

Registered number: 02604354

O2 HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022



O2 HOLDINGS LIMITED

COMPANY INFORMATION

Directors	J L Boyle M D Hardman
Company secretary	VMED O2 Secretaries Limited
Registered number	02604354
Registered office	500 Brook Drive Reading RG2 6UU

O2 HOLDINGS LIMITED

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O2 HOLDINGS LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Principal activities and business review

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

The principal activity of the company during the year was, and will continue to be, that of a holding company. The investments of the company are shown in note 19.

The company is a subsidiary of Virgin Media O2. Virgin Media O2 has a customer-first approach and combines the UK's largest mobile network of 44.7 million connections, with 5G available in over 1,600 towns and cities, and the UK's largest gigabit broadband network offering 1.1Gbps speeds across 16.1 million homes. Through a converged offering customers can access our proposition across both networks experiencing high-value innovative products and services as we upgrade the U.K.

Further details of Business Overview including 'How We Create Value', 'Our Markets and Regulatory Backdrop' and 'Our Group Strategy' during the financial year ended 31 December 2022 are included in the 2022 Consolidated Annual Report of VMED O2 UK Limited which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU and is published on the website <https://news.virginmediao2.co.uk/>.

Principal risks and uncertainties

Financial and operational risk management is undertaken as part of the group operations as a whole. The company's operations expose it to a variety of operational and financial risks. These are considered in more detail in the Consolidated Annual Report of VMED O2 UK Limited.

Key performance indicators (KPIs)

The directors do not use KPIs to assess the performance of the company as its principal activity is that of a holding company.

Sustainability

Details of 'Sustainability' during the financial year ended 31 December 2022 are included in the 2022 Consolidated Annual Report of VMED O2 UK Limited.

Task Force on Climate-Related Financial Disclosures (TCFD)

Details of 'Task Force on Climate-Related Financial Disclosures (TCFD)' during the financial year ended 31 December 2022 are included in the 2022 Consolidated Annual Report of VMED O2 UK Limited.

Future outlook

It is the intention of the directors that this entity will continue to operate as a holding company. The directors will continue to review management policies in light of changing trading and market conditions. Further detail of the future outlook of the group is provided in the Consolidated Annual Report of VMED O2 UK Limited.

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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Section 172 Statement

This statement explains how the directors have acted in good faith in the interest of the shareholders and taken into account the matters set out in section 172 of the Companies Act 2006. This includes the obligation for the directors to have regard to the company's long-term sustainability and its stakeholders when making principal decisions of strategic importance during the reporting year. As a responsible business we are committed to conducting our operations with integrity and fairness. Our Code of Conduct sets out our commitment to doing the right thing and maintaining the highest ethical and legal standards.

The Company is part of VMED O2 and for the administrative efficiencies the Company's key stakeholder engagements are conducted at operational level led by members of the Executive Management Team which also include the Directors (Executives, each referred to as Executive Sponsor). The Executives have the delegated authority to manage the day-to-day affairs of the operating businesses within the group. Each Executive Sponsor heads a business division and is supported by specialist teams tasked with understanding the needs and priorities of the key stakeholders and ensuring that the Executives are fully briefed on such matters before making strategic decisions. In discharging their directors' duties, the Directors have adopted the group's governance framework including the interest of the group's stakeholders when taking decision. The Directors also considered the relevant matters to the extent necessary for the understanding of the development, performance, position of the Company. As an example, the Directors considered the matters of concerns to the wider stakeholder group when considering the adequacy of its financial commitments to further enable the Company to meet its obligations to the group. Further details of how the group considers the matters set out in section 172 of the Companies Act 2006 are set out in the Corporate Governance Statement of the consolidated Annual Report of VMED O2 UK Limited.

Further detail is provided in the Consolidated Annual Report of VMED O2 UK Limited.

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

Mark Hardman

M D Hardman
Director

Date: 28 June 2023

O2 HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and non-audited financial statements of the company for the year ended 31 December 2022.

Results and dividends

The loss for the year, after tax, amounted to £215,520,000 (2021 - profit of £224,510,000).

The directors have not recommended an ordinary dividend (2021 - £5,793,216,000).

Directors

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

J L Boyle (appointed 29 April 2022)
P Cobian (resigned 29 April 2022)
M D Hardman (appointed 29 April 2022)
L M Schuler (resigned 29 April 2022)

The directors of the company have been indemnified against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision is in force for directors serving during the financial year and as at the date of approving the Directors' Report.

Political donations

The company did not make any political donations during the year (2021 - £nil).

UK employee engagement statement

We solely operate in the UK and our employees are based in the UK, details of the group's commitment to employees can be found in the People section of the Consolidated Annual Report of VMED O2 UK Limited.

The Company does not employ individuals directly. The group solely operates in the UK and employees are employed by other group companies based in the UK. For administrative efficiencies employee engagement is conducted at group level, below are a few examples of the group's engagement during the year:

- Quarterly live streams lead by the CEO and the Executives including Questions and Answers sessions;
- Workplace, an interactive social platform two-way communication;
- Executives tour across to country and corporate sites. The focus was to have a dialogue on the cost-of-living with employees; and
- Pulse surveys with a wide range of questions to understand the views and perceptions of employees.

Further examples of how the group has had regard to the interests of its employees and the effect this has had on the decisions taken by the group can be found in the Consolidated Annual Report of VMED O2 UK Limited.

Corporate governance

The company adopts the same governance framework for the group and full details of the governance arrangement can be found in the Corporate Governance Statement of VMED O2 UK Limited's Consolidated Annual Report.

O2 HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Stakeholder statement

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

Energy and carbon report

Disclosures concerning greenhouse gas emission, energy consumption and energy efficiency are done at a group level and are contained in the Streamlined Energy and Carbon Statement of VMED O2 UK Limited's Consolidated Annual Report.

Research and development

Research and development activities are conducted at group level and disclosed in the Consolidated Annual Report of VMED O2 UK Limited.

Going concern

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

Audit exemption

VMED O2 UK Holdings Limited issued a guarantee against all outstanding liabilities to which the company is subject as at 31 December 2022, until they are satisfied in full. The guarantee is enforceable against VMED O2 UK Holdings Limited by any person to whom the company is liable in respect of those liabilities. Since VMED O2 UK Holdings Limited is the smallest group to which the company's accounts are consolidated, the company has taken advantage of the exemption from audit of its individual accounts for the year ended 31 December 2022 by virtue of section 479A of the Companies Act 2006.

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



J L Boyle
Director

Date: 28 June 2023

O2 HOLDINGS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Company law requires the directors to prepare the Annual Report financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in accordance with the requirements of the UK-adopted international accounting standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the company's profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

O2 HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Administrative expenses		(522)	(4,712)
Operating loss	4	(522)	(4,712)
Income from subsidiary	6	-	354,000
Finance costs	8	(215,998)	(123,466)
(Loss)/profit before tax		(216,520)	225,822
Tax on (loss)/profit	9	-	(1,312)
(Loss)/profit for the financial year		(216,520)	224,510

The notes on pages 9 to 24 form part of these financial statements.

There was no other comprehensive income or expenditure for 2022 or 2021 other than that included in the profit and loss account.

All results were derived from continuing operations.

O2 HOLDINGS LIMITED
REGISTERED NUMBER: 02604354

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Investments in subsidiaries	10	10,592,576	10,592,576
Current assets			
Debtors: amounts falling due within one year	11	23,305	15,751
Bank and cash balances		714	136
		<u>24,019</u>	<u>15,887</u>
Creditors: amounts falling due within one year	12	(7,327)	(4,498)
Net current assets		<u>16,692</u>	<u>11,389</u>
Total assets less current liabilities		<u>10,609,268</u>	<u>10,603,965</u>
Creditors: amounts falling due after more than one year	13	(4,840,084)	(4,616,884)
Employee benefits	14	(3,070)	(4,447)
Net assets		<u><u>5,766,114</u></u>	<u><u>5,982,634</u></u>
Capital and reserves			
Share capital	15	13,412	13,412
Share premium	16	2,316,363	2,316,363
Retained earnings	16	3,436,339	3,652,859
		<u><u>5,766,114</u></u>	<u><u>5,982,634</u></u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibility for complying with requirements of the Act with respect to accounting records and for the preparation of accounts.

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

Mark Hardman

M D Hardman
Director

Date: 28 June 2023

The notes on pages 9 to 24 form part of these financial statements.

O2 HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	13,412	2,316,363	3,652,859	5,982,634
Comprehensive income for the year				
Loss for the year	-	-	(216,520)	(216,520)
Balance at 31 December 2022	13,412	2,316,363	3,436,339	5,766,114

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

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	12,001	-	9,221,565	9,233,566
Comprehensive income for the year				
Profit for the year	-	-	224,510	224,510
Contributions by and distributions to owners				
Dividends paid	-	-	(5,793,216)	(5,793,216)
Shares issued during the year	1,411	2,316,363	-	2,317,774
Total transactions with owners	1,411	2,316,363	(5,793,216)	(3,475,442)
Balance at 31 December 2021	13,412	2,316,363	3,652,859	5,982,634

The notes on pages 9 to 24 form part of these financial statements.

O2 HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

The principal activity of O2 Holdings Limited (the company) is that of a holding company.

The company is a private company incorporated, domiciled and registered in the UK. The registered number is 02604354 and the registered address is 260 Bath Road, Slough, Berkshire, SL1 4DX.

In accordance with s400 of the Companies Act 2006, consolidated financial statements for this company have not been prepared as the company and its subsidiaries are included in the consolidated financial statements of VMED O2 UK Limited for the period ended 31 December 2022.

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

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

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

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, VMED O2 UK Limited, includes the company in its consolidated financial statements. The consolidated financial statements of VMED O2 UK Limited are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of related party transactions with fellow group undertakings;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

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

- Certain disclosures required by IFRS 13 fair value measurement, the disclosures required by IFRS 7 financial instrument disclosures.

O2 HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)
2.2 Going concern

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

It is VMED O2's practice for operational and financial management to be undertaken at a group level rather than for individual entities that are wholly owned by the group. Treasury operations and cash management for all of VMED O2 UK Limited wholly owned subsidiaries are managed on a group basis. As part of normal business practice, regular cash flow forecasts for both short and long term commitments are undertaken at group level.

Forecasts and projections, which take into account of reasonably possible downsides in trading performance, prepared for the group as a whole, indicate that cash on hand, together with cash from operations and revolving credit facilities, are expected to be sufficient for the group's and hence the company's cash requirements through to at least 12 months from the approval of these financial statements. The group has indicated its intention to continue to make such funds available to the company as are needed. In addition, VMED O2 UK Limited has formally indicated its intention to continue to support the company financially for at least this period.

Whilst the detailed cash flow forecasts are prepared at the group level, the directors have also assessed the position of the company. This assessment indicates that, taking account of reasonably possible downsides, the company will have sufficient resources, through funding from fellow subsidiary companies to meet its liabilities as they fall due for that period.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have prepared the financial statements on a going concern basis.

2.3 Income from subsidiaries

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

2.4 Investments in subsidiaries

Investments are recorded at cost, less provision for impairment as appropriate. The company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, the company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. A previously recognised impairment loss is reversed only if there was an event not foreseen in the original impairment calculations, such as a change in use of the investment or a change in economic conditions. The reversal of impairment loss would be to the extent of the lower of the recoverable amount and the carrying amount that would have been determined had no impairment loss been recognised for the investment in prior years.

O2 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.5 Employee benefits

Retirement benefit obligations

Telefonica UK Limited, a subsidiary of the Company, operates both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that sets the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions on behalf of employees and under which there is no legal or constructive obligation to pay further contributions for employees' service in the current and prior periods.

The Company participates in the Telefónica UK Pension Plan ("Plan"), which provides benefits for the majority of UK employees in the UK Group. During the period presented, the Plan had the following defined benefit and defined contribution schemes:

- The defined benefit scheme of the Telefónica UK Pension Plan;
- The defined contribution scheme of the Telefónica UK Pension Plan; and
- The UK defined benefit Unfunded Plan.

On 28 February 2013 the defined benefit scheme of the Plan closed to further benefit accrual. Member benefits of the defined benefit scheme of the Plan will continue to be increased in deferment by reference to the Consumer Prices Index (see Note 14) but will not retain the link to any future increases in salary. Upon closure, members of the defined benefit scheme of the Plan were given the option to become members of the defined contribution scheme of the Plan. The defined contribution scheme of the Plan remains open to new entrants and further accrual. The assets of the Plan are held independently of the Company's finances.

In its capacity as a participating employer in the defined contribution scheme of the Plan, the Group pays contributions into the Plan on behalf of the employees. The Group has no further obligations once the contributions have been paid. The contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Telefonica O2 Holdings Limited (the Company's ultimate UK parent company) acted as Sponsor and Principal Employer of the Plan up to 14 December 2018. On this date a deed was signed by the trustees to transfer the plan into the Company as the majority of employees participating in the plan are employees of the Company. The transfer was made via a capital contribution from Telefonica O2 Holdings Limited for £23.1 million, being the net asset position of the plan on the transfer date. The corresponding net asset was recorded on the Group statement of financial position. The Company recognises only the unfunded defined benefit liability on its statement of financial position, as the unfunded scheme is exclusively related to the Company.

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Accordingly, all actuarial gains and losses are recognised in the statement of comprehensive income and expense in the period in which they arise.

O2 HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.6 Debtors**

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

The allowance for impairment of trade receivables is estimated based upon the current estimate of lifetime expected credit losses. The company uses a number of factors in determining the allowance, including, amongst other things, collection trends, prevailing and anticipated economic conditions, and specific customer credit risk. The allowance is maintained until either payment is received or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of residential and business customers. The company manages this risk by disconnecting services to customers whose accounts are delinquent.

2.7 Cash and cash equivalents

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

2.8 Creditors

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

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

2.9 Loans and borrowings

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

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

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

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

O2 HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.10 Deferred tax**

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

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

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

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

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

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

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

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

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

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

O2 HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.11 Non derivative financial instruments**

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

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

The company initially recognises loans and receivables on the date they are originated. All other financial assets (including assets designated as fair value through the Profit and Loss Account) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

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

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

O2 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

Estimates and assumptions

Carrying value of investments

Investments are held at cost less any necessary provision for impairment. Where the impairment assessment did not provide any indication of impairment, no provision is required. If any such indications exist, the carrying value of an investment is written down to its recoverable amount.

Recoverability of intercompany receivables

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

Judgements

Recoverability of deferred tax assets

Deferred tax assets are recognised for unused tax losses and allowances to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4. Operating loss

The operating loss is stated after charging:

	2022 £000	2021 £000
Management fees	-	(4,762)
Release for impairment on investment	(522)	-
	<u>(522)</u>	<u>(4,762)</u>

5. Employees

The company does not have any directly employed staff and is not charged an allocation of staff costs by the group. Details of staff numbers and staff costs of the group are disclosed in the Consolidated Annual Report of VMED O2 UK Limited.

The directors received no remuneration for the qualifying services as directors of this company. All directors' remuneration for those which were in office during 2022 and 2021 is disclosed in the Consolidated Annual Report of VMED O2 UK Holdings Limited, which is available from the company secretary at 500 Brook Drive, Reading, United Kingdom, RG2 6UU.

O2 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**6. Income from subsidiaries**

	2022 £000	2021 £000
Dividends received	-	354,000

The company received an interim dividend of £354,000,000 during the year ended 31 December 2021.

7. Dividends paid

	2022 £000	2021 £000
Dividends paid	-	5,793,216

The company paid an interim dividend of £5,793,216,000 during the year ended 31 December 2021.

8. Finance costs

	2022 £000	2021 £000
Interest on amounts owed to group undertakings	215,998	123,466

9. Taxation

	2022 £000	2021 £000
Current tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	1,312
Total deferred tax	-	1,312
Taxation on (loss)/profit	-	1,312

O2 HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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9. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022	2021
	£000	£000
(Loss)/profit on ordinary activities before tax	(216,520)	225,822
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(41,139)	42,906
Effects of:		
Expenses not deductible for tax purposes	104	904
Non-taxable income	-	(67,150)
Derecognition of deferred tax assets	-	1,198
Group relief not paid for	41,035	23,454
Total tax (benefit)/expense	-	1,312

Factors that may affect future tax charges

In March 2021, legislation was introduced to increase the UK corporate income tax rate from 19% to 25% from 1 April 2023. This rate change was substantively enacted on 24 May 2021 and enacted on 10 June 2021 (Finance Bill 2021).

Deferred tax assets in respect of depreciation in excess of capital allowances and defined benefit pension losses of £839,000 (2021 - £1,200,000) have not been recognised as there is currently no persuasive evidence that there will be suitable taxable profits against which these timing differences will reverse.

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10. Investments in subsidiaries

	Investments in subsidiaries £000
Cost	
At 1 January 2022	10,592,576
At 31 December 2022	10,592,576
Net book value	
At 31 December 2022	10,592,576
At 31 December 2021	10,592,576

The investments in which the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are shown in note 19.

In the opinion of the directors the aggregate value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the financial statements.

11. Debtors

	2022 £000	2021 £000
Amounts owed by group undertakings	16,664	15,751
Other tax recoverable	6,641	-
	23,305	15,751

The analysis of amounts owed by group undertakings is:

	2022 £000	2021 £000
Other amounts owed by group undertakings	16,664	15,751

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

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12. Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Amounts owed to group companies	2,920	1,777
Trade payables	-	1,842
Accruals and deferred income	4,407	879
	<u>7,327</u>	<u>4,498</u>

The analysis of amounts owed to group undertakings is:

	2022	2021
	£000	£000
Other amounts owed to group undertakings	2,920	2,777
	<u>2,920</u>	<u>2,777</u>

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

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

	2022	2021
	£000	£000
Amounts owed to group companies	4,840,084	4,616,884
	<u>4,840,084</u>	<u>4,616,884</u>

The analysis of amounts owed to group undertakings is:

	2022	2021
	£000	£000
Loans advanced from group undertakings	4,840,084	4,616,884
	<u>4,840,084</u>	<u>4,616,884</u>

Amounts owed to group undertakings falling due after more than one year include loan notes which had a carrying value of £4,840,084,000 (2021 - £4,616,884,000) at the balance sheet date. Loan notes are denominated in sterling, which bear interest of 4.67%, and mature on 1 June 2030.

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14. Retirement benefit schemes

The Telefónica UK Pension Plan ("the Plan"), which provides the pension benefits for the majority of Telefonica's UK employees, including those of Telefonica UK Limited, comprises the following:

- The defined benefit scheme of the Telefónica UK Pension Plan
- The defined contribution scheme of the Telefónica UK Pension Plan
- The UK defined benefit Unfunded Plan

The defined benefit scheme of the Telefónica UK Pension Plan and the defined contribution scheme of the Telefónica UK Pension Plan are both accounted for within the Telefónica UK statutory accounts. The UK defined benefit Unfunded Plan is accounted for within the O2 Holdings Limited statutory accounts.

The liabilities of the UK defined benefit Unfunded plan are recorded within the statement of financial position of O2 Holdings Limited, as it relates to ex-employees of O2 Holdings Limited. The costs arising from the Unfunded plan are borne by O2 Holdings Limited and are reflected on the statement of comprehensive income of the Company.

Actuarial valuation

A full valuation of the defined benefit section of the Plan was undertaken as at 30 September 2020 by a suitably qualified independent actuary. The valuation used the projected unit method.

The results of the actuarial valuation of the Plan as at 30 September 2020 have been updated to 31 December 2021 by a third-party qualified actuary in accordance with the requirements of IAS 19. The defined benefit liabilities have been measured using the projected unit credit method.

The amounts included in the statement of financial position at 31 December 2021 arising from obligations in respect of the defined benefit unfunded scheme of the Plan are as follows:

	2022	2021
	£000	£000
Fair value of assets	-	-
Present value of defined benefit obligations	3,070	4,447
Net obligation recognised in statement of financial position	3,070	4,447

O2 HOLDINGS LIMITED

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14. Retirement benefit schemes (continued)

The main assumptions adopted for the unfunded Plan under IAS 19 are as follows:

	As at 31 December 2022	As at 31 December 2021
Life expectancy (male currently age 40 / 60) in years	88.6/87.1	89.0/87.5
Life expectancy (female currently age 40 / 60) in years	90.7/89.2	90.9/89.5
Nominal rate of increase of pensions in payment (RPI max 5%)	2.95%	3.10%
Discount rate	4.75%	1.80%
Inflation assumption		
CPI	2.70%	2.65%
RPI	3.20%	3.15%

At 31 December 2022, the weighted average duration of the defined benefit obligation of the funded plan was 18 years (2021: 22 years).

The position and results reported are subject to the accuracy of the assumptions used.

A reduction in the discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the discount rate will have an opposite effect of similar magnitude.

An increase in the inflation rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A reduction in the inflation rate will have an opposite effect of similar magnitude.

There is also uncertainty around the future life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment.

Risks

The main risks to which the Company are exposed in relation to the Plan are:

Longevity risk

The assumptions adopted by the Company make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Plan and consequently increases in the Plan's liabilities. The Company and the Plan's Trustee reviews the mortality assumption on a regular basis to minimise the risk of using an inappropriate assumption.

Yield risk

A fall in bond yields will increase the value of the Plan's liabilities. As a result, there is a risk that the value of the liabilities may grow in monetary terms, increasing the deficit in the Plan.

Inflation risk

The majority of the Plan's liabilities increase in line with inflation and so if inflation is greater than expected, the liabilities will increase. These risks will continue to be monitored.

O2 HOLDINGS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2022

15. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
13,412,218 (2021 - 13,412,218) Ordinary shares fully paid of £1 each	<u>13,412,218</u>	<u>13,412,218</u>

16. Reserves

Share capital

The balance classified as share capital represents the nominal value on issue of the company's share capital, comprising £1 ordinary shares.

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Retained earnings

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

17. Guarantees

Fellow group undertakings are party to a senior secured credit facility with a syndicate of banks. As at 31 December 2022, this comprised term facilities that amounted to £7,501 million (2021 - £5,916 million) of which £650 million was undrawn (2021 - fully drawn) and revolving credit facilities of £1,378 million (2021 - £1,378 million), which were undrawn as at 31 December 2022 and 2021. Borrowings under the facilities are secured against the assets of certain members of the group.

In addition, a fellow group undertaking has issued senior secured notes which, subject to certain exceptions, share the same guarantees and security which have been granted in favour of the senior secured credit facility. The amount outstanding under the senior secured notes at 31 December 2022 amounted to £8,544 million (2021 - £8,066 million). Borrowings under the notes are secured against the assets of certain members of the group.

Furthermore, a fellow group undertaking has issued senior notes for which certain fellow group undertakings, have guaranteed the notes on a senior subordinated basis. The amount outstanding under the senior notes as at 31 December 2022 amounted to approximately £1,207 million (2021 - £1,103 million).

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

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

O2 HOLDINGS LIMITED

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18. Controlling party

The company's immediate parent undertaking is VMED O2 Holdco 4 Limited.

The smallest and largest groups of which the company is a member and into which the company's accounts were consolidated at 31 December 2022 are VMED O2 UK Holdings Limited and VMED O2 UK Limited, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2022 was VMED O2 UK Limited.

O2 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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19. List of investments

Name of company		Holdings	Proportion held	Nature of business
Direct shareholdings				
O2 Cedar Limited		Ordinary	100%	Non Trading
O2 Communications Limited		Ordinary	100%	Non Trading
O2 Networks Limited		Ordinary	100%	Non Trading
Telefónica Europe People Services Limited	Ω Φ	Ordinary	100%	HR Services
Telefonica UK Limited		Ordinary	100%	Telecoms
Telefonica UK Pension Trustee Limited		Ordinary	100%	Dormant
VMED O2 Secretaries Limited		Ordinary	100%	Dormant
Indirect shareholdings				
Cellular Radio Limited		Ordinary	100%	Non Trading
Cornerstone Telecommunications Infrastructure Limited	Ψ	Ordinary	50%	Joint Venture
Digital Mobile Spectrum Limited	Ξ	Ordinary	25%	Telecoms
DX Communications Limited	Σ	Ordinary	100%	Dormant
giffgaff Limited		Ordinary	100%	Telecoms
O2 Redwood Limited		Ordinary	100%	Dormant
O2 Unify Limited		Ordinary	100%	IT Consultancy
Statiq Limited		Ordinary	100%	Non Trading
Telefonica Cybersecurity Tech UK Limited		Ordinary	100%	Dormant
Tesco Mobile Limited	μ	Ordinary	50%	Telecoms
The Mobile Phone Store Limited		Ordinary	100%	Dormant
VMED O2 Secretaries Limited		Ordinary	100%	Dormant
Weve Limited		Ordinary	100%	Non Trading

All companies are registered at 260 Bath Road, Slough, Berkshire, SL1 4DX, unless otherwise noted below:

Ψ	Hive 2, 1530 Arlington Business Park, Theale, Reading, Berkshire, England, RG7 4SA
Ξ	24/25 The Shard, 32 London Bridge Street, London, England, SE1 9SG
Σ	The Ca'D'Ore, 45 Gordon Street, Glasgow, United Kingdom, G1 3PE
Ω	South Point Herbert House, Harmony Row, Grand Canal Dock Dublin 2, Dublin. This entity is registered in Ireland.
μ	Shire Park, Welwyn Garden City, United Kingdom, AL7 1GA
Φ	In liquidation