

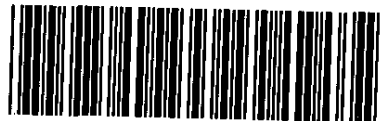


**Consolidated Annual Report and Financial Statements
For the Year Ended 31 December 2022**

VMED O2 UK HOLDINGS LIMITED

COMPANY NUMBER
13047827

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COMPANIES HOUSE		

AC2VE100		
A04	05/05/2023	#90
COMPANIES HOUSE		

Company Information

Directors

J L Boyle

M D Hardman

Company Secretary

VMED O2 Secretaries Limited

Registered Number

13047827

Registered Office

500 Brook Drive

Reading

United Kingdom

RG2 6UU

Auditor

KPMG LLP

15 Canada Square

London

E14 5GL

2022 Highlights

Financial Highlights
Revenue FY 2022: £10,360.0 million +0.1% Pro Forma FY 2021: £10,353.2 million
Transaction Adjusted Revenue¹ FY 2022: £10,381.9 million Flat Pro Forma FY 2021: £10,383.3 million
Adjusted EBITDA¹ FY 2022: £3,931.6 million +5.2% Pro Forma FY 2021: £3,738.2 million
Transaction Adjusted EBITDA¹ FY 2022: £3,905.4 million +6.3% Pro Forma FY 2021: £3,673.0 million
Property and Equipment (P&E) additions FY 2022: £2,061.3 million +4.3% Pro Forma FY 2021: £1,977.2 million
Adjusted Free Cash Flow (FCF)^{1,2} FY 2022: £666.0 million
Net Senior Debt to Annualised Adjusted EBITDA¹ FY 2022: 3.27x +0.06bps Pro Forma FY 2021: 3.21x
Net Total Debt to Annualised Adjusted EBITDA¹ FY 2022: 3.57x +0.05bps Pro Forma FY 2021: 3.52x

Lutz Schüler, CEO of Virgin Media O2:

"I am delighted with our strong performance where we have delivered towards the high-end of our 2022 guidance against what is a challenging macroeconomic backdrop."

¹The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

²Free Cash Flow was not calculated on a Pro-Forma basis leading to no comparator for full-year 2021.

"We have continued to develop well against our strategy as we deliver long-term commercial momentum. We have combined our **customer-first** mentality and **converged** offering to deliver an experience customers need with **innovative** products and services across both networks as we **upgrade the U.K.** We will keep building on these strong foundations in 2023."

Operational Highlights
The U.K.'s largest mobile network
44.7 million connections
5G - over 1,600 towns and cities ¹
The U.K.'s largest gigabit broadband network
Up to 1.1Gbps speeds across 16.1 million homes
c.5x higher than the national average download speed

¹Over 50% outdoor population coverage.

VMED O2 UK HOLDINGS LIMITED
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Instagram - [Virgin Media O2 ESG \(@vmo2news\)](#) • [Instagram photos and videos](#)

Forward-looking Statements

Certain statements in this Annual Report constitute forward-looking statements. To the extent that statements in this Annual Report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Financial Review* may contain forward-looking statements, including statements regarding VMED O2 UK Holdings Limited (**VMED O2's** or **Virgin Media O2's**) business, product, foreign currency and finance strategies in future periods, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of VMED O2's markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in VMED O2's revenue, costs or growth rates, liquidity, credit risks, foreign currency risks, target leverage levels, VMED O2's future projected contractual commitments and cash flows and other information and statements that are not historical fact.

Where, in any forward-looking statement, VMED O2 expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved. In evaluating these statements, you should consider the risks and uncertainties discussed under the *Principal Risks and Uncertainties* section within this Annual Report.

STRATEGIC REPORT

CEO Statement

This is our first full-year as Virgin Media O2 and I am proud of how we have progressed as we deliver sustained commercial momentum. 2022 has been a year of continued strategic, financial and operational progress and we have delivered at pace against a challenging macroeconomic backdrop while maintaining focus on our three growth waves: investment in our networks; advancement of our integration plans and progression in the initial stages of our digital transformation. This resulted in our reaching the high-end of our 2022 guidance with *Transaction Adjusted EBITDA*¹ (before Costs to Capture (CTC)) in the mid-single-digit range increasing by 6.3% to £3,905.4 million (FY 2021: £3,673.0 million) and improved trends in transaction adjusted revenues compared to 2021.

Commercial momentum

Our unwavering focus on our customers has positioned us well in a competitive environment and we have delivered customer growth in 2022 against a challenging macroeconomic backdrop. This would not have been possible without our approach towards innovation, a more detailed understanding of the customers' needs and our ability to maximise our offering based on speed, scale and convergence.

We started the year by being the only major mobile network not to reintroduce E.U. roaming fees, and in August launched our new Switch Up proposition which gives O2 customers more freedom to flex their plan and swap their phone at any point. On the fixed side we boosted the speeds of millions of our customers, and launched our new Internet Protocol (IP)-based TV service, TV Stream from Virgin Media. We also hit a major milestone with 1.3 million customers taking our converged Volt products in just one year since they launched – an incredible achievement which highlights our growing convergence credentials.

Delivering against our strategic priorities

We have continued to invest heavily, with property and equipment (P&E) additions totalling £2.1 billion in 2022 (FY 2021: £2.0 billion), in our networks and services in order to bring connectivity to new areas, lay foundations for the future and put the customer at the heart of what we do. Whilst usage of our connectivity has kept growing, there is more to come and we understand that both speed and quality of service remain vital factors in overall experience.

From a network evolution perspective, our reach is now 16.1 million homes (FY 2021: 15.6 million) and our position as the UK's largest gigabit provider has been maintained. Through the year, we expanded our fixed fibre footprint as we connected 518,800 new homes, which included 24,100 transferred to nexfibre, a joint venture formed in December between our shareholders (as defined in note 1 to the Consolidated Financial Statements) and InfraVia Capital Partners (**InfraVia**). Not only will we provide construction and corporate services to this new entity but, as an anchor tenant the additional network will extend our fibre reach to around 80% of the country and, together with our existing network, present a sizeable and attractive wholesale opportunity for other providers in future. The outcome of our combined full-fibre footprint will total 23 million homes, an increase of up to 7 million. Additionally, we ramped up our fibre upgrade deployment and started live trials of new XGS-PON fibre technology in customer homes. This is all part of our plans to upgrade all our fixed network to fibre in 2028. In our mobile network, we now have 5G connectivity in more than 1,600 towns and cities, and are on track to hit 50% population coverage in 2023. On top of that we boosted our 4G capacity, which still makes up the bulk of mobile traffic, in 725,000 postcodes.

From a synergies perspective, we exceeded our 30% of £540 million run-rate target which included completing the migration of all Virgin Mobile traffic onto our O2 network. We will now migrate Virgin Mobile customers to O2 which will initiate in March 2023 and complete by the end of the year. Additionally, total synergies will continue to increase in 2023 and we are targeting over 50% of £540 million run-rate at the end of the year supported by further Mobile backhaul integration utilising our own fixed network.

In digitalisation, we are investing in upgrading and streamlining end-to-end digital capabilities to enhance the customer-first approach and data-driven performance management in order to provide them with the best value for the products and services we provide.

¹ The Alternative Performance Measures (APMs), including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements

Better Connections Plan - Sustainability through our lens

In May we launched our Better Connections Plan and set bold and ambitious goals across three elements: zero-carbon future, a circular economy and connected communities. Our targets are stretching and I am delighted with the milestones we have achieved to date.

One significant accomplishment was our receipt of the Carbon Trust certification for action towards net zero emissions becoming one of only three U.K. businesses and the first Telecoms provider to reach this milestone. The Carbon Trust's Route to Net Zero Standard is a robust and challenging certification to help companies manage and reduce carbon emissions and share progress. In October, in partnership with environmental charity Hubbub, we launched Time after Time - a new e-waste eco fund that will award grants of between £10,000 and £75,000 for creative U.K. projects that reduce e-waste, encourage recycling of electronic goods and support devices being used over and over again.

In addition, the increased cost-of-living has affected many households, including our own employees and we have stepped up to support. In October, we introduced a one-off targeted allowance of £1,400 for our people earning under £35,000 paid between October 2022 and July 2023. This was combined with our decision to reduce the cost of our Essential Broadband social tariff to £12.50, introduce a new, faster tier and expand the eligibility criteria of these services.

With digital inclusion being an area close to our hearts we doubled down on our support of the National Databank, which provides free mobile data, texts and calls to those who need it most, and is a platform we pioneered with digital inclusion charity, Good Things Foundation. We have committed more than 61 million GB of free O2 data by the end of 2025, through our stores and a network of 1,000 participating community partners nationwide we issued 35,000 vouchers (each 20GB), over 60,000 SIMs, and connected over 7,500 people in 2022.

2023 Guidance

Looking ahead, we expect to deliver growth in *Transaction Adjusted Revenue*¹ and mid-single-digit *Transaction Adjusted EBITDA*¹ (before CTC) growth, with the first quarter impacted by phasing. Additionally, we predict opex and capex CTC of approximately £150 million and P&E additions of around £2.0 billion. The cash distribution to shareholders is anticipated to be £1.8 to £2.0 billion including cash from recapitalisations to maintain leverage at the upper-end of the 4-5x range.

We have firm foundations in place, a clear strategy and a team that are focused on building long-term commercial momentum and I am confident we will deliver our 2023 guidance.

Lutz Schüler
CEO, Virgin Media O2

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How We Create Value

We are a converged champion and the U.K. challenger with our customers at the heart of what we do.

Our resources



Capital investment where we invested £2.1 billion of P&E additions in 2022 and will invest a further £2.0 billion in 2023

We will continue to invest in evolving our networks so we can reach more customers, enhancing our offering through innovative propositions and maximise the potential of our merged business.



The largest gigabit fixed network with average download speeds up to 1.1Gbps to 16.1 million homes

The scale and focus of our fixed network provide us continued speed leadership, increased network control, cost efficiency, reliability and improving customer experience underpinning our brand value as we invest for the future.



The largest mobile operator in the UK serving 44.7 million connections, with our 5G network covering over 1,600 towns and cities

Our scale and data insights enable us to offer high-value products and benefits including the ability to offer excellent value for money and improve our products and services through a greater understanding of customers' needs.



17,100 diverse, experienced and knowledgeable people encompassing a customer-first mentality

Virgin Media O2 brings together Virgin Media's experience in delivering fibre-optic broadband, mobile and TV and O2's expertise in mobile. Our combined culture embeds a customer-first approach.



A portfolio of brands and partnerships providing the foundations on which to develop

Our ability to meet customer demand through a combination of our Virgin Media, O2, Virgