**	**4**	**–**	12	10	22
Profit/(loss) for the period/year attributable to the owners of the Company		**24**	**(35)**	**(11)**	61	92	153
(Loss)/earnings per share							
Basic (p)	10			**(1.0)**			13.4
Diluted (p)	10			**(1.0)**			13.2

(1) Operating expenses includes £12m (2020: £13m) of credit losses on financial assets. For further details see note 17.

(2) See note 1 for an explanation of alternative performance measures (APMs) and non-Headline items. See note 9 for a reconciliation of Statutory information to Headline information.

There is no other comprehensive income or expenses recognised in either period other than shown in the income statement; consequently no statement of comprehensive income has been presented.

The accompanying notes 1 to 28 are an integral part of this consolidated income statement. All amounts relate to continuing operations.

Consolidated balance sheet

TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)
Company number: 07105891
As at 28 February 2021

	Notes	**28 February 2021 £m**	31 March 2020 £m
Non-current assets			
Goodwill	11	**495**	495
Other intangible assets	11	**189**	205
Property, plant and equipment(1)	12	**333**	339
Investment in joint ventures and associates	14	**–**	–
Trade and other receivables	17	**3**	5
Contract costs	18	**427**	383
Deferred tax assets	7	**135**	135
		1,582	1,562
Current assets			
Inventories	16	**33**	25
Trade and other receivables	17	**167**	136
Contract assets	18	**38**	49
Derivative financial instruments	21	**–**	1
Cash and cash equivalents	20	**34**	56
		272	267
Total assets		**1,854**	1,829
Current liabilities			
Trade and other payables	19	**(448)**	(377)
Contract liabilities	18	**(21)**	(24)
Lease liabilities	15, 20	**(66)**	(59)
Provisions	22	**(5)**	(10)
		(540)	(470)
Non-current liabilities			
Borrowings	20	**(773)**	(793)
Lease liabilities	15, 20	**(167)**	(158)
Provisions	22	**(3)**	(2)
		(943)	(953)
Total liabilities		**(1,483)**	(1,423)
Net assets		**371**	406
Equity			
Share capital	23	**1**	1
Share premium	24	**684**	684
Translation reserve	24	**(64)**	(64)
Demerger reserve	24	**(513)**	(513)
Retained earnings and other reserves	24	**263**	298
Total equity		**371**	406

(1) Right of use assets are included within property, plant and equipment.

The accompanying notes 1 to 28 are an integral part of this consolidated balance sheet.

These financial statements were approved and authorised for issue by the Board on 24 May 2021. They were signed on its behalf by:

Tristia Harrison
Chief Executive Officer

Phil Eayres
Chief Financial Officer

Consolidated cash flow statement

TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)
For the eleven month period ended 28 February 2021

	Notes	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Operating activities			
Operating profit		**32**	197
Share-based payments	5	**12**	3
Depreciation of property, plant and equipment	12	**110**	114
Amortisation of other operating intangible assets	11	**62**	71
Amortisation of acquisition intangibles	11	**–**	8
Share of losses of joint ventures and associates	14	**6**	8
Reversal of cost of inventories previously written down		**(8)**	–
Impairment of contract assets		**8**	–
Gain on disposal of customer base		**–**	(4)
Gain on disposal of subsidiary undertakings	13	**–**	(127)
Decrease in provisions		**(4)**	(26)
Operating cash flows before movements in working capital		**218**	244
(Increase)/decrease in trade and other receivables		**(29)**	27
Increase in contract assets		**(41)**	(85)
Decrease in inventories		**–**	9
Increase/(decrease) in trade and other payables		**72**	(120)
(Decrease)/increase in contract liabilities		**(3)**	4
Cash flows generated from operating activities		**217**	79
Income taxes paid		**–**	–
Net cash flows generated from operating activities		**217**	79
Investing activities			
Investment in joint ventures and associates		**(6)**	(13)
Disposal of subsidiary undertakings	13	**–**	206
Investment in intangible assets		**(48)**	(67)
Investment in property, plant and equipment		**(27)**	(49)
Cash flows (used in)/generated from investing activities		**(81)**	77
Financing activities			
Settlement of Group ESOT shares		**–**	1
Purchase of own shares		**(19)**	(1)
Repayments of obligations under leases		**(58)**	(57)
Repayments of borrowings		**(740)**	(590)
Drawdown of borrowings		**724**	577
Interest paid		**(31)**	(40)
Interest paid in respect of lease obligations		**(10)**	(12)
Other finance costs		**(7)**	(17)
Equity dividends paid	8	**(17)**	(28)
Cash flows used in financing activities		**(158)**	(167)
Net decrease in cash and cash equivalents		**(22)**	(11)
Cash and cash equivalents at the start of the year		**56**	67
Cash and cash equivalents at the end of the year	20	**34**	56

The accompanying notes 1 to 28 are an integral part of this consolidated cash flow statement.

Consolidated statement of changes in equity

TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)
For the eleven month period ended 28 February 2021

	Notes	Share capital £m	Share premium £m	Translation reserve £m	Demerger reserve £m	Retained earnings and other reserves £m	Total equity £m
At 1 April 2019		1	684	(64)	(513)	170	278
Profit for the year		–	–	–	–	153	153
Total comprehensive income		–	–	–	–	153	153
Transactions with the owners of the Company							
Share-based payments	5	–	–	–	–	3	3
Purchase of own shares		–	–	–	–	(1)	(1)
Settlement of Group ESOT shares		–	–	–	–	1	1
Equity dividends	8	–	–	–	–	(28)	(28)
Total transactions with the owners of the Company		–	–	–	–	(25)	(25)
At 31 March 2020		**1**	**684**	**(64)**	**(513)**	**298**	**406**
Loss for the period		**–**	**–**	**–**	**–**	**(11)**	**(11)**
Total comprehensive expense		**–**	**–**	**–**	**–**	**(11)**	**(11)**
Transactions with the owners of the Company							
Share-based payments	5	**–**	**–**	**–**	**–**	**12**	**12**
Purchase of own shares		**–**	**–**	**–**	**–**	**(19)**	**(19)**
Equity dividends	8	**–**	**–**	**–**	**–**	**(17)**	**(17)**
Total transactions with the owners of the Company		**–**	**–**	**–**	**–**	**(24)**	**(24)**
At 28 February 2021		**1**	**684**	**(64)**	**(513)**	**263**	**371**

The accompanying notes 1 to 28 are an integral part of this consolidated statement of changes in equity.

Notes to the consolidated financial statements

1. Accounting policies and basis of preparation

Basis of preparation

TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC) is incorporated and domiciled in England and Wales under the Companies Act 2006. The Company's shares are listed on the London Stock Exchange and it is a public limited company. The registered office of the Company is Soapworks, Ordsall Lane, Salford Quays, Manchester M5 3TT. The principal activities of the Group are the provision of telecommunication services to Consumer and B2B customers. The Group was delisted from the London Stock Exchange on 12 March 2021 (see note 28).

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investments. The consolidated financial statements are presented in Sterling, rounded to the nearest million (unless otherwise stated), because that is the currency of the principal economic environment in which the Group operates.

During the period, the financial year end of the Group was changed from 31 March to 28 February. Accordingly, the 2021 financial statements are prepared for the eleven month period ended 28 February 2021 compared to the twelve month period ended 31 March for the 2020 comparatives. As a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company (its subsidiaries) and entities which are joint ventures or associates which are accounted for using the equity method up to 28 February in the current period and up to 31 March in the prior year.

Control is achieved where the Company has:

- the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- the ability to use its power to affect its returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests or amounts previously recognised in other comprehensive income in relation to that subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Alternative performance measures (APMs)

The consolidated financial statements include APMs as well as Statutory measures. The APMs used by the Group are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures. All APMs relate to the current year results and comparative periods where provided. This presentation is also consistent with the way that financial performance is measured by management and reported to the Board, the basis of financial measures for senior management's compensation schemes and provides supplementary information that assists the user in understanding the financial performance, position and trends of the Group. The APMs have been applied consistently in the period ending 28 February 2021 as defined in the consolidated annual financial statements for the year ended 31 March 2020 except for the removal of pre-IFRS 16 values which are no longer used as the current period and comparatives are both now prepared under the same basis. See note 9 for a reconciliation of Statutory information to Headline information.

We believe that EBITDA-based measures provide useful supplementary information that assists investors in understanding the financial performance, position and trends of the Group. EBITDA-based measures are widely used by investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. However, EBITDA-based measures have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our operating results as reported under IFRS. Since operating profit and actual cash flows for a given period can differ significantly from these normalized measures, we urge you to consider these figures for any period together with our data for cash flows from operations and other cash flow data and our operating profit under IFRS. You should not consider EBITDA or Headline EBITDA as substitutes for operating profit or cash flows from our operating activities as reported under IFRS.

See page 117 for listing and definitions of all APMs used.

1. Accounting policies and basis of preparation continued

Going concern

The Directors are required to satisfy themselves that it is reasonable for them to conclude that it is appropriate to prepare the financial statements on a going concern basis. This going concern assessment has given consideration to the Group's available financing facilities, business model, strategy, regulatory environment, principle risks and uncertainties, recent financial performance and outlook, which are detailed in the Strategic Report on pages 1 to 29.

The Group has committed credit facilities throughout the twelve month going concern assessment period of £1,090m and further information is provided in notes 20 and 21 of the financial statements on the Group's borrowings, cash and financial risk management objectives.

The Directors have also assessed the prospects of the Company over a three year period for the purposes of the viability statement and further detail is provided on pages 33 and 34. The viability and going concern assessments are closely linked and therefore the approach, considerations and conclusions of the viability statement are also directly relevant to this going concern assessment. Both the going concern and viability assessments have given specific consideration to the potential implications of Covid-19 and Brexit, which are further detailed as part of the assessment of the Group's principal risks and uncertainties on pages 13 to 17.

The Directors report that, having reviewed current performance and forecasts in light of the Group's strategy, business model, regulatory environment, principal risks and uncertainties and including sensitivities for reasonable downside scenarios and available mitigating actions, they have a reasonable expectation that the Group has sufficient resources to continue its operations for the foreseeable future, being a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Accounting policies

The Group's principal accounting policies, which relate to the consolidated financial statements as a whole, are set out below. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also shows new EU-endorsed accounting standards, amendments and interpretations, whether these are effective in the current or later years. In both cases it is explained how they are expected to impact the performance of the Group.

Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Nature of goods and services

The Group's revenues are earned from the provision of fixed connectivity services. The typical length of a contract is 12–36 months. Contracts often include multiple goods and services, which are generally capable of being separately identifiable or distinct and accounted for as separate performance obligations.

For bundled packages, including monthly service fees and activation fees from contract subscribers, the Group accounts for revenue from individual goods and services separately if they are distinct – i.e. if a good or service can be distinguished from other components of the bundled package and if a customer can benefit from it separately. The consideration for the bundled packages comprises cash flows from customers expected to be received in relation to goods and services delivered over the contract term. The consideration (transaction price) is net of any discounts and credits and is allocated between separate performance obligations in a bundle based on their relative stand-alone selling prices.

The Group identifies the following primary performance obligations: supply of connectivity services (Broadband, Fibre, Ethernet, TV, etc.) and the supply of hardware (routers, set top boxes, etc.). As a practical expedient, different connectivity services are typically applied concurrently; as a result, they are accounted for as a single performance obligation.

Stand-alone selling prices for connectivity services and hardware are based on individual pricing where such observable prices exist. Otherwise such prices are defined in reference to their assessed market value or a cost plus a margin approach.

The timing of satisfaction of performance obligations is summarised below:

- Hardware – at a point in time, typically at contract inception when control of the hardware is transferred to the customer. This usually occurs when the customer signs a new contract, the connectivity service is due to commence and the hardware is sent to the customer. Hardware is billed as part of the monthly charge to the customer and therefore paid for on a monthly basis over the length of the contract.
- Services/subscriptions – over time as the services are provided, reflecting the customer simultaneously receiving and consuming the connectivity service. Revenue is recognised on a straight line basis over the contract term based on the nature of the connectivity services. The services are billed and paid for on a monthly basis.

Additional services, such as usage (including TV content), result in revenue recognition only once the customer utilises the service.

The level of variable consideration in the form of tiered pricing arrangements and the impact of any financing component within contracts with customers has been assessed and concluded to be immaterial. The Group does not have any material obligations in respect of returns, refunds or warranties.

The probability of collectability is assessed across the Group and where collectability is identified as not being probable, revenue is recognised only when the cash is received from the customer.

1. Accounting policies and basis of preparation continued

Foreign currency translation and transactions

In preparing the financial statements of the Group's entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions used to hedge certain foreign currency risks (see below under derivative financial instruments and hedge accounting).

The principal exchange rates against UK Sterling used in these financial statements are as follows:

	Average		Closing	
	2021	2020	**2021**	2020
Euro	**1.12**	1.15	**1.15**	1.13
United States Dollar	**1.31**	1.27	**1.40**	1.24

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Classification and measurement of financial assets and liabilities

Classification of financial assets is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortised cost if it is held with the objective of collecting the contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets are measured at fair value through other comprehensive income or profit or loss.

Financial assets at amortised cost

Trade and other receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets measured at amortised cost.

Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

The Group recognises lifetime expected credit losses for trade receivables, contract assets and lease receivables where relevant. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Under the 'expected credit loss' model to assess whether an asset is credit impaired, the Group analyses the risk profile of these financial assets based on past experience and an analysis of the receivable's current financial position, potential for a default event to occur, adjusted for specific factors, general economic conditions of the industry in which the receivables operate and assessment of both the current and the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off are subject to enforcement activities.

The Group considers that twelve month expected credit losses are consistent with lifetime expected credit losses.

Amounts receivable from suppliers (included within trade and other receivables)

Occasionally, the Group enters into agreements with certain suppliers for rebates on the cost of goods purchased. Judgement is applied by management in these circumstances to ensure that the rebate is recognised over the appropriate financial year.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Financial liabilities at amortised cost

Trade payables

Trade payables are other financial liabilities initially measured at fair value and subsequently measured at amortised cost.

Supply chain financing

Where the Group offers, via its bank group, supply chain financing facilities to its suppliers these facilities allow suppliers to obtain payment from the sponsoring bank ahead of the commercially agreed payment terms giving a liquidity benefit to the supplier. Various factors are considered in assessing whether such liabilities are more appropriately classified as trade payables or borrowing, including whether an extension of credit terms has been provided, the contractual relationship, any obligation to provide such facility, who bears the cost of the facility, any additional credit enhancements and any impact on other lines of credit held with the relevant banks.

Financial liabilities

Financial liabilities are generally measured at amortised cost. Financial liabilities not measured at amortised cost include derivatives held for trading and other financial liabilities designated as such at initial recognition, which are measured at fair value through profit and loss. Financial liabilities are derecognised when they are extinguished.

1. Accounting policies and basis of preparation continued

Financial instruments continued

Financial liabilities at amortised cost continued

Borrowings

Borrowings represent committed and uncommitted bank loans, Senior Notes, a receivables purchase agreement and bank overdrafts. These are initially measured at net proceeds and are subsequently measured at amortised cost, using the effective interest rate method.

Bank fees and legal costs associated with the securing of external financing are capitalised and amortised over the term of the relevant facility. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Bank overdrafts and other committed loans that are repayable on demand form an integral part of the Group's cash management process and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific equity instruments are set out below.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

Shares in the Company held by the Group Employee Share Ownership Trust (ESOT) are shown as a reduction in shareholders' funds. Other assets and liabilities held by the trust are consolidated within the assets of the Group.

Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the income statement. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the Company chooses to end the hedging relationship.

Cash flow hedges

The Group may use derivative instruments to manage foreign exchange and interest rate risks and these may be designated as cash flow hedges. The portion of the gain or loss on the hedging instrument determined to be an effective hedge is recognised in other comprehensive income. These amounts are then recycled to the income statement in the period the hedged item will affect profit and loss. Any gain or loss on the hedging instrument relating to any ineffective portion of the hedge is recognised immediately in the income statement.

Measurement

The financial instruments included on the consolidated balance sheet are measured at fair value or amortised cost. The measurement of this fair value can in some cases be subjective and can depend on the inputs used in the calculations. The different valuation methods are called 'hierarchies' and are described below:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly.
- Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. Whilst every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain, and as such changes in estimates and assumptions may have a material impact.

The principal items in the financial statements involving critical accounting judgements are as follows:

Forecast assumptions used in the going concern and viability statement assessments

When the Directors review forecast assumptions used in the going concern assessment, they apply judgement on what are considered reasonably possible changes in trading performance including the impact of Covid-19 and Brexit. In relation to the viability statement, the Directors take into account the Group's current financial position, and give judgement on which hypothetical scenarios linked to the Group's principal risks would be necessarily severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group and consequently give rise to the need for mitigating actions. These judgements are subjective in nature, but such considerations are necessary for the Directors to confirm the viability of the Group and the treatment of it as a going concern.

Classification of items as non-Headline

Headline measures represent trading results before non-Headline items which are defined in note 9. The Directors believe that presentation of the Group's results in this way is relevant to assist the user in understanding the financial performance, position and trends of the Group, as non-Headline items are identified by virtue of their size, nature and/or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board, the basis of financial measures for senior management's compensation schemes, and provides supplementary information that assists the user in understanding the underlying trading results. In determining whether an event or transaction is non-Headline, the Directors consider both quantitative and qualitative factors such as the nature of the item and the frequency or predictability of occurrence. The decision to classify items as either Headline or non-Headline is judgemental and requires careful consideration to ensure that the accounts provide a useful indicator of the performance of the Group.

1. Accounting policies and basis of preparation continued

Critical accounting judgements and key sources of estimation uncertainty continued

Supplier arrangements

The Group will from time to time enter new or amended supplier arrangements, which due to their nature may require judgement to ensure that associated income and costs are classified and measured appropriately and recognised in the correct period. Such arrangements may include the receipt or payment of bonuses, commissions or items of a similar nature. For amounts paid consideration is given as to whether these are treated as a contract cost and therefore deferred on the balance sheet over customer tenure or instead recognised upfront in the period incurred. For income received a judgement is made as to whether this relates to future or past events and the timing of recognition will reflect this assessment.

Capitalisation of customer premise equipment

The terms and conditions offered to the Group's residential customers state that where replacement hardware is issued to customers, it remains the property of the Group and should be returned to the Group once the customer contract term has been completed. Judgement has been applied in concluding this hardware remains an asset of the Group and as at 28 February 2021 such assets had a net book value of £10m (2020: £10m) and are recognised within property, plant and equipment. The key factors in determining this treatment are the enforceability of the contractual provisions in place per the amended terms and conditions evidenced by return rates in respect of customers that have churned and the ability to de-mobilise hardware not returned.

Recognition of revenue

The application of IFRS 15 requires the Group to make critical judgements that affect the determination of the amount and timing of revenue and costs from contracts with customers. These include:

- Contract costs
  Judgement has been exercised in determining contract costs that are appropriate to be capitalised. Most incremental commissions and connection costs in the business clearly meet the requirements; however, other arrangements, such as volume bonuses based on the delivery of a pool of contracts, require greater judgement. These contract costs are amortised over average customer tenure (50–120 months depending on the product and channel) which reflects the fact that incremental commissions are typically not paid on customer renewals and that connection costs support a customer over their tenure not just their initial contract term.
- Collectability
  The probability of collectability is assessed across the Group. Revenue is recognised when the performance obligation is complete. Early termination fees in the Consumer business have a lower recovery rate and on this basis such revenue (which is not material) is not recognised upfront, but rather when the cash is received from the customer.
- Agent vs principal
  Consideration is given to arrangements in the partner channel in the Business division, to assess who is the Group's customer, being either the partner or the end customer. Following consideration of the fact that customer relationship services, pricing decisions and billing to the end customer are provided by the partner, it is assessed that the partner is TalkTalk's customer and revenue is recognised on a principal basis. Whilst TalkTalk contracts directly with the partner, the IFRS 15 contract is assessed to be at the individual circuit and therefore measured at this level. This reflects the fact that it is at this level that the partner makes its buying decision, the Group accepts the order, each party defines its obligations, the contract terms are defined and the Group provides its services.

IFRS 16 scope

The Group has assessed and concluded in determining the scope of applying IFRS 16 that the 'last mile' does not contain a lease given that it is not fully within the control of the Group. As a result the 'last mile' does not meet the criteria for recognition as leases under IFRS 16.

The principal items in the financial statements involving key sources of estimation uncertainty are:

Recognition of revenue

The application of IFRS 15 requires the Group to make certain estimates that affect the determination of the amount and timing of revenue and costs from contracts with customers. These include:

- *Contract costs and customer lifetime value analysis*
  Contract costs are deferred and recognised over the expected duration of the customer relationship. At 28 February 2021, deferred contracts costs totalled £427m (2020: £383m). The estimate of the expected average duration of customer relationship is based on customer churn relative to the size of the customer base and is currently determined to be 50–120 months depending on the product and channel. However, such rates are subject to fluctuation and may be impacted by future events such as new product launches, an increase in competition in the market or wider macroeconomic factors. A lower average customer tenure would mean that deferred costs are amortised over a shorter period of time and could result in an impairment of the asset in lower profitability channels. A six month reduction in customer tenure, which is considered a reasonably possible movement, would not result in an impairment charge.
- *Service level related credits*
  The Group continues to recognise certain service level related credits from suppliers to compensate the Group where the supplier has not operated within the contractual terms of these arrangements. At 28 February 2021, a receivable of £14m (2020: £11m) existed in relation to claims where the supplier has not operated within contractual terms, the resolution of which may give rise to an increase or decrease in the level of receivable recognised. This is without prejudice to the Group's legal position.

1. Accounting policies and basis of preparation continued

Critical accounting judgements and key sources of estimation uncertainty continued

IFRS 16 network asset lease term

The adoption of a five to seven year lease term for network assets is assessed to be a key accounting estimate. In reaching this conclusion the Group has considered historical data and its expectation of future changes in the network landscape and the technologies used. Existing technologies have been assessed as having a five year lease term and newer technologies that have been utilised in the network for the first time in the period ended 28 February 2021 have been determined as having a seven year lease term as there is less risk of these assets being replaced through obsolescence. At 28 February 2021, the Group held network assets utilising these lease terms with a combined value of £119m (2020: £121m). Sensitivities of these estimates are shown below:

- an increase from five to six years and seven to eight years would impact the balance sheet by increasing the right of use assets by £40m (2020: £22m) and £3m (2020: £2m) respectively and increasing the lease liabilities by £40m (2020: £18m) and £3m (2020: £2m) respectively at 28 February 2021;
- an increase from five to six years and seven to eight years would impact the income statement by decreasing depreciation by £nil (2020: £4m) and £nil (2020: £nil) respectively and increasing finance costs by £1m (2020: £1m) and £nil (2020: £nil) respectively for the period ended 28 February 2021;
- a reduction from five to four years and seven to six years would impact the balance sheet by decreasing the right of use assets by £12m (2020: £nil) and by £3m (2020: £2m) respectively and decreasing the lease liabilities by £20m (2020: £3m) and £3m (2020: £2m) respectively at 28 February 2021; and
- a reduction from five to four years and seven to six years would impact the income statement by increasing depreciation by £1m (2020: decrease of £9m) and £nil (2020: £nil) respectively and decreasing finance costs by £nil (2020: £nil) and £nil (2020: £nil) respectively for the period ended 28 February 2021.

New and amended accounting standards that have been issued but are not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, had not yet been adopted by the EU:

- IFRS 17 'Insurance Contracts'.
- IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture'.
- Amendments to IFRS 3 'Reference to the Conceptual Framework'.
- Amendments to IAS 1 'Classification of Liabilities and as Current or Non-current'.
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract'.
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use'.
- Annual improvements to IFRS Standards 2018-2020 cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

These IFRSs are not expected to have a material impact on the Group's consolidated financial position or performance.

Application of significant new or amended EU-endorsed accounting standards

The following amended standards and interpretations were also effective during the period, however, they have not had a material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- Amendments to IFRS 3 'Definition of a Business'.
- Amendments to IAS 1 and IAS 8 'Definition of Material'.
- Conceptual Framework 'Amendments to References to the Conceptual Framework in IFRS Standards'.

2. Segmental reporting

IFRS 8 'Operating Segments' requires the segmental information presented in the financial statements to be that used by the Chief Operating Decision Maker (CODM) to evaluate the performance of the business and decide how to allocate resources. The Group has identified the Board as its CODM. The Board considers the results of the business as a whole when assessing the performance of the business and making decisions about the allocation of resources. Accordingly, the Group has one reportable operating segment with all trading operations based in the United Kingdom.

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Statutory revenue	**1,353**	1,569
Less MVNO revenue (note 9)	**(5)**	(12)
Headline revenue[(1)]	**1,348**	1,557

(1) See note 1 for an explanation of alternative performance measures (APMs) and non-Headline items. See note 9 for a reconciliation of Statutory information to Headline information.

Notes to the consolidated financial statements continued

2. Segmental reporting continued

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Headline EBITDA[1]	**249**	308
Depreciation of property, plant and equipment	**(110)**	(114)
Amortisation of operating intangibles	**(62)**	(71)
Share of results of joint ventures	**(6)**	(8)
Non-Headline items – gross profit	**4**	8
Non-Headline items – operating expenses	**(43)**	82
Non-Headline items – depreciation and amortisation	**–**	(8)
Statutory operating profit (note 9)	**32**	197

The Group's Headline revenue[1] is split by On-net, Off-net and Corporate products as this information is provided to the Group's CODM.

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
On-net	**1,071**	1,243
Corporate	**268**	303
Off-net	**9**	11
Headline revenue[1]	**1,348**	1,557
Less Carrier	**(26)**	(28)
Less Off-net	**(9)**	(11)
Headline revenue (excluding Carrier and Off-net)[1]	**1,313**	1,518

(1) See note 1 for an explanation of alternative performance measures (APMs) and non-Headline items. See note 9 for a reconciliation of Statutory information to Headline information.

The Group has no material overseas operations and, as a result, a split of revenue and total assets by geographical location has not been disclosed.

Corporate revenue is further analysed as:

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Carrier	**26**	28
Data	**167**	181
Voice	**75**	94
Corporate revenue	**268**	303

Total Statutory revenue can be disaggregated as below:

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Equipment	**25**	82
Services	**1,328**	1,487
Total Statutory revenue	**1,353**	1,569

3. Operating profit

Operating profit is stated after charging/(crediting):

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Depreciation of property, plant and equipment (note 12)	**47**	47
Depreciation of right of use assets (note 12)	**63**	67
Amortisation of other operating intangible assets (note 11)	**62**	71
Amortisation of acquisition intangibles (note 11)	**–**	8
Expected credit loss recognised on financial assets (note 17)	**12**	13
Employee benefit expense (note 4)	**112**	117
Cost of inventories recognised as expense	**33**	54
Reversal of cost of inventories previously written down	**(8)**	–
Lease expenses under the low value exemption	**5**	6
Supplier rebates	**(2)**	(1)
Service level related disputes[(1)]	**(3)**	(13)
Gain on disposal of customer base	**–**	(4)
Auditor's remuneration – audit fees	**1**	1
Auditor's remuneration – non-audit fees (see page 37)	**–**	1
Non-Headline items (note 9)	**39**	(90)

(1) Included in operating profit are associated increased costs relating to these service level related disputes.

4. Employee costs

Accounting policy

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The average monthly number of employees (including Executive Directors) was:

	Eleven month period ended 28 February 2021 Number	Year ended 31 March 2020 Number
Administration	**1,498**	1,531
Sales and customer management	**503**	583
	2,001	2,114

The aggregate remuneration recognised in respect of these employees excluding non-Headline costs of £15m (2020: £26m) comprised:

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Wages and salaries	**94**	97
Social security costs	**10**	12
Pension costs (defined contribution plans)	**5**	5
	109	114
Share-based payments (note 5)	**3**	3
	112	117

4. Employee costs continued

Compensation earned by key management personnel including non-Headline costs is analysed below. The key management personnel comprised the Board of Directors (see the Directors' Remuneration Report on pages 38 to 52) and the Group's Executive Committee.

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Salaries and fees	**3.3**	3.6
Bonuses	**–**	3.3
Benefits	**0.2**	0.2
Pension costs	**0.1**	0.2
Share-based payments	**4.9**	0.8
Payment in lieu of notice and other exit costs	**1.9**	1.2
	10.4	9.3

Relevant members of the Board of Directors and key management personnel have been advanced interest bearing loans to enable them to purchase participation shares in TalkTalk Group Limited in relation to Shareholder Value Plan share schemes.

The share-based payments charge of £4.9m in the current period includes accelerated charges of £4.0m as a result of the public to private transaction (note 5).

5. Share-based payments

Accounting policy

The Group issues equity settled share-based payments to certain employees and Executive Directors. Equity settled share-based payments are measured at fair value at the date of grant and expensed over the vesting period, based on an estimate of the number of shares that will eventually vest.

Fair value is measured by use of a dividend discount or binomial model for share-based payments with internal, non-market performance criteria (for example, EPS targets) and a Black Scholes or Monte Carlo model for those with external performance criteria (for example, TSR targets).

For schemes with non-market performance criteria, the number of options expected to vest is recalculated at each balance sheet date, based on expectations of performance against target and of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

For schemes with market performance criteria, the number of options expected to vest is adjusted only for expectations of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

If a scheme is cancelled, any remaining part of the fair value of the scheme is expensed immediately. If a scheme is forfeited, no further expense is recognised and any charges previously recognised are reversed.

Charges arise on loans that are provided to employees to fund the purchase of shares in the Group as part of long term incentive plans. To the extent to which the loans are not, in certain circumstances, repayable, the cost of such loans is expensed over the course of the relevant incentive plans. Charges are also recognised on loans provided to employees to settle personal tax liabilities. To the extent to which the loans are not, in certain circumstances, repayable, the cost of such loans is expensed.

TalkTalk Telecom Group PLC schemes

The long term incentive schemes of the Group are the Shareholder Value Plan (SVP), Discretionary Share Option Plan (DSOP), Save-As-You-Earn (SAYE) Scheme and Share Match Plan (SMP). Where applicable, the ESOT holds shares to settle these plans, based on the latest view of vesting.

During the period ended 28 February 2021, the Directors recommended an offer from Tosca IOM Limited to acquire the entire ordinary share capital of TalkTalk Telecom Group PLC. As a result of the transaction which completed on 12 March 2021, the Group has settled all schemes on this date rather than the original expected vesting dates described below. This has resulted in a £9m acceleration of charges to align the recognition of charges over the shorter vesting periods.

The dilutive effect on EPS of each scheme is presented below. This has been calculated using an average share price for the financial period of £0.89 (2020: £1.10).

5. Share-based payments continued

Summary of share schemes

Eleven month period ended 28 February 2021	IFRS 2 charge £m	Dilutive effect number million	Options outstanding at the end of the period number million
SVP III – participation shares(1)	1	–	–
DSOP – 2020 grant 2021	5	9	14
DSOP – 2019 grant 2020	4	9	10
DSOP – 2018 grant 2019	–	1	2
DSOP – 2017 grant 2018	–	1	1
DSOP – 2016 grant 2017	–	–	–
DSOP – 2012 grant 2013	–	–	–
SAYE	1	–	10
Share Match Plan	1	–	–
	12	20	37

Year ended 31 March 2020	IFRS 2 charge £m	Dilutive effect number million	Options outstanding at the end of the year number million
SVP III – participation shares(1)	–	–	–
DSOP – 2019 grant 2020	1	6	12
DSOP – 2018 grant 2019	–	3	3
DSOP – 2017 grant 2018	–	–	3
DSOP – 2016 grant 2017	1	1	2
DSOP – 2012 grant 2013	–	–	–
SAYE	–	1	7
Share Match Plan	1	–	–
	3	11	27

(1) SVP III – participation shares denominated in hundreds.

(i) SVP

The SVP III is a growth plan and not a share option plan operating under the Value Enhancement Scheme (VES) rules previously approved by shareholders. The SVP III scheme was awarded during the year ended 31 March 2018. The scheme enables participants to share in up to 7% of any increase in the value of the Group over an opening market capitalisation of £1,648m based on a five business day average up to 21 June 2017. The award is subject to the following performance condition:

- at least a 7% compound annual increase (CAGR) in the market capitalisation of the Group from the above valuation over a three and four year period.

The performance condition is measured over an initial performance period from 21 June 2017 to the date of announcement of the Group's 2020 annual results. The initial performance condition failed to meet the required criteria at this date which resulted in a total of 60% of the options lapsing. The remaining options are measured over a performance period from 21 June 2017 to the date of announcement of the Group's 2021 results. The pool also has a maximum cap on incremental value equal to 2.75% of the total issued share capital of TalkTalk Telecom Group PLC at the date of each vesting.

There is a holding period on 100% of the PLC shares received in exchange for participation shares on vesting, of twelve months from each vesting date for Executive Directors. All other participants are required to hold 50% of the PLC shares received in exchange for participation shares on vesting for twelve months from each vesting date.

The Group advanced loans to participants to enable them to purchase participation shares in TalkTalk Group Limited, the holding company of the Group's operating business. These loans are subject to a commercial rate of interest based on rates set by HMRC.

If an employee leaves the Group before the scheme vests, then the participation shares are forfeited for the value of the outstanding loan plus accrued interest.

A fair value exercise was conducted for the award using the Monte Carlo method with the total fair value of the participation shares granted totalling £5m in SVP III.

5. Share-based payments continued

Summary of share schemes continued

(i) SVP continued

A summary of the schemes is shown below:

	Participation shares	
SVP III – 2017 grant	**Eleven month period ended 28 February 2021 Number**	Year ended 31 March 2020 Number
Outstanding at the beginning of the year	**600**	900
Forfeited during the year	**(440)**	(300)
Outstanding at the end of the period	**160**	600
Exercisable at the end of the period	**–**	–

(ii) DSOP

During the period ended 28 February 2021 the Group granted 16 million nil-priced share options (the '2020 grant'). These options are subject to the following performance condition:

- at least a 7% compound annual increase (CAGR) in the market capitalisation of the Group from the below valuation over the next three years.

The options are measured as follows:

- a performance period from 24 May 2020 to 28 June 2023 vesting on announcement of the Group's 2023 annual results. Options are forfeited if an employee leaves the Group before the options vest, subject to the DSOP scheme rules.

During the prior year, the Group granted 13 million nil-priced share options (the '2019 grant'). These options are subject to the following performance condition:

- at least a 7% compound annual increase (CAGR) in the market capitalisation of the Group from the below valuation over the next three years.

The options are measured as follows:

- a performance period from 24 May 2019 to 28 June 2022 vesting on announcement of the Group's 2022 annual results. Options are forfeited if an employee leaves the Group before the options vest, subject to the DSOP scheme rules.

In 2019 the Group granted five million nil-priced share options (the '2018 grant'). These options are subject to the following performance condition:

- at least a 7% compound annual increase (CAGR) in the market capitalisation of the Group from the below valuation over the next three and four year periods.

The options are measured as follows:

- a performance period from 24 May 2018 to 29 June 2021 vesting on announcement of the Group's 2021 results. A total of 60% of the vested options are exercisable from the vesting date, with the remaining 40% of options being exercisable twelve months later. Options are forfeited if an employee leaves the Group before the options vest, subject to the DSOP scheme rules.

In 2018 the Group granted twelve million nil-priced share options (the '2017 grant'). These options are subject to the following performance condition:

- at least a 7% compound annual increase (CAGR) in the market capitalisation of the Group from the below valuation over the next three and four year periods.

The options are measured as follows:

- a performance period from 21 June 2017 to 21 June 2020 vesting on announcement of the Group's 2020 annual results. A total of 60% of the vested options are exercisable from the vesting date, with the remaining 40% of options being exercisable twelve months later. Options are forfeited if an employee leaves the Group before the options vest, subject to the DSOP scheme rules.

On the announcement of the Group's 2020 annual results it was determined the initial 60% of options awarded under the 2017 grant failed to meet the necessary performance conditions and subsequently lapsed on this date.

Options are forfeited if an employee leaves the Group before the options vest.

5. Share-based payments continued

Summary of share schemes continued

(ii) DSOP continued

The following table summarises the number of options, weighted average exercise price (WAEP) and valuation assumptions of each grant.

	2020 grant		2019 grant		2018 grant		2017 grant		2016 grant	
Number of share options outstanding	Number million	WAEP £	Number million	WAEP £	Number million	WAEP £	Number million	WAEP £	Number million	WAEP £
Opening balance at 1 April 2019	–	–	–	–	4	–	5	–	6	–
Granted during the year	–	–	13	–	–	–	–	–	–	–
Exercised during the year	–	–	–	–	–	–	–	–	(2)	–
Lapsed during the year	–	–	(1)	–	(1)	–	(2)	–	(2)	–
Closing balance at 31 March 2020	**–**	**–**	**12**	**–**	**3**	**–**	**3**	**–**	**2**	**–**
Granted during the period	**16**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercised during the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**
Lapsed during the period	**(2)**	**–**	**(2)**	**–**	**(1)**	**–**	**(2)**	**–**	**(1)**	**–**
Closing balance at 28 February 2021	**14**	**–**	**10**	**–**	**2**	**–**	**1**	**–**	**–**	**–**
Number of share options exercisable										
At 31 March 2020	–	–	–	–	–	–	–	–	–	–
At 28 February 2021	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Valuation assumptions	2020 grant	2019 grant	2018 grant	2017 grant	2016 grant
Valuation method	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Share price (p)	88	112	105	174	240
Exercise price (p)	nil	nil	nil	nil	nil
Expected volatility	37.01%	36.66%	38.26% and 34.78%	31.95% and 30.94%	28.75%
Expected exercise (60%/40%)	3 years	3 years	3 and 4 years	3 and 4 years	3 and 4 years
Risk free rate (3 years/4 years)	(0.015%)	0.52%	0.73% and 0.87%	0.24% and 0.39%	0.44% and 0.64%
Expected dividend yield	4.23%	2.14%	3.14%	4.73%	5.65%
Fair value of options granted (£m)	3	3	1	5	10
Weighted average remaining contractual life	9.3 years	8.3 years	5.3 years	6.3 years	5.2 years

Expected volatility is calculated by reference to the Group's historical returns over a period commensurate with the awards.

Part of the 2016 grant was valued using the Black Scholes model; the valuation assumptions for these are shown below:

	DSOP – 2016 grant
Valuation method	Black Scholes
Share price (p)	240
Exercise price (p)	nil
Expected volatility	N/A
Expected exercise (years)	3 and 4 years
Risk free rate	N/A
Expected dividend yield	5.65%
Fair value of options granted (£m)	9
Weighted average remaining contractual life	5.6 years

5. Share-based payments continued

Summary of share schemes continued

(iii) SAYE

The scheme permits the granting of options to employees linked to a bank SAYE contract for a term of three or five years. Contributions from UK employees range from between £5 and £500 per month. Options may be exercised at the end of the three or five year period at an exercise price determined at the invitation date. The scheme is available for a period each year for employees to join.

Exercise prices for the schemes are set out below:

2020 grant	73p per share
2019 grant	94p per share
2018 grant	93p per share
2017 grant	145p per share
2016 grant	209p per share
2015 grant	307p per share

	Eleven month period ended 28 February 2021		Year ended 31 March 2020	
	Number million	**WAEP £**	Number million	WAEP £
Outstanding at the beginning of the period	**7**	**1.04**	8	1.19
Granted during the period	**7**	**0.73**	2	0.94
Forfeited during the period	**(4)**	**1.04**	(3)	1.39
Outstanding at the end of the period	**10**	**0.80**	7	1.04
Exercisable at the end of the period	**–**	**–**	–	–

	SAYE – 2020 grant
Valuation method	Black Scholes
Share price (p)	0.83
Exercise price (p)	0.73
Expected volatility	26%
Expected exercise (years)	3.3
Risk free rate	–
Expected dividend yield	3.00%
Fair value of options granted (£m)	1
Weighted average remaining contractual life	3.2 years

(iv) Share Match Plan

The Group's HMRC-approved Share Match Plan (SMP) enables eligible employees to purchase market priced shares by entering into a partnership share agreement and holding such shares in trust for up to a five year period. The rules of the Plan allow an employee maximum contribution of £1,800 per annum, or in line with HMRC limits if these are increased.

The Remuneration Committee, at its discretion, may award matching and/or free shares to eligible participants. Matching shares may be granted up to a maximum ratio of two matching shares for each partnership share purchased by a participant. Free shares may be awarded up to a maximum value of £3,600 tax free per annum, or in line with HMRC limits if these are increased.

Currently the Group provides one matching share for each partnership share purchased by participating employees or Executive Directors. During the period ended 28 February 2021, the impact of the SMP on the Group's results was not material.

6. Net finance costs

Net finance costs are analysed as follows:

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Interest on Senior Notes, bank loans and overdrafts	**27**	41
Interest on lease liabilities	**10**	12
Amortisation of deferred facility fees	**4**	5
Other finance costs	**2**	8
Finance costs	**43**	66

In the prior year, the Group issued new Senior Notes and repurchased the existing Senior Notes, resulting in the write-off of deferred facility fees of £3m. Fees of £8m were paid in relation to the issue of the new Senior Notes and are being amortised over its life.

On 3 February 2021, the Group issued additional Senior Notes of £110m which has subsequently been used to reduce the Group's revolving credit facility after deducting costs. Fees of £5m were paid in relation to the issue of the additional Senior Notes and are being amortised over its life.

The average interest rate in the period was 4.0% (2020: 4.8%).

7. Taxation

Accounting policy

Taxation represents current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible 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 profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

7. Taxation continued

Tax – income statement

The tax credit comprises:

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Current tax		
Current year	–	–
Adjustments in respect of prior years	–	–
Total current tax credit	–	–
Deferred tax		
Origination and reversal of temporary differences	3	(1)
Effect of change in tax rate	–	(13)
Adjustments in respect of prior years – deferred tax charge	(3)	(8)
Total deferred tax credit	–	(22)
Total tax credit	–	(22)

The tax charge on Headline earnings for the period ended 28 February 2021 was £4m (2020: £12m credit), representing an effective tax rate on pre-tax profits of 14% (2020: -24%). The tax credit on Statutory earnings for the period ended 28 February 2021 was £nil (2020: £22m), representing an effective tax rate on pre-tax (losses)/profits of 1% (2020: -17%). The reconciliation between the Statutory and Headline tax charge is shown in note 9.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax asset by £41m.

The principal differences between the tax charge and the amount calculated by applying the standard rate of UK corporation tax of 19% (2020: 19%) to the (loss)/profit before taxation are as follows:

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
(Loss)/profit before taxation	(11)	131
Tax at 19% (2020: 19%)	(2)	25
Items attracting no tax relief or liability(1)	5	(26)
Effect of change in tax rate	–	(13)
Adjustments in respect of prior years	(3)	(8)
Tax credit through income statement	–	(22)

(1) The year ended 31 March 2020 included a gain on the disposal of the Fibre Assets Business that is non-taxable under Substantial Shareholdings Exemption (note 13).

No tax (credit)/charge has been recognised through retained earnings and other reserves.

Tax – balance sheet

The deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year are as follows:

	Share-based payments £m	Temporary differences on capitalised costs £m	Tax losses £m	IFRS 16 £m	IFRS 9 £m	Short term temporary differences £m	Total £m
At 1 April 2020	2	37	92	1	2	1	135
Credit/(charge) to the income statement	1	4	(4)	–	–	(1)	–
At 28 February 2021	3	41	88	1	2	–	135

7. Taxation continued

Tax – balance sheet continued

	Share-based payments £m	Temporary differences on capitalised costs £m	Tax losses £m	IFRS 16 £m	IFRS 9 £m	Short term temporary differences £m	Total £m
At 1 April 2019	2	39	71	1	5	1	119
Credit/(charge) to the income statement	–	4	21	–	(3)	–	22
Disposal of subsidiary (note 13)	–	(6)	–	–	–	–	(6)
At 31 March 2020	2	37	92	1	2	1	135

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	28 February 2021 £m	31 March 2020 £m
Deferred tax assets	**135**	135
Deferred tax liabilities	**–**	–
Total deferred tax	**135**	135

At 28 February 2021, a deferred tax asset of £88m (2020: £92m) has been recognised in respect of £465m (2020: £480m) of losses, based on expectations of recovery in the foreseeable future.

No deferred tax asset has been recognised in respect of the remaining £24m (2020: £24m) of losses as there is insufficient evidence that there will be suitable taxable profits against which these losses can be recovered. All losses may be carried forward indefinitely.

A deferred tax asset as at 28 February 2021 of £1m (2020: £2m) has not been recognised in respect of Research and Development Expenditure Credits as there is currently insufficient evidence that there will be suitable taxable profits against which this asset can be recovered.

8. Dividends

Accounting policy

Dividend income is recognised when payment has been received. Final dividend distributions are recognised as a liability in the financial statements in the year in which they are approved by the relevant shareholders. Interim dividends are recognised in the year in which they are paid.

The following dividends were paid by the Group to its shareholders:

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Ordinary dividends		
Final dividend for the year ended 31 March 2019 of 1.50p per ordinary share	**–**	17
Interim dividend for the year ended 31 March 2020 of 1.00p per ordinary share	**–**	11
Final dividend for the year ended 31 March 2020 of 1.50p per ordinary share	**17**	–
Total ordinary dividends	**17**	28

In light of the Public to Private Transaction no interim dividend for the period ended 28 February 2021 was declared and paid, and no final dividend was declared. The Board of Directors will reassess the dividend policy going forwards.

9. Reconciliation of Statutory information to Headline information

Headline information is provided because the Directors consider that it provides assistance in understanding the Group's underlying performance. Further details in relation to alternative performance measures (APMs) are contained within note 1.

Accounting policy – non-Headline items

Non-Headline items are items that based on their size, nature and/or incidence are assessed to warrant separate disclosure to provide supplementary information to support the understanding of the underlying trading results and performance of the Group. Non-Headline items typically comprise discontinued operations, material exited businesses, costs/profits/losses on material acquisitions/disposals/business exits, transformational reorganisation programmes and other material exceptional events. Certain transformation and rationalisation programmes are so fundamental they may impact a number of years. In the event that other items meet the non-Headline criteria, which are applied consistently from year to year, they are also treated as adjusting items. Items that do not have these characteristics are reported within Headline results.

The following table includes details of non-Headline items and reconciles Statutory information to Headline information:

Eleven month period ended 28 February 2021	Revenue £m	Gross profit £m	EBITDA(1) £m	Depreciation, amortisation and results of joint ventures £m	Operating profit £m	(Loss)/profit before taxation £m	Taxation £m	(Loss)/profit for the period £m
Statutory results	**1,353**	**664**	**210**	**(178)**	**32**	**(11)**	**–**	**(11)**
Network transformation[(a)]	**–**	**–**	**9**	**–**	**9**	**9**	**(2)**	**7**
Transformational reorganisation programmes[(b)]	**–**	**–**	**7**	**–**	**7**	**7**	**(1)**	**6**
MVNO operations[(c)]	**(5)**	**(4)**	**(3)**	**–**	**(3)**	**(3)**	**1**	**(2)**
Public to Private Transaction[(d)]	**–**	**–**	**18**	**–**	**18**	**18**	**–**	**18**
Impairment of contract assets[(e)]	**–**	**–**	**8**	**–**	**8**	**8**	**(2)**	**6**
Headline results	**1,348**	**660**	**249**	**(178)**	**71**	**28**	**(4)**	**24**

Year ended 31 March 2020	Revenue £m	Gross profit £m	EBITDA(1) £m	Depreciation, amortisation and results of joint ventures £m	Operating profit £m	Profit before taxation £m	Taxation £m	Profit for the year £m
Statutory results	1,569	802	398	(201)	197	131	22	153
Network transformation[(a)]	–	–	11	–	11	11	(2)	9
Transformational reorganisation programmesl[(b)]	–	–	15	–	15	15	(3)	12
Fibre Assets Business[(f)]	–	–	(109)	–	(109)	(109)	(4)	(113)
MVNO operations[(c)]	(12)	(8)	(7)	–	(7)	(7)	1	(6)
Amortisation of acquisition intangibles[(g)]	–	–	–	8	8	8	(2)	6
Headline results	1,557	794	308	(193)	115	49	12	61

(1) EBITDA is defined as operating profit or loss before depreciation, amortisation and share of results of joint ventures. See table below for reconciliation of EBITDA to Statutory operating profit.

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Operating profit	**32**	197
Share of results of joint ventures	**6**	8
Depreciation and amortisation	**172**	193
EBITDA	**210**	398

During the period ended 28 February 2021, cash adjusting items were an outflow of £37m (2020: inflow of £158m).

The above tables show how all APMs are reconciled to Statutory performance measures with the exception of Headline earnings per share (note 10) and net debt (note 20).

9. Reconciliation of Statutory information to Headline information continued

(a) Network transformation

During the period ended 28 February 2021, the Group continued its significant multi-year transformation programme which will fundamentally restructure the Group's network, IT infrastructure and technology organisation. The change the Group is undertaking will ensure it is fit for the future and underpins the wider Group strategy in providing an outstanding service to our customers as a value provider in the industry. This is a discrete project expected to be completed in the year ending 28 February 2022.

This programme has incurred costs of £9m (2020: £11m) including project management, consultancy, dual-running costs and decommissioning costs.

A taxation credit of £2m has been recognised on these costs (2020: £2m).

(b) Transformational reorganisation programmes

Following the emergence of the Covid-19 global pandemic and the transaction with Tosca IOM Limited described in section (d) below, the Group has continued to review its operating model resulting in costs of £7m in the financial period ended 28 February 2021. This follows on from the multi-year transformational programme 'One Team', disclosed in the prior year (2020: £15m) which resulted in the Group's head office in London being exited and the relocation of the majority of roles to the new head office in Salford.

The costs include redundancy payments, dual-running costs, recruitment costs, retention payments and other consultancy costs.

A taxation credit of £1m has been recognised on these costs (2020: £3m).

(c) MVNO operations

Following the Group's announcement in May 2017 to reassess the Group's mobile strategy and exit its MVNO operations, the Group is now progressing with its alternative mobile distribution strategy. Operating profits of £3m (2020: £7m) associated with the legacy MVNO operations have been earned and treated as non-Headline.

Effective 1 December 2020, the Group has made a commitment to a longer term strategy to continue to provide services to the remaining base and from this date these operations are no longer considered to meet the Group's policy as a non-Headline item. From this date to 28 February 2021 a profit of £1m has been recognised through Headline results.

A taxation charge of £1m has been recognised on these costs (2020: £1m).

(d) Public to Private Transaction

On 17 December 2020, the Directors recommended an offer from Tosca IOM Limited to acquire the entire ordinary share capital of TalkTalk Telecom Group PLC. The acquisition was implemented by way of a Court-approved Scheme of Arrangement. The Scheme became effective on 12 March 2021 and as a result of the transaction the Group has incurred £9m (2020: £nil) of directly attributable costs in respect of broker and financial advice, legal advice, consultancy services, tax and accounting advice and due diligence services. The Group has also incurred £9m (2020: £nil) of accelerated share-based payment charges as a result of settling employee share schemes earlier than expected (note 5).

A taxation credit of £nil has been recognised on these costs (2020: £nil).

(e) Impairment of contract assets

During the period ended 28 February 2021, a material customer contract was terminated early giving rise to an impairment charge of £8m (2020: £nil) against the deferred cost asset held in respect of that contract. The value of the deferred cost asset held in respect of that contract has been reduced to equal the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates.

A taxation credit of £2m has been recognised on these costs (2020: £nil).

(f) Fibre Assets Business

In the prior year, the Group completed the planned disposal of its Fibre Assets Business resulting in a profit on disposal of £127m. See note 13 for further detail.

Following the successful completion of the disposal, a discretionary payment of £15m was made to employees to share some of the value arising on the sale of the Fibre Asset Business. This one-off incentive was directly associated with the disposal and separate to the annual bonus programme of the Group and therefore classified as non-Headline.

Following the completion of the sale, the operating results of the Fibre Assets Business for the year ended 31 March 2020 were classified as non-Headline consistent with it being a material exited business. All other income statement items associated with the Fibre Assets Business were also classified as non-Headline. The business reported an operating loss of £3m (2020: £3m).

A taxation credit of £nil has been recognised on these costs (2020: £4m).

(g) Amortisation of acquisition intangibles

An amortisation charge in respect of acquisition intangibles of £nil was incurred during the period (2020: £8m).

A taxation credit of £nil has been recognised on these costs (2020: £2m).

10. (Loss)/earnings per ordinary share

(Loss)/earnings per ordinary share are shown on a Headline and Statutory basis to assist in the understanding of the performance of the Group.

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Statutory (loss)/earnings	**(11)**	153
Headline earnings (note 9)	**24**	61
Weighted average number of shares (million)		
Shares in issue	**1,146**	1,146
Less weighted average holdings by Group ESOT	**(14)**	(1)
For basic EPS	**1,132**	1,145
Dilutive effect of share options (note 5)	**20**	11
For diluted EPS	**1,152**	1,156

	Eleven month period ended 28 February 2021 Pence	Year ended 31 March 2020 Pence
Basic (loss)/earnings per ordinary share		
Statutory	**(1.0)**	13.4
Headline	**2.1**	5.3

	Eleven month period ended 28 February 2021 Pence	Year ended 31 March 2020 Pence
Diluted (loss)/earnings per ordinary share		
Statutory	**(1.0)**	13.2
Headline	**2.1**	5.3

11. Goodwill and other intangible assets

(a) Goodwill

Accounting policy

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is recognised initially as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary undertaking, the relevant goodwill is included in the calculation of the profit or loss on disposal.

Determining whether goodwill is impaired requires estimation of the value in use of the cash generating units ("CGUs") to which the goodwill has been allocated. In assessing value in use, the estimated cash flows of each CGU are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The bulk of the Group's shared costs and assets relating mainly to infrastructure and central overheads are allocated across the CGUs based on the relative future cash flows generated by each and their reliance on the shared service functions and infrastructure.

At the commencement of the year, the Group had four CGUs (2020: five), of which three (2020: four) had goodwill. These CGUs represent the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash inflows for the CGUs are generated as follows:

CGU	Services provided
TalkTalk Consumer	Telecommunication services to retail customers
TalkTalk Business	Telecommunication services to B2B customers through partner or wholesale channels
TalkTalk Business Direct	Telecommunication services to B2B customers through direct channels
FibreNation	FTTP services
MVNO operations	Services as a mobile virtual network operator

In the prior year the Group completed the sale of its FibreNation CGU which comprised of the Fibre Assets Business (note 13), leaving the Group with four CGUs from the sale transaction date.

11. Goodwill and other intangible assets continued

(a) Goodwill continued

Impairment of goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired; this review is performed at a CGU level.

Impairment is determined by assessing the future cash flows of the CGU to which the goodwill relates. The future cash flows of the Group are taken from the Group's three year plan and extrapolated out to 20 years based on the UK's long term growth rate, where a terminal value is then included. This is discounted by the CGU's weighted average cost of capital pre-tax to give the net present value of that CGU. Where the net present value of future cash flows is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised in the income statement and is not subsequently reversed.

	28 February 2021 £m	31 March 2020 £m
Opening, closing cost and net book value	**495**	495

The goodwill acquired in business combinations is allocated at acquisition to the CGUs that are expected to benefit from that business combination as follows:

	28 February 2021 £m	31 March 2020 £m
TalkTalk Consumer	**347**	347
TalkTalk Business	**88**	88
TalkTalk Business Direct	**60**	60
MVNO operations	**–**	–
	495	495

Impairment review

The key assumptions used in the Group's goodwill impairment review are as follows:

- Long term growth rates
  Long term revenue growth rates applied are based on the growth rate for the UK per the Organisation for Economic Co-operation and Development (OECD). The rate applied in the current period was 1.6% (2020: 1.2%).
- Discount rate
  The underlying discount rate for each CGU is based on the UK 20 year gilt rate adjusted for an equity risk premium and the systematic risk of the CGU. The average pre-tax rate for all CGUs of 5.6% (2020: 5.3%) is used to discount the forecast pre-tax cash flows, this discount rate incorporates the impact of the additional debt following the application of IFRS 16. The assumptions used in the calculation of the CGUs' discount rate are benchmarked to externally available data. The same discount rate has been applied to all CGUs due to the similarity of risk factors.
- Capital expenditure
  Forecast capital expenditure to maintain property, plant and equipment is based on senior management expectations of future required support of the network and current run rate of expenditure, typically at 6–7% of revenue.
- Customer factors
  The key assumptions for the forecast cash flows of each of the CGUs are based on expected new connections, churn, ARPU, direct costs including acquisition costs, and changes in product mix. These key assumptions are based on the Group's budget and three year plan, and reflect management's expectations based on the Group's operational plans, customer and competitor behaviour, historical trends and other available external information on expected trends in future market developments.
- Profitability
  Forecast profitability over a three year period to February 2024 has been taken from the Group's viability assessment. Further years have been increased by the long term growth rate stated above and the inclusion of a terminal value.

Goodwill sensitivity analysis

Sensitivity analysis has been performed in respect of certain scenarios, including an increase in competition impacting margins, lower than expected cost savings or the failure to deliver strategic initiatives. Management have also reflected their expectation of how Covid-19 would impact these forecasts. The outcome of this analysis indicated that there is headroom in all CGUs. No reasonably possible changes in the key assumptions would cause the carrying amount of the CGUs to fall below the recoverable amount.

11. Goodwill and other intangible assets continued

(b) Other intangible assets

Accounting policy

Operating intangibles

Operating intangibles include internal infrastructure and design costs incurred in the development of software for internal use. Internally generated software is recognised as an intangible asset only if it can be separately identified, it is probable that the asset will generate future economic benefits, and the development cost can be measured reliably. Where these conditions are not met, development expenditure is recognised as an expense in the period in which it is incurred. Any research expenditure is also expensed in the period in which it is incurred. Directly attributable costs that are capitalised include employee costs specifically incurred in the development of the intangible asset. Operating intangibles are amortised on a straight line basis over their estimated useful economic lives of up to eight years.

Acquisition intangibles

Acquired intangible assets such as customer bases and other intangible assets acquired through a business combination are capitalised separately from goodwill and amortised over their expected useful lives of up to six years on a straight line basis. The value attributed to such assets is based on the future economic benefit that is expected to be derived from them, calculated as the present value of future cash flows after a deduction for contributory assets.

Impairment

At the acquisition date, acquisition intangibles are allocated to each of the CGUs expected to benefit from the synergies of the combination. The Group's shared costs and assets relating mainly to infrastructure and central overheads are allocated across all CGUs based on the relative future cash flows.

Determining whether the carrying amounts of operating and acquisition intangibles have any indication of impairment requires judgement. If an indication of impairment is identified, further judgement is required to assess whether the carrying amounts can be supported by the value in use of the CGU that the asset is allocated to.

The value in use calculation involves estimation of the future cash flows of the CGUs and the selection of appropriate discount rates to calculate present values.

If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

Useful economic lives

The assessment of the useful economic lives of these operating and acquisition intangibles requires judgement. Amortisation is charged to the income statement based on the useful economic life selected. This assessment requires estimation of the period over which the Group will benefit from the assets.

Other intangible assets are analysed as follows:

	Operating intangibles £m
Opening balance at 1 April 2020	**205**
Additions	**46**
Amortisation	**(62)**
Closing balance at 28 February 2021	**189**
Cost (gross carrying amount)	**777**
Accumulated amortisation	**(588)**
Closing balance at 28 February 2021	**189**

	Operating intangibles £m	Acquisition intangibles £m	Total other intangibles £m
Opening balance at 1 April 2019	227	8	235
Additions	49	–	49
Amortisation	(71)	(8)	(79)
Closing balance at 31 March 2020	205	–	205
Cost (gross carrying amount)	731	–	731
Accumulated amortisation	(526)	–	(526)
Closing balance at 31 March 2020	205	–	205

Operating intangibles

Operating intangibles include internally generated assets with a net book value of £116m (2020: £115m), which are amortised over a period of up to eight years. This includes additions of £27m (2020: £27m) and an amortisation charge of £26m (2020: £25m) in the period ended 28 February 2021.

Acquisition intangibles

Acquisition intangibles relate to the broadband customer bases acquired from Virgin Media and Tesco in a prior year. These customer bases were valued from the discounted future cash flows expected from them, after a deduction for contributory assets.

12. Property, plant and equipment

Accounting policy

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than assets under construction) less their residual values over their useful lives, using the straight line method, on the following bases:

Fixtures and fittings and short leasehold improvements	10–20% per annum or lease term if shorter
Network and customer premise equipment and computer hardware	12.5–67% per annum
Right of use network equipment	14.3–20% per annum
Right of use land and buildings	3.5–100% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset.

The right of use assets are presented within the same line item as that with which the corresponding underlying assets would be presented if they were owned.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of assets

The Group reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss at each reporting date. The Group uses the same methodology as set out in note 11 for operating and acquisition intangibles.

	Land and buildings £m	Short leasehold improvements £m	Network and customer premise equipment and computer hardware £m	Fixtures and fittings £m	Total £m
Opening balance at 1 April 2020	52	2	281	4	339
Additions	1	–	112	1	114
Disposals	–	–	(8)	–	(8)
Impairment	(2)	–	–	–	(2)
Depreciation	(4)	–	(105)	(1)	(110)
Closing balance at 28 February 2021	47	2	280	4	333
Cost (gross carrying amount)	58	8	1,244	13	1,323
Accumulated depreciation and impairment charges	(11)	(6)	(964)	(9)	(990)
Closing balance at 28 February 2021	47	2	280	4	333

Included in the above table are the following right of use assets:

	Land and buildings £m	Network and customer premise equipment and computer hardware £m	Total £m
Opening balance at 1 April 2020	52	154	206
Additions	1	87	88
Disposals	–	(7)	(7)
Impairment	(2)	–	(2)
Depreciation	(4)	(59)	(63)
Closing balance at 28 February 2021	47	175	222

12. Property, plant and equipment continued

	Land and buildings £m	Short leasehold improvements £m	Network and customer premise equipment and computer hardware £m	Fixtures and fittings £m	Total £m
Opening balance at 1 April 2019	52	2	291	4	349
Additions	5	–	99	2	106
Disposals	–	–	(2)	–	(2)
Depreciation	(5)	–	(107)	(2)	(114)
Closing balance at 31 March 2020	52	2	281	4	339
Cost (gross carrying amount)	57	8	1,140	12	1,217
Accumulated depreciation and impairment charges	(5)	(6)	(859)	(8)	(878)
Closing balance at 31 March 2020	52	2	281	4	339

Right of use assets are pledged as security for corresponding lease liabilities in note 15.

13. Non-current asset investments

Accounting policy

Investments, other than subsidiaries, are initially recognised at cost, being the fair value of the consideration given plus any transaction costs associated with the acquisition.

(a) Investments

The Parent Company has investments in the following subsidiary undertakings, which affected the profits or losses or net assets of the Group. All entities are included in the consolidation of the Group.

Subsidiary undertakings	Country of incorporation or registration	Registered office	Principal activity	Percentage of ordinary shareholding
TalkTalk Telecom Holdings Limited[1]	England & Wales	Soapworks[2]	Holding company	100
TalkTalk Brands Limited	England & Wales	Soapworks[2]	Telecommunications	100
TalkTalk Group Ltd	England & Wales	Soapworks[2]	Holding company	100
CPW Broadband Services (UK) Ltd	England & Wales	Soapworks[2]	In liquidation	100
Future Office Communications Limited	England & Wales	Soapworks[2]	In liquidation	100
TalkTalk Broadband Services (Ireland) Limited	Ireland	39/40 Upper Mount Street[3]	In liquidation	100
TalkTalk Business (2CCH) Limited	England & Wales	Soapworks[2]	Dormant	100
TalkTalk Communications Limited	England & Wales	Soapworks[2]	Telecommunications	100
CPW Network Services Limited	England & Wales	Soapworks[2]	Telecommunications	100
TalkTalk Corporate Limited	England & Wales	Soapworks[2]	Holding company	100
Core Telecommunications Limited	England & Wales	Soapworks[2]	Dormant	100
CPW UK Group Limited	England & Wales	Soapworks[2]	In liquidation	100
TalkTalk RB Limited (formerly Ratebuster Ltd)	England & Wales	Soapworks[2]	In liquidation	100
TalkTalk Technology Limited	England & Wales	Soapworks[2]	In liquidation	100
Telco Global Limited	England & Wales	Soapworks[2]	Dormant	100
Vartec Telecom Europe Limited	England & Wales	Soapworks[2]	Dormant	100
Video Networks Limited	England & Wales	Soapworks[2]	Dormant	100
World Online Telecom Limited	England & Wales	Soapworks[2]	Dormant	100
GIS Telecoms Limited	England & Wales	Soapworks[2]	In liquidation	100
TalkTalk Direct Limited	England & Wales	Soapworks[2]	Dormant	100
Opal Connect Limited	England & Wales	Soapworks[2]	In liquidation	100
Opal Business Solutions Limited	England & Wales	Soapworks[2]	Dormant	100
UK Telco (GB) Limited	England & Wales	Soapworks[2]	Dormant	100
TalkTalk UK Communications Services Limited	England & Wales	Soapworks[2]	In liquidation	100
Onetel Telecommunications Limited	England & Wales	Soapworks[2]	Dormant	100

13. Non-current asset investments continued

(a) Investments continued

Subsidiary undertakings	Country of incorporation or registration	Registered office	Principal activity	Percentage of ordinary shareholding
V Networks Limited	England & Wales	Soapworks[2]	Dormant	100
Green Dot Property Management Limited	England & Wales	Soapworks[2]	Dormant	100
Executel Ltd	England & Wales	Soapworks[2]	Dormant	100
Greystone Telecom Limited	England & Wales	Soapworks[2]	Dormant	100
Pipex Internet Limited	England & Wales	Soapworks[2]	Dormant	100
Pipex Communications Services Limited	England & Wales	Soapworks[2]	Dormant	100
Pipex UK Limited	England & Wales	Soapworks[2]	Dormant	100
TalkTalk Telecom Limited	England & Wales	Soapworks[2]	Telecommunications	100
Telco Holdings Limited	England & Wales	Soapworks[2]	Holding company	100
Telco Global Distribution Limited	England & Wales	Soapworks[2]	In liquidation	100
Tele2 Telecommunication Services Limited	Ireland	39/40 Upper Mount Street[3]	In liquidation	100
Tiscali UK Limited	England & Wales	Soapworks[2]	Dormant	100
Toucan Residential Ireland Limited	Ireland	39/40 Upper Mount Street[3]	In liquidation	100
TalkTalk TV Entertainment Limited	England & Wales	Soapworks[2]	Telecommunications	100
tIPicall Limited	England & Wales	Soapworks[2]	Telecommunications	100
Nottingdale Receivables Limited[4]	England & Wales	6 St Andrew Street[5]	Receivables financing	–
Adventure Telecom Limited	England & Wales	Soapworks[2]	Telecommunications	100
Treetop Telecom Limited	England & Wales	Soapworks[2]	Dormant	100
TalkTalk Business Direct Limited	England & Wales	Soapworks[2]	Telecommunications	100

(1) Directly held subsidiary.

(2) Full address: Soapworks, Ordsall Lane, Salford Quays, Manchester M5 3TT.

(3) Full address: 39/40 Upper Mount Street, Dublin 2, Ireland.

(4) Consolidated on the grounds of substance (see note 20).

(5) Full address: 5th Floor, 6 St Andrew Street, London EC4A 3AE.

Joint venture undertakings	Country of incorporation or registration	Registered office	Principal activity	Percentage of ordinary shareholding
YouView TV Limited	England & Wales	10 Lower Thames Street[1]	Telecommunications	14.3
Internet Matters Limited	England & Wales	6th Floor, One London Wall[2]	Telecommunications	25.0

(1) Full address: 10 Lower Thames Street, Third Floor, London EC3R 6YT.

(2) Full address: 6th Floor, One London Wall, London EC2Y 5EB.

13. Non-current asset investments continued

(b) Acquisitions and disposals

(i) Acquisitions
The Group has made no acquisitions of investments during the current or prior year.

(ii) Disposals
During the prior year, the Group completed the disposal of its Fibre Assets Business for consideration of £206m.

The disposal included its wholly owned subsidiary FibreNation Limited and the Group's controlling interest in Bolt Pro Tem Limited. The assets and liabilities disposed of were as follows:

	2020 £m
Property, plant and equipment	(16)
Intangible assets	(36)
Goodwill	(2)
Investment in joint ventures and associates	(2)
Inventories	(11)
Loans and other receivables	(6)
Bank balances and cash	(1)
Deferred tax asset	(6)
Deferred tax liability	1
Trade and other payables	7
Net assets disposed of	**(72)**
Consideration	206
Transaction costs	(7)
Gain on disposal (note 9)	**127**
Satisfied by:	
Cash and cash equivalents	208
Other payables	(2)
Net consideration	**206**

Transaction costs comprise amounts paid to external advisers.

Further details of the impact of the disposal to the consolidated income statement are detailed in note 9.

In addition to the above, during the prior year the Group disposed of a customer base for consideration of £4m, this resulted in a gain on disposal of £4m which has been included in Headline results. During the current period the consideration has been revised to £3m, this resulted in a £1m loss being recognised in Headline results.

14. Investment in associates and joint ventures

Accounting policy

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Interests in joint ventures and associates are accounted for using the equity method. The Group consolidated income statement includes the Group's share of the post-tax profits or losses of the joint ventures for the period.

In the Group consolidated balance sheet, the Group's interest in joint ventures and associates is shown as a non-current asset, representing the Group's investment in the share capital of the joint ventures, as adjusted for post-acquisition changes in the Group's share of the net assets or liabilities less provision for any impairment.

In addition to the carrying amount of the investment, the Group's interest in joint ventures includes, where applicable, any long term interests in the venture that, in substance, form part of the Group's net investment in the joint venture. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the Group's interest in that joint venture.

Any loans advanced to a joint venture that, in substance, do not form part of the Group's net investment are shown separately in the balance sheet as a receivable to the Group. Losses recognised using the equity method in excess of the Group's investment in ordinary shares are applied to the other components of the Group's interest in the joint venture in the reverse order of their seniority (i.e. priority in liquidation).

14. Investment in associates and joint ventures continued

YouView TV Limited ('YouView')

The Group holds 14.3% (2020: 14.3%) of the ordinary share capital of YouView, a joint venture with the British Broadcasting Corporation, ITV Broadcasting Limited, British Telecom PLC (BT), Channel Four Television Corporation, Arqiva Limited and Channel 5 Broadcasting Limited. The joint venture was set up in order to develop a free-to-air internet-connected TV service to UK homes. All seven original partners (together 'Tier 1' funders) contribute approximately £1m per annum to fund basic operational and technology costs of YouView and the Group, together with BT as 'Tier 2' funders, contributes up to a further £10m per annum for additional development of the technology to support their TV propositions. The Group's total contribution to YouView in the period ended 28 February 2021 was £6m (2020: £6m).

All seven partners share overall control under this agreement, having equal share ownership and equal voting rights. The Group's share of losses comprises one-seventh of any Tier 1 loss and half of any Tier 2 loss. During the period ended 28 February 2021, the Group recognised a £6m share of losses (2020: £8m).

Internet Matters Limited

The Group is a joint venture with BSkyB, BT and Virgin Media. The joint venture is a not-for-profit company set up as an industry-led body to promote and educate parents about internet safety for children. All four partners share overall control under this agreement, having equal ownership rights.

Both YouView and Internet Matters Limited have reporting periods which end at 31 March. When calculating the share of losses their results are amended to align to the Group's reporting period.

Interest in joint ventures is analysed as follows:

	28 February 2021 £m	31 March 2020 £m
Opening balance at 1 April	**–**	2
Additions	**6**	6
Share of results	**(6)**	(8)
Closing balance at 28 February/31 March	**–**	–

The Group's share of the results, assets and liabilities of its joint ventures are as follows:

Group share of results of joint ventures	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Expenses	**(6)**	(8)
Loss before taxation	**(6)**	(8)
Taxation	**–**	–
Loss after taxation	**(6)**	(8)

Group share of net assets of joint ventures	28 February 2021 £m	31 March 2020 £m
Non-current assets	**–**	–
Net assets	**–**	–

15. Leases

Accounting policy

Lease liabilities are initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or if this cannot be readily determined using an incremental borrowing rate calculated by the Group. Lease payments include fixed lease payments less lease incentives, variable lease payments that are dependent on an index or rate measured at the index or rate at the commencement date of the lease, the amount expected to be payable at the end of the lease under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise the option and payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease. The lease liabilities are subsequently measured by increasing the value to reflect the unwind of interest and reducing the value to reflect the lease payments made by the Group.

The Group remeasures the lease liability when either the lease term changes, the lease payments change due to a change in an index or rate or the lease is modified and the modification does not result in a separate lease. Where a lease liability is remeasured a corresponding entry is made to the right of use asset.

The right of use assets are valued initially at an equivalent value to the lease liability with the addition of any directly attributable costs. The value of the right of use asset is increased and a provision is recognised for any costs to dismantle/remove an asset or restore the asset to a condition required under the terms of the lease when the Group incurs the obligation. The assets are subsequently measured at cost less accumulated depreciation and impairments.

The right of use assets are depreciated over the shorter of the lease term or the useful economic life of the underlying asset. Where the Group expects to retain the asset for a period greater than the minimum non-cancellable period management estimates the period it expects it will use the assets using a portfolio approach and reviews this annually. The right of use assets are presented as part of Property, plant and equipment within the same line item as that with which the corresponding underlying assets would be presented if they were owned.

The Group has used the exemption for leases of low value assets resulting in an expense being recognised straight line in operating expenses. The Group has applied this exemption to tie cables and laptops leading to an expense of £5m (2020: £6m) being recognised in operating expenses.

The Group has entered into lease agreements as a lessor with respect to property which it leases (the Group sub-leases some property). As the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

Right of use asset movements in the eleven month period ended 28 February 2021 are illustrated in note 12.

Lease liabilities

Lease liabilities movements in the eleven month period ended 28 February 2021 is as follows:

	Land and buildings £m	Network and customer premise equipment and computer hardware £m	Total £m
Opening balance at 1 April 2020	**71**	**146**	**217**
Additions	**1**	**86**	**87**
Repayments	**(8)**	**(60)**	**(68)**
Interest	**3**	**7**	**10**
Disposal	**(5)**	**(8)**	**(13)**
Closing balance at 28 February 2021	**62**	**171**	**233**

The Group's outstanding liability can be further analysed as follows:

	28 February 2021 £m	31 March 2020 £m
Less than 1 year	**66**	59
1 to 2 years	**55**	49
2 to 3 years	**40**	39
3 to 4 years	**28**	22
4 to 5 years	**12**	11
>5 years	**32**	37
Total lease liabilities	**233**	217

16. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price of the inventory and, where applicable, any costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated on a FIFO basis. Net realisable value represents the estimated selling price, less all estimated costs to be incurred in marketing, selling and distribution.

A provision is made for obsolete items where appropriate, taking into account technical obsolescence and the level of technical supplier support.

The inventories consist primarily of set top boxes, power line adaptors and routers.

	28 February 2021 £m	31 March 2020 £m
Goods for resale	**33**	25

The carrying value of inventory expected to be recovered or settled after more than twelve months at 28 February 2021 is £9m (2020: £5m).

During the period ended 28 February 2021, the Group recognised a gain within operating costs of £8m relating to the release of a stock provision against items which are now expected to be utilised within twelve months of the balance sheet date.

17. Trade and other receivables

Trade and other receivables comprise:

	28 February 2021 £m	31 March 2020 £m
Non-current – trade and other receivables		
Other receivables	**3**	5
Current – trade and other receivables		
Trade receivables – gross	**86**	71
Less expected credit losses	**(12)**	(12)
Trade receivables – net	**74**	59
Other receivables	**57**	34
Prepayments	**21**	22
Accrued income	**15**	21
Total current trade and other receivables	**167**	136
Total trade and other receivables	**170**	141

The average credit period taken on trade receivables, calculated by reference to the amount owed at the period end as a proportion of total revenue in the year, was 16 days (2020: 16 days).

Service level related disputes

The Group's results include the recognition of certain service level related credits from suppliers to compensate the Group where the supplier has not operated within the contractual terms of these arrangements. The quantification of service level related credits may be subject to regulatory guidance, legal ruling or alternative dispute resolution processes.

At 28 February 2021, a receivable of £14m (2020: £11m) existed in relation to claims where the supplier has not operated within contractual terms, the resolution of which may give rise to an increase or decrease in the level of receivable recognised. This is without prejudice to the Group's legal position.

The Group's trade receivables are denominated in the following currencies:

	28 February 2021 £m	31 March 2020 £m
UK Sterling	**85**	68
Other	**1**	3
	86	71

17. Trade and other receivables continued

The ageing of gross trade receivables is as follows:

	28 February 2021 £m	31 March 2020 £m
Not yet due	**57**	42
0 to 2 months	**13**	11
2 to 4 months	**5**	7
Over 4 months	**11**	11
	86	71

The ageing of the expected credit losses of trade receivables is as follows:

	28 February 2021 £m	31 March 2020 £m
Not yet due	**(2)**	(3)
0 to 2 months	**(2)**	(2)
2 to 4 months	**(3)**	(3)
Over 4 months	**(5)**	(4)
	(12)	(12)

The following table details the risk profile of trade receivables:

	28 February 2021 %	31 March 2020 %
Not yet due	**4**	7
0 to 2 months	**15**	18
2 to 4 months	**60**	43
Over 4 months	**45**	36
	14	17

Movements in the expected credit losses of trade receivables are as follows:

	28 February 2021 £m	31 March 2020 £m
Opening balance	**(12)**	(22)
Changes in loss allowance due to new trade and other receivables	**(28)**	(28)
Derecognised due to settlement	**16**	15
Receivables written off as irrecoverable	**12**	23
Closing balance	**(12)**	(12)

The following tables explain how significant changes in the gross carrying amount of the trade receivables contributed to changes in the loss allowance:

	28 February 2021 £m	31 March 2020 £m
Settlement in full by customers that are over 4 months due	**6**	15
Decrease in receivables that are past 2 months due	**(1)**	(16)

17. Trade and other receivables continued

Trade receivables of £19m (2020: £20m) were past due, but not impaired. These balances primarily relate to TalkTalk Consumer and TalkTalk Business fixed line customers. The Group has made provisions based on expected rates of recoverability and all unprovided amounts are considered to be recoverable. The ageing analysis of these trade receivables is as follows:

	28 February 2021 £m	31 March 2020 £m
0 to 2 months	**11**	9
2 to 4 months	**2**	4
Over 4 months	**6**	7
	19	20

18. Contract balances

Accounting policy

Contract assets and liabilities

The recognition of revenue results in the recognition of contract assets (e.g. where more revenue has been recognised upfront in relation to hardware compared to actual cash consideration received for the hardware) and contract liabilities (e.g. where connection revenues received from the customer upfront are deferred over the contract term). Each contract asset and liability will unwind over the related contract term. Both contract assets and liabilities are shown separately in the consolidated financial statements. Contract assets include some accrued income which is assessed for impairment based on lifetime expected credit losses (ECL), in accordance with IFRS 9.

Contract costs

Contract costs eligible for capitalisation as incremental costs of obtaining a contract comprise commission costs directly attributable to obtaining contracts or pools of contracts. Contract costs are capitalised in the month of service activation if the Group expects to recover those costs. Contract costs comprise sales commissions paid to retail partners and to sales agents which can be directly attributed to an acquired or retained contract. In all other cases subscriber acquisition and retention costs are expensed when incurred.

Costs directly incurred in fulfilling a contract with a customer, which largely comprise the cost of connecting a customer to the Group's network so that the connectivity services can be provided, are recognised as an asset.

Capitalised commission and connection costs are amortised on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognised. The Group has determined that average customer tenure (50–120 months depending on product) is an appropriate period to amortise cost to obtain and fulfil a contract. This reflects the fact that incremental commissions are typically not paid on customer renewals or extensions. Likewise, connection costs support a customer over their tenure and are not required again because a customer renews or goes beyond their minimum contract term. These costs are accounted for on a portfolio basis, and are reviewed for impairment, taking into account the Group's customer lifetime value analysis.

The contract assets and liabilities from contracts with customers were as follows:

	28 February 2021 £m	31 March 2020 £m
Contract assets	**38**	49
Contract liabilities	**(21)**	(24)
Net contract asset	**17**	25

The movement on contract assets can be explained as below:

	28 February 2021 £m	31 March 2020 £m
Opening balance	**49**	39
Additions	**35**	52
Disposals	**(6)**	(9)
Amortisation	**(47)**	(49)
Contract modifications	**7**	16
Closing balance	**38**	49

18. Contract balances continued

The movement on contract liabilities can be explained as below:

	28 February 2021 £m	31 March 2020 £m
Opening balance	**(24)**	(20)
Additions	**(27)**	(35)
Amortisation	**30**	31
Closing balance	**(21)**	(24)

Contract assets and liabilities will largely unwind over the following three years reflecting that contracts with customers typically have a length of between one and three years.

Revenue expected to be recognised in future periods for performance obligations that are not complete (or are partially complete) as at 28 February 2021 is £21m (2020: £24m). This relates to service contracts and equipment and will substantially be recognised as revenue within three years.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £19m (2020: £16m).

The movement on contract costs can be explained as follows:

	Costs to obtain £m	Costs to fulfil £m	Total £m
Opening balance at 1 April 2020	**140**	**243**	**383**
Additions	**98**	**78**	**176**
Amortisation	**(50)**	**(74)**	**(124)**
Impairment charge	**–**	**(8)**	**(8)**
Closing balance at 28 February 2021	**188**	**239**	**427**

	Costs to obtain £m	Costs to fulfil £m	Total £m
Opening balance at 1 April 2019	80	228	308
Additions	99	92	191
Amortisation	(39)	(77)	(116)
Closing balance at 31 March 2020	140	243	383

The increase in contract costs is as a result of the Group moving to an alternative customer acquisition and marketing model with different partners in a prior year, an increase in costs to obtain and an increase in average customer tenure meaning the costs are amortised over a longer period.

During the period ended 28 February 2021, the Group recognised an impairment charge of £8m (2020: £nil) on contract costs following a material customer contract being terminated (note 9).

19. Trade and other payables

Trade and other payables comprise:

	28 February 2021 £m	31 March 2020 £m
Current – trade and other payables		
Trade payables	**249**	183
Other taxes and social security costs	**18**	12
Other payables	**14**	15
Accruals	**113**	108
Deferred income	**54**	59
Total trade and other payables	**448**	377

19. Trade and other payables continued

The Group has agreed longer commercial credit terms of up to 300 days with certain suppliers, under which the liabilities continue to be recognised within trade payables. Including these suppliers, the average credit period taken was 55 days (2020: 45 days). Included in trade payables are payables relating to capital expenditure amounting to £23m (2020: £29m).

The Group offers, via its bank group, supply chain financing facilities to its suppliers. These facilities allow suppliers to obtain payment from the sponsoring bank ahead of the commercially agreed payment terms giving a liquidity benefit to the supplier. The Group has no obligation to provide any such facility to any of its suppliers, has no obligation to include any invoices into the arrangement, bears no cost for providing the facility to its suppliers and only currently makes the facility available for the benefit of suppliers who choose to participate. The supplier is under no obligation to draw down on their receivable early; however, due to the agreement between bank and supplier, any invoices loaded into the programme become payable by the bank on the original invoice due date. The supplier will manage the timing profile of when it receives funds directly with the sponsoring bank independently of TalkTalk; if election to receive payment early is made, it will receive funds from the sponsoring bank less a discount agreed between the bank and the supplier. The Group continues to have the payment obligation and will pay the sponsoring bank (invoice owner) on the original commercially agreed payment terms. Given there is no impact on Group cash flows from such arrangements there are no concentrations of liquidity risk which could arise from losing access to this facility. At 28 February 2021, the Group recognised an amount of £50m (2020: £40m) within trade payables, where the supplier had elected to utilise the supply chain facilities. As the liabilities are not classified as borrowings they have not been included within net debt or any associated key performance indicators.

20. Cash and cash equivalents and borrowings

Cash and cash equivalents comprise:

	28 February 2021 £m	31 March 2020 £m
Cash at bank and in hand	**34**	56

The effective interest rate on bank deposits and money market funds was 0.1% (2020: 0.6%).

(a) Lease liabilities comprise:

	28 February 2021 £m	31 March 2020 £m
Current lease liabilities	**66**	59
Non-current lease liabilities	**167**	158
	233	217

(b) Borrowings comprise:

	Maturity	**28 February 2021 £m**	31 March 2020 £m
Non-current			
£575m Senior Notes	2025	**–**	575
£685m Senior Notes	2025	**685**	–
£640m revolving credit facility	2022	**–**	155
£330m revolving credit facility	2024	**21**	–
£75m receivables purchase agreement facility	2022	**67**	63
Total borrowings		**773**	793

Net debt comprises:

	28 February 2021 £m	31 March 2020 £m
Cash at bank and in hand	**(34)**	(56)
Lease liabilities	**233**	217
Borrowings	**773**	793
Net debt	**972**	954

20. Cash and cash equivalents and borrowings continued

Undrawn available committed facilities are as follows:

	Maturity	28 February 2021 £m	31 March 2020 £m
Undrawn available committed facilities (excluding leases)	2022, 2024, 2025	**317**	497

The book value and fair value of the Group's borrowings and lease liabilities are as follows:

	28 February 2021 £m	31 March 2020 £m
Less than 1 year	**66**	59
1 to 2 years	**122**	112
2 to 3 years	**40**	194
3 to 4 years	**734**	22
4 to 5 years	**12**	586
>5 years	**32**	37
Total borrowings	**1,006**	1,010

The fair value of borrowings is not materially different to its amortised cost.

Borrowing facilities

At 28 February 2021, the Group's committed facilities were £1,090m (2020: £1,290m). The Group's uncommitted facilities were £70m (2020: £70m) giving headroom on committed facilities and uncommitted facilities of £317m (2020: £497m) and £70m (2020: £70m) respectively.

The financial covenants included in each bank facility restrict the ratio of net debt to EBITDA and require minimum levels of interest cover. The amounts used in the covenant calculations are subject to adjustments for the receivables purchase agreement facility and non-Headline items. The Group was in compliance with its covenants throughout the current and prior year.

Where fees are paid in arranging facilities these costs are capitalised and amortised over the period of the facility. At 28 February 2021, these costs amounted to £14m (2020: £10m).

Details of the Group's borrowing facilities as at 28 February 2021 are set out below:

£685m Senior Notes

In February 2020, TalkTalk Telecom Group PLC issued £575m Senior Notes due 2025. The Senior Notes include incurrence-based covenants customary for this type of debt, including limitations on TalkTalk's ability to incur additional debt and make restricted payments, subject to certain exceptions. The Group is permitted to incur additional debt and pay dividends subject to compliance with a net debt to EBITDA ratio. Regardless of the Company's net debt to EBITDA ratio, dividends are also permitted to be paid out of a basket based on 50% of cumulative consolidated net income from 1 October 2016. The interest rate payable on the notes is 3.875% payable semi-annually. In February 2021, additional notes of £110m were issued increasing the 2025 Senior Notes from £575m to £685m. The additional notes have been used to reduce borrowings in the £430m RCF and cancel commitments down to £330m.

£330m revolving credit facility (RCF)

In April 2020, the Group signed a £430m RCF agreement, which matures in November 2024. The interest rate payable in respect of drawings under this facility is at a margin over LIBOR with the actual margin dependent on the ratio of net debt to EBITDA calculated in respect of the most recent accounting period.

In February 2021, following the £110m additional notes raised due 2025 the Group cancelled £100m of commitments against its RCF agreement reducing the total RCF facility size from £430m to £330m, the maturity date remains as November 2024.

£75m receivables purchase agreement

In October 2020, the Group extended its receivables purchase agreement (£75m committed and £5m on an uncommitted basis) to mature in September 2022. Under this arrangement the Group has the ability on a rolling basis to sell its receivables to a third party vehicle in exchange for a discounted consideration. The Group is deemed to control the third party vehicle and therefore continues to consolidate the relevant receivables and the external debt on the grounds that substantially not all the risks and rewards of ownership have been transferred under the programme.

Uncommitted money market facilities and bank overdrafts

These facilities are used to assist in short term cash management and bear interest at a margin over the applicable borrowing rate. In the year ended 31 March 2020 the Group reduced the uncommitted line associated with the receivables purchase agreement from £25m to £5m.

Leases

The value of the Group's lease arrangements at 28 February 2021 is £233m (2020: £217m). See note 15 for more details.

21. Financial risk management and derivative financial instruments

The book value and fair value of the Group's financial assets, liabilities and derivative financial instruments are as follows:

	28 February 2021 £m	31 March 2020 £m
Cash and cash equivalents	**34**	56
Contract costs	**427**	383
Current trade and other receivables[1]	**167**	136
Non-current trade and other receivables	**3**	5
Contract assets	**38**	49
Financial assets at amortised cost	**669**	629
Derivative financial instrument	**–**	1
Fair value through profit and loss	**–**	1
Contract liabilities	**(21)**	(24)
Current trade and other payables	**(448)**	(377)
Non-current borrowings	**(773)**	(793)
Financial liabilities at amortised cost	**(1,242)**	(1,194)
Total financial instruments	**(573)**	(564)

(1) Accrued income has been included within the other receivables.

(a) Financial instruments

The Group's activities expose it to a variety of financial risks including market risk (such as currency risk and interest rate risk), credit risk and liquidity risk. The Group treasury function uses certain financial instruments to mitigate potential adverse effects on the Group's financial performance from these risks. These financial instruments primarily consist of foreign exchange hedges. Other products, such as interest rate swaps and currency options, can also be used depending on the risks to be covered, but have not been used in the current or preceding financial year. The Group does not trade or speculate in any financial instruments.

The Group will keep its risk position under review in the coming year to determine whether further hedges are required, in line with its policy.

The fair value measurement is classified as Level 2 (2020: Level 2), derived from other observable market data; this means that their fair value is based upon the mark to market valuation at the balance sheet date. Fair value measurement at Level 2 gives consideration to interest rates, yield curves and foreign exchange rates at commonly quoted intervals for relevant currencies. The Group has also assessed the credit risk within its financial instruments. The fair value of these instruments at 28 February 2021 was £nil (2020: £1m).

(b) Embedded derivatives

No contracts with embedded derivatives have been identified and, accordingly, no such derivatives have been accounted for separately.

(c) Foreign exchange risk

The Group uses spot and forward foreign exchange trading to hedge transactional exposures, which arise mainly through the purchase of inventory, cost of sales and operating expenses and are primarily denominated in Euro and US Dollar.

Borrowings and foreign exchange contracts are sensitive to movements in foreign exchange rates; this sensitivity can be analysed in comparison to period-end rates. There would be no material impact of a 10% movement in the UK Sterling/Euro or UK Sterling/USD exchange rate on either the income statement or other equity. Foreign exchange derivatives had no impact on borrowings in the current or prior year.

The use of financial derivatives is governed by the framework approved by the Board, which provides written principles on the use of financial derivatives consistent with the Group's risk management strategy. During the period, the Group used derivatives for the management of foreign currency cash balances and foreign currency trading balances.

(d) Interest rate risk

The Group's interest rate risk arises primarily from cash, cash equivalents and borrowings, all of which are at floating rates of interest, with the exception of the Senior Notes, and thus expose the Group to cash flow interest rate risk. These floating rates are linked to LIBOR and other interest rate bases as appropriate to the instrument and currency. Future cash flows arising from these financial instruments depend on interest rates and periods for each loan or rollover. As detailed in section (a), the Group can use cash flow hedges to mitigate its interest rate risk on its borrowings.

Cash and borrowings, as well as some foreign exchange products, are sensitive to movements in interest rates and such movements have been analysed in the table below by calculating the effect on the income statement and equity of a one percentage point movement in the interest rate for UK Sterling, being the currency in which almost all of the Group's cash and borrowings are denominated. This annualised analysis has been prepared on the assumption that the period-end positions prevail throughout the year, and therefore may not be representative of fluctuations in levels of borrowings.

Notes to the consolidated financial statements continued

21. Financial risk management and derivative financial instruments continued

(d) Interest rate risk continued

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
100 basis points movement in the UK Sterling interest rate		
Income statement movement	**1**	2

(e) Liquidity risk

The Group manages its exposure to liquidity risk by regularly reviewing the long and short term cash flow projections for the business against facilities and other resources available to it.

The Group's core bank debt facilities, the Senior Notes, the Group's share capital and reserves and a number of equipment and property leases form the Group's core financing.

In addition to focusing on its core sources of liquidity, the Group uses a mix of overdrafts, short-dated uncommitted money market facilities and commercial supplier terms to manage its day to day liquidity position. The Group will continue to review its sources of finance going forward.

Headroom is assessed based on historical experience as well as by assessing current business risks, availability and renewal of future facilities and foreign exchange movements.

The table below analyses the Group's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted gross cash flows including interest, assuming that period-end interest rates remain constant and that borrowings are paid in full in the year of maturity.

	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	>5 years £m	Total £m
28 February 2021							
Borrowings	**(29)**	**(95)**	**(27)**	**(747)**	**–**	**–**	**(898)**
Leases	**(68)**	**(60)**	**(42)**	**(32)**	**(18)**	**(72)**	**(292)**
Trade and other payables	**(448)**	**–**	**–**	**–**	**–**	**–**	**(448)**
	(545)	**(155)**	**(69)**	**(779)**	**(18)**	**(72)**	**(1,638)**

	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	>5 years £m	Total £m
31 March 2020							
Borrowings	(32)	(91)	(188)	(22)	(595)	–	(928)
Leases	(62)	(52)	(41)	(24)	(15)	(80)	(274)
Trade and other payables	(377)	–	–	–	–	–	(377)
	(471)	(143)	(229)	(46)	(610)	(80)	(1,579)

(f) Credit risk

The Group's exposure to credit risk is regularly monitored against a reasonable approximation of future changes. Debt, investments, foreign exchange and derivative transactions are all spread amongst a number of banks, all of which have short or long term credit ratings appropriate to the Group's exposures. Trade receivables primarily comprise balances due from fixed line customers, and expected credit losses are made under IFRS 9 for any receivables that are considered to be irrecoverable. Further detail of the expected credit losses recognised are disclosed in note 17.

At 28 February 2021, the Group's maximum exposure to credit risk arises from the carrying amount of the trade receivables as stated in the consolidated statement of financial position.

(g) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of debt, which includes bank facilities, Senior Notes, receivables purchase facility, retained profits and equity.

The Group continues to review its funding and capital structure with the objectives of diversifying sources and managing both the average tenor and interest cost.

The Group also assesses the risk profile of its trade receivables based upon past experience and an analysis of the receivable's current financial position, adjusted for specific factors, general economic conditions of the industry in which the receivables operate and assessment of both the current and the forecast direction of conditions at the reporting date. The Group has performed the calculation of ECL separately for Consumer and Business customers and rebutted the assumption under IFRS 9 that all debts over 90 days should have a credit allowance.

22. Provisions

Accounting policy

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

The tables below analyse the Group's provisions:

	28 February 2021 £m	31 March 2020 £m
Current	**5**	10
Non-current	**3**	2
	8	12

	Property £m	**Contract and other £m**	**Total £m**
28 February 2021			
Opening balance	**7**	**5**	**12**
Charged to income statement	**1**	**3**	**4**
Released to income statement	**(4)**	**–**	**(4)**
Utilised in the year	**(1)**	**(3)**	**(4)**
Closing balance	**3**	**5**	**8**

	Property £m	Contract and other £m	Total £m
31 March 2020			
Opening balance	6	32	38
Charged to income statement	4	2	6
Released to income statement	(1)	(1)	(2)
Utilised in the year	(2)	(28)	(30)
Closing balance	7	5	12

Provisions are categorised as follows:

Property

Property provisions relate to dilapidations and similar property costs, and costs associated with onerous property contracts. All such provisions are assessed by reference to the terms and conditions of the contract and market conditions at the balance sheet date. Onerous property contracts are expected to be utilised over the next four years. Dilapidation provisions are expected to be utilised as and when properties are exited. These provisions include the costs of existing properties following the Group relocation to one main site at the Soapworks in Salford.

Contract and other

Contract and other provisions relate to onerous contracts and contracts with unfavourable terms, and committed costs relating to the transformational reorganisation programmes. Onerous contracts in the prior year include supplier commitments entered into prior to the reassessment of the Group's mobile strategy. These provisions are expected to be utilised over the next twelve months. All such provisions are assessed by reference to the best available information at the balance sheet date.

Notes to the consolidated financial statements continued

23. Share capital

	28 February 2021 million	31 March 2020 million	28 February 2021 £m	31 March 2020 £m
Authorised, issued and fully paid				
Ordinary shares of 0.1p each	**1,146**	1,146	**1**	1

The Company has one class of ordinary share that carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

24. Reserves

Share premium

The share premium account records the difference between the nominal amount of shares issued and the fair value of the consideration received. The share premium account may be used for certain purposes specified by UK law, including to write off expenses incurred on any issue of shares or debentures and to pay up fully paid bonus shares. The share premium account is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

Translation reserve

The results of overseas operations are translated at the average foreign exchange rates for the period, and their balance sheets are translated at the rates prevailing at the balance sheet date. Exchange differences arising on the translation of opening net assets and results of overseas operations are recognised in the translation and hedging reserve. All other exchange differences are included in the income statement.

Demerger reserve

The demerger reserve primarily reflects the profits or losses arising on the transfer of investments and net assets of Carphone Warehouse Group PLC on demerger.

Retained earnings

Retained earnings are made up of accumulated reserves.

Other reserve – Group ESOT

The Group ESOT held 23 million shares at 28 February 2021 (2020: nil) in the Company for the benefit of employees. The Group ESOT has waived its rights to receive dividends and none of its shares have been allocated to specific schemes. At the period-end the shares had a market value of £22m (2020: £nil).

25. Analysis of changes in net debt

	Opening £m	Net cash flow £m	Non-cash movements £m	Closing £m
28 February 2021				
Borrowings	**(793)**	**16**	**4**	**(773)**
Lease liabilities	**(217)**	**68**	**(84)**	**(233)**
Total borrowings	**(1,010)**	**84**	**(80)**	**(1,006)**
Cash and cash equivalents	**56**	**(22)**	**–**	**34**
Net debt	**(954)**	**62**	**(80)**	**(972)**

	Opening £m	Net cash flow £m	Non-cash movements £m	Closing £m
31 March 2020				
Borrowings	(809)	13	3	(793)
Lease liabilities	(218)	69	(68)	(217)
Total borrowings	(1,027)	82	(65)	(1,010)
Cash and cash equivalents	67	(11)	–	56
Net debt	(960)	71	(65)	(954)

For the period ended 28 February 2021, non-cash movements relate to the £4m (2020: £3m) deferral of facility fees on borrowings, partially offset by the amortisation of such costs, and non-cash movements related to leases entered totalling £74m (2020: £56m) and an interest expense of £10m (2020: £12m).

26. Commitments

The Group has in the normal course of business entered into various multi-year supply and working capital agreements for core network, IT and customer equipment. The Group has also entered into agreements to provide funding to its joint ventures. As at 28 February 2021, expenditure contracted but not provided for in these financial statements amounted to £61m (2020: £79m). Of this amount, £nil (2020: £22m) related to supply for core network, IT and customer equipment, £55m (2020: £51m) related to capital commitments and £6m (2020: £6m) to fund its joint ventures. Of the capital commitments £11m (2020: £44m) related to intangible assets.

27. Related party transactions

(a) Subsidiaries and joint ventures

Details of subsidiaries and joint ventures are disclosed in notes 13 and 14 respectively.

(b) Directors

The remuneration of the Directors, is set out in the Directors' Remuneration Report on pages 38 to 52. The remuneration of all key management personnel, which includes Directors, is disclosed in note 4.

The freehold interest of certain properties leased to the Group is owned by a company of which the Executive Chairman is a controlling owner, one such lease was entered into during the period. The terms of these leases are considered to be at market rates by reference to rental charges offered on other similar properties.

28. Post-balance sheet events

On 15 March 2021 TalkTalk was officially de-listed from the London Stock Exchange, following the acquisition of the Company by Tosca IOM Limited, pursuant to a Scheme of Arrangement that became effective on 12 March 2021. As a consequence of the transaction the Group re-registered from a public company called TalkTalk Telecom Group PLC to a private company called TalkTalk Telecom Group Limited. For more information see the case study on the transaction on pages 22 and 23.

Company balance sheet

Company number: 07105891

As at 28 February 2021

	Notes	28 February 2021 £m	31 March 2020 (restated)[2] £m
Non-current assets			
Investments in subsidiaries and joint ventures	4	**1,211**	1,202
Trade and other receivables		**394**	379
		1,605	1,581
Current assets			
Cash and cash equivalents	7	**12**	35
Trade and other receivables	5	**173**	212
Derivative financial instruments		**–**	1
		185	248
Total assets		**1,790**	1,829
Current liabilities			
Trade and other payables	6	**(22)**	(25)
Non-current liabilities			
Borrowings	7	**(706)**	(730)
Total liabilities		**(728)**	(755)
Net assets		**1,062**	1,074
Equity			
Share capital	9	**1**	1
Share premium	10	**684**	684
Retained earnings and other reserves[1]	10	**377**	389
Total equity		**1,062**	1,074

(1) The Company's loss for the period was £5m (2020: £14m).

(2) See note 13 for further details on the restatement of receivables between current assets and non-current assets.

The accompanying notes are an integral part of this Company balance sheet.

These financial statements were approved and authorised for issue by the Board on 24 May 2021. They were signed on its behalf by:

Tristia Harrison
Chief Executive Officer

Phil Eayres
Chief Financial Officer

Company cash flow statement

For the eleven month period ended 28 February 2021

	Notes	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m
Operating activities			
Operating loss		**(3)**	(14)
Share-based payments		**2**	–
Waiver of intercompany loan		**(6)**	–
Impairment loss	4	**6**	6
Operating cash flows before movements in working capital		**(1)**	(8)
Decrease in trade and other receivables		**52**	137
Increase/(decrease) in trade and other payables		**1**	(22)
Cash flows generated from operating activities		**52**	107
Net cash flows generated from operating activities		**52**	107
Financing activities			
Repayments of borrowings		**(740)**	(590)
Drawdown of borrowings		**720**	575
Interest paid		**(31)**	(41)
Other finance costs		**(7)**	(17)
Dividends paid	3	**(17)**	(28)
Cash flows used in financing activities		**(75)**	(101)
Net (decrease)/increase in cash and cash equivalents		**(23)**	6
Cash and cash equivalents at the start of the year		**35**	29
Cash and cash equivalents at the end of the year		**12**	35

The accompanying notes are an integral part of this Company cash flow statement.

Company statement of changes in equity
For the eleven month period ended 28 February 2021

	Notes	Share capital £m	Share premium £m	Retained earnings and other reserves £m	Total equity £m
At 1 April 2019		1	684	428	1,113
Loss for the year		–	–	(14)	(14)
Total comprehensive expense		–	–	(14)	(14)
Transactions with the owners of the Company					
Share-based payments reserve credit		–	–	3	3
Equity dividends	3	–	–	(28)	(28)
Total transactions with the owners of the Company		–	–	(25)	(25)
At 31 March 2020		**1**	**684**	**389**	**1,074**
Loss for the year		**–**	**–**	**(5)**	**(5)**
Total comprehensive expense		**–**	**–**	**(5)**	**(5)**
Transactions with the owners of the Company					
Share-based payments reserve credit		**–**	**–**	**10**	**10**
Equity dividends	3	**–**	**–**	**(17)**	**(17)**
Total transactions with the owners of the Company		**–**	**–**	**(7)**	**(7)**
At 28 February 2021		**1**	**684**	**377**	**1,062**

The accompanying notes are an integral part of this Company statement of changes in equity.

Notes to the Company financial statements

1. Accounting policies and basis of preparation

Basis of preparation

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU) and as applied in accordance with the provisions of the Companies Act 2006. These financial statements therefore comply with Article 4 of the European Union International Accounting Standard regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investments. The financial statements are presented in Sterling, rounded to the nearest million, because that is the currency of the principal economic environment in which the Company operates.

The financial statements have been prepared on the going concern basis. Details of the considerations undertaken by the Board in reaching this conclusion are set out in note 1 to the Group consolidated financial statements.

During the period, the financial year end of the Company was changed from 31 March to 28 February. Accordingly, the 2021 financial statements are prepared for the eleven month period ended 28 February 2021 compared to the twelve month period ended 31 March for the 2020 comparatives. As a result, the comparative figures stated in the statement of changes in equity, cash flow statement and the related notes are not comparable.

Accounting policies

The Company's accounting policies are in line with the Group's accounting policies as set out in note 1 to the consolidated financial statements. Where an accounting policy is generally applicable to a specific note, the policy is described within that note.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Company's accounting policies. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. Whilst every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain, and as such changes in estimates and assumptions may have a material impact.

Key sources of estimation uncertainty

Asset impairment review

Where there are indicators of impairment, an impairment test is performed on the relevant investment. The recoverable amount of investments is determined to be the higher of fair value less costs of disposal, and value in use. Value in use is calculated from cash flow projections based on internal forecasts and then beyond using estimated long term growth rates. Key estimates with regard to the value in use calculations include the projections of future performance, discount rates and future growth rates. Fair value is determined by reference to the Company's share price value on the London Stock Exchange. Key estimates of future economic benefits made in relation to investments may differ from the benefits that ultimately arise and materially affect the recoverable value of the investments. No reasonably possible changes in the key assumptions would cause the carrying amount of the investments to fall below the recoverable amount.

IFRS 9

In accordance with IFRS 9, management has reviewed all financial assets held at amortised cost, including amounts owed by Group undertakings, to assess whether any expected credit losses should be recognised taking into account future expected cash flows of other Group undertakings.

The principal items in the financial statements involving critical accounting judgements

There are no significant judgements made in relation to the preparation of the financial statements.

2. Loss for the period

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006.

The Company reported a loss of £5m for the period ended 28 February 2021 (2020: £14m).

The auditor's remuneration for audit and other services is disclosed in the Corporate Governance Report on page 37.

Detailed disclosures of the Directors' remuneration and share-based payments are given in the audited section of the Directors' Remuneration Report on pages 38 to 52 and should be regarded as an integral part of this note.

The Company has no employees other than Directors.

3. Dividends

Accounting policy

Dividends receivable from the Company's subsidiaries and joint venture investments are recognised only when they are approved or paid by shareholders.

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the year in which they are approved by the Company's shareholders. Interim dividends are recognised in the year in which they are paid.

	2021 £m	2020 £m
Ordinary dividends		
Final dividend for the year ended 31 March 2019 of 1.50p per ordinary share	**–**	17
Interim dividend for the year ended 31 March 2020 of 1.00p per ordinary share	**–**	11
Final dividend for the year ended 31 March 2020 of 1.50p per ordinary share	**17**	–
Total ordinary dividends	**17**	28

The Group ESOT has waived its rights to receive dividends in the current and prior year and this is reflected in the analysis above.

Notes to the Company financial statements continued

4. Investments

Accounting policy

Investments in subsidiaries and joint ventures are recorded at cost, being the fair value of consideration, acquisition charges associated with the investment and capital contributions by way of share-based payments, less any provision for impairment.

	2021 £m	2020 £m
Subsidiaries	**1,188**	1,179
Joint ventures	**23**	23
	1,211	1,202

	2021 £m	2020 £m
Opening net book value	**1,202**	1,199
Additions	**15**	9
Impairment	**(6)**	(6)
Closing net book value	**1,211**	1,202

Joint ventures

The Company holds 14.3% of the ordinary share capital of YouView TV Limited, a joint venture with the British Broadcasting Corporation, ITV Broadcasting Limited, British Telecom PLC, Channel Four Television Corporation, Arqiva Limited and Channel 5 Broadcasting Limited. Further details relating to the joint venture are disclosed within note 14 to the consolidated financial statements.

Principal Group investments

A full list of subsidiaries, joint arrangements, associated undertakings and any significant holdings (as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) is presented in note 13 to the consolidated financial statements.

Additions

The additions in the period comprise:

- £9m relating to share-based payment schemes issued by the Company (2020: £3m); and
- £6m relating to the YouView joint venture (2020: £6m), settled by intercompany.

Impairment

The impairment in the period comprises:

- £6m relating to the YouView joint venture (2020: £6m) to align with its recoverable amount of £23m (2020: £23m) based on its fair value less cost to sell following additional investment during the period. The fair value measurement used has been categorised as Level 3 within the fair value hierarchy. The valuation is based on the costs and time required to recreate an equivalent asset. Key valuation assumptions include consideration of the decay in technology over time, the opportunity cost of deploying resources to recreating the asset and cost inflation. More detail on the Group's impairment assessment policy can be found in note 11 to the consolidated financial statements.

5. Trade and other receivables

	2021 £m	2020 restated[1] £m
Non-current – trade and other receivables		
Amounts owed by Group undertakings	**394**	379
Current – trade and other receivables		
Amounts owed by Group undertakings	**173**	212
	567	591

(1) See note 13 for further details on the restatement of receivables between current assets and non-current assets.

Amounts owed by Group undertakings comprise amounts due from the following entities:

	2021 £m	2020 £m
TalkTalk Brands Limited	**394**	379
TalkTalk Communications Limited	**147**	209
TalkTalk Group ESOT	**19**	–
TalkTalk Group Limited	**7**	3
	567	591

Amounts owed by Group undertakings arise on the provision of funding to subsidiary undertakings. Movements in amounts receivable are driven by costs borne by the Company settled by other Group undertakings, cash balances generated by the Group's pooling arrangements with subsidiary undertakings and interest charged on amounts receivable.

5. Trade and other receivables continued

No interest is charged on intercompany trading balances generated by TalkTalk's accounts payable function and bank sweeping arrangements, these balances are repayable on demand. Interest charged on certain intercompany loan balances is calculated at the Group's borrowing cost plus a margin. All balances disclosed are held at amortised cost.

During the period ended 28 February 2021, an impairment loss made against amounts owed from the Group ESOT of £2m was reversed in full, giving rise to a credit to the Company income statement of £2m.

6. Trade and other payables

	2021 £m	2020 £m
Amounts owed to Group undertakings	**20**	19
Accruals and deferred income	**2**	6
	22	25

Amounts owed by Group undertakings comprise amounts due from the following entities:

	2021 £m	2020 £m
TalkTalk Telecom Limited	**20**	13
Tele2 Telecommunications Ireland Limited	**–**	2
Toucan Residential Ireland Limited	**–**	4
	20	19

Amounts owed to Group undertakings arise in respect of cash balances generated by the Group's pooling arrangements with subsidiary undertakings.

No interest is charged on intercompany trading balances generated by TalkTalk's accounts payable function and bank sweeping arrangements, these balances are repayable on demand. Interest charged on certain intercompany loan balances is calculated at the Group's borrowing cost plus a margin. All balances disclosed are held at amortised cost.

During the period ended 28 February 2021, Tele2 Telecommunications Ireland Limited and Toucan Residential Ireland entered liquidation and amounts owed to these entities were waived in full, giving rise to a credit to the Company income statement of £6m.

7. Cash and cash equivalents and borrowings

(a) Cash and cash equivalents comprise:

	2021 £m	2020 £m
Cash at bank and in hand	**12**	35

The effective interest rate on bank deposits and money market funds was 0.1% (2020: 0.6%).

(b) Borrowings comprise:

	2021 £m	2020 £m
Non-current		
Loans	**706**	730

The movement in borrowings is the same as described in note 25 to the consolidated financial statements with the exception of the £4m cash outflow relating to the Group's £75m receivables purchase agreement facility (note 20 to the consolidated financial statements).

The table below analyses the Company's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted gross cash flows including interest, assuming that period-end interest rates remain constant and that borrowings are paid in full in the year of maturity.

	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	Total £m
2021						
Borrowings	**(28)**	**(27)**	**(27)**	**(747)**	**–**	**(829)**
Trade and other payables	**(22)**	**–**	**–**	**–**	**–**	**(22)**
	(50)	**(27)**	**(27)**	**(747)**	**–**	**(851)**

Notes to the Company financial statements continued

7. Cash and cash equivalents and borrowings continued

(b) Borrowings comprise: continued

	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	Total £m
2020						
Borrowings	(31)	(28)	(188)	(22)	(595)	(864)
Trade and other payables	(25)	–	–	–	–	(25)
	(56)	(28)	(188)	(22)	(595)	(889)

The details of the loans are disclosed within note 20 to the consolidated financial statements and should be regarded as an integral part of these financial statements.

8. Financial risk management and derivative financial instruments

The book value and fair value of the Company's financial assets, liabilities and derivative financial instruments are as follows:

	2021 £m	2020 £m
Cash and cash equivalents	**12**	35
Non-current trade and other receivables(1)	**394**	379
Current trade and other receivables(1)	**173**	212
Financial assets at amortised cost	**579**	626
Derivative financial instruments	**–**	1
Fair value through profit and loss	**–**	1
Trade and other payables	**(22)**	(25)
Non-current borrowings	**(706)**	(730)
Financial liabilities at amortised cost	**(728)**	(755)
Total financial instruments	**(149)**	(128)

(1) Prepayments and accrued income have been included within the other receivables.

The details of the Company's risk management activities are disclosed within note 21 to the consolidated financial statements and should be regarded as an integral part of these financial statements.

9. Share capital

	2021 million	2020 million	2019 million	**2021 £m**	2020 £m	2019 £m
Allotted, called up and fully paid						
Ordinary shares of 0.1p each	**1,146**	1,146	1,146	**1**	1	1

10. Reserves

Share premium

The share premium account records the difference between the nominal amount of shares issued and the fair value of the consideration received. The share premium account may be used for certain purposes specified by UK law, including to write off expenses incurred on any issue of shares or debentures and to pay up fully paid bonus shares. The share premium account is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

Retained earnings

Retained earnings are made up of accumulated reserves.

Retained earnings are considered to be distributable reserves.

Other reserve – Group ESOT

The Group ESOT held 23 million shares at 28 February 2021 (2020: nil) in the Company for the benefit of employees. The Group ESOT has waived its rights to receive dividends and none of its shares have been allocated to specific schemes. At the period-end the shares had a market value of £22m (2020: £nil).

11. Audit exemption

The Company is entitled to exemption from audit for its subsidiaries under Section 479A of the Companies Act 2006 for the period ended 28 February 2021.

The Directors have applied this exemption for the following subsidiaries:

Company name	Company number
TalkTalk TV Entertainment Limited	05829251
tIPicall Limited	03216399
Adventure Telecom Limited	10796978
CPW Network Services Limited	05408812
TalkTalk Brands Limited	05840856
TalkTalk Corporate Limited	06755322
Telco Holdings Limited	04219971
TalkTalk Business Direct Limited	11347230

TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC) will guarantee all outstanding liabilities that these subsidiaries are subject to as at the period ended 28 February 2021 in accordance with Section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012.

The Directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

12. Related party transactions

The remuneration of the Directors, is set out in the Directors' Remuneration Report on pages 38 to 52. The remuneration of all key management personnel, which includes Directors, is disclosed in note 4 to the consolidated financial statements.

The freehold interest of certain properties leased to the Group is owned by a company of which the Executive Chairman is a controlling owner, one such lease was entered into during the period. The terms of these leases are considered to be at market rates by reference to rental charges offered on other similar properties.

13. Prior year restatement

Following review, it was identified that amounts owed by group undertakings of £394m (2020: £379m) had previously been presented within current assets, but should have been presented in non-current assets. Although amounts were repayable on demand, there was no expectation that they would be repaid within twelve months and therefore did not meet the criteria to be classified as current assets. The prior period Company financial statements have been restated to show these balances within non-current assets.

	Notes	**28 February 2021 £m**	31 March 2020 (restated) £m	31 March 2019 (restated) £m
Non-current assets				
Investments in subsidiaries and joint ventures	4	**1,211**	1,202	1,199
Trade and other receivables		**394**	379	376
		1,605	1,581	1,575
Current assets				
Cash and cash equivalents	7	**12**	35	29
Trade and other receivables	5	**173**	212	300
Derivative financial instruments		**–**	1	–
		185	248	329
Total assets		**1,790**	1,829	1,904
Current liabilities				
Trade and other payables	6	**(22)**	(25)	(43)
Non-current liabilities				
Borrowings	7	**(706)**	(730)	(748)
Total liabilities		**(728)**	(755)	(791)
Net assets		**1,062**	1,074	1,113

Five year record (unaudited)

	Eleven month period ended 28 February 2021 £m	Year ended 31 March 2020 £m	Year ended 31 March 2019[1] £m	Year ended 31 March 2018[1] £m	Year ended 31 March 2017[1],[2] £m
Headline results					
Revenue	**1,348**	1,557	1,609	1,605	1,720
Profit/(loss) for the period attributable to the owners of the Company	**24**	61	69	(7)	154
Net assets					
Non-current assets	**1,582**	1,562	1,359	1,294	1,126
Net current liabilities excluding provisions	**(263)**	(193)	(181)	(226)	(79)
Non-current liabilities excluding provisions	**(940)**	(951)	(843)	(729)	(871)
Provisions	**(8)**	(12)	(47)	(59)	(36)
Net assets	**371**	406	288	280	140
Headline earnings/(loss) per share					
Basic (p)	**2.1**	5.3	6.0	(0.7)	16.2
Diluted (p)	**2.1**	5.3	6.0	(0.7)	16.1
Statutory (loss)/earnings per share					
Basic (p)	**(1.0)**	13.4	2.8	(10.3)	6.1
Diluted (p)	**(1.0)**	13.2	2.8	(10.1)	6.0

(1) The years ended 31 March 2017, 31 March 2018 and 31 March 2019 are not restated for the impact of IFRS 16 'Leases'.

(2) The year ended 31 March 2017 is not restated for the impact of IFRS 15 'Revenue Recognition' and IFRS 9 'Financial Instruments'.

Headline earnings represent the Group's income statement stated before non-Headline items.

Alternative performance measures

Alternative performance measures (APMs) are the way that financial performance is measured by management and reported to the Board, and the basis of financial measures for senior management's compensation schemes, and provide supplementary information that assists the user in understanding the underlying trading results.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition and purpose
Income statement measure				
Headline revenue (excluding Carrier and Off-net)	Statutory revenue	Excludes non-Headline items. In addition, also excludes Carrier and Off-net revenues.	Note 2 to the consolidated financial statements.	Represents revenue excluding non-Headline revenue and low margin/volatile Carrier revenue and non-core Off-net revenue. The purpose of this APM is to allow the user to understand the Group's underlying revenue performance on a comparable basis.
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Operating profit or loss	Operating profit or loss, before depreciation and amortisation, share of joint ventures, net finance costs and taxation.	Note 9 to the consolidated financial statements.	Represents operating profit before depreciation, amortisation and share of results of joint ventures.
Headline EBITDA	Operating profit or loss	Operating profit or loss before non-Headline items, depreciation and amortisation, share of joint ventures, net finance costs and taxation.	Note 9 to the consolidated financial statements.	Represents operating profit before non-Headline items, depreciation, amortisation and share of results of joint ventures. The purpose of this APM is to allow the user to understand the Group's underlying financial performance measured by management and reported to the Board. In addition, it is a financial measure for senior management's compensation schemes.
Headline basic EPS	Basic EPS	Basic EPS excluding non-Headline items.	Note 10 to the consolidated financial statements.	Represents basic EPS excluding non-Headline items and provides supplementary information that assists the user in understanding the underlying trading results.
Balance sheet measure				
Net debt	Total borrowings after derivatives offset by cash and cash equivalents.		Note 20 to the consolidated financial statements.	Represents total borrowings after derivatives offset by cash and cash equivalents. It is a useful measure of the progress in generating cash and strengthening of the Group balance sheet position and is a measure widely used by various stakeholders.

Glossary

ADSL	Asymmetric digital subscriber line technology enables data transmission over existing copper wiring at data rates several hundred times faster than analogue modems, providing for simultaneous delivery of voice, video and data
APM	Alternative performance measure
ARPU	Average revenue per user on a monthly basis
CAGR	Compound annual growth rate
CGU	Cash generating unit
CSAT	Customer satisfaction
Churn	A measure of the number of subscribers moving out of a product or service over a specific period of time
The Company	TalkTalk Telecom Group Limited (formerly TalkTalk Telecom Group PLC)
Companies Act	Companies Act 2006
CPW	The Carphone Warehouse Group plc, its subsidiary companies, joint ventures and investments
Demerger	The demerger of The Carphone Warehouse Group plc into TalkTalk Telecom Group PLC and Carphone Warehouse Group plc effective on 26 March 2010
DSOP	Discretionary Share Option Plan
EBITDA	Earnings before interest, taxation, depreciation and amortisation
ECL	Expected credit loss
EFM	Ethernet in the first mile
EPS	Earnings per share
Ethernet	Ethernet is a protocol that controls data transmission over a communications network often referred to as a family of frame-based computers
FLPP	Fixed low price plan
FRC	Financial Reporting Council
FTTC	Fibre to the Cabinet
FTTP	Fibre to the Premises
Gbps	Gigabits per second
GEA	Generic Ethernet access
GPS	Global positioning system
The Group	The Company, its subsidiaries and entities which are joint ventures
Group ESOT	TalkTalk Telecoms Holdings Employee Share Option Trust
Headline information	Headline information represents the Group's income statement, stated before the amortisation of acquisition intangibles and exceptional items that are considered to be one-off and non-recurring in nature and so material that the Directors believe that they require separate disclosure to avoid distortion of underlying performance and should be separately presented on the face of the income statement
IP	Internet protocol is the packet data protocol used for routing and carriage of messages across the internet and similar networks. IP performs the addressing function and contains some control information to allow packets to be routed through networks
LLU	Local loop unbundling
Mbits/Mbps	Unit of data transfer rate equal to 1,000,000 bits per second
MPF	Metallic path facility provides both broadband and telephony services to customers from TalkTalk Group exchange infrastructure
MVNO	Mobile virtual network operator
Net debt	Borrowings net of cash held on deposit at financial institutions
NGN	Next generation network
NPS	Net Promoter Score
On-net	The Group's unbundled network

Operating free cash flow	Cash generated from operations before exceptional items, interest, taxation, dividend payments and investments
Operating profit	Profit before finance costs and taxation
Public to Private Transaction	Acquisition of TalkTalk by Tosca IOM Limited, pursuant to a Scheme of Arrangement that became effective on 12 March 2021
Quad play	A customer that takes voice, broadband, TV and MVNO services from the Group
RCF	Revolving credit facility
RGU	Revenue Generating Unit
SAC	Subscriber Acquisition Cost
SVP	Shareholder Value Plan
Triple play	A customer that takes voice, broadband and TV services from the Group
TSR	Total shareholder return
UK Corporate Governance Code	UK Corporate Governance Code published by the FRC in July 2018
VES	Value Enhancement Scheme
WAEP	Weighted average exercise price

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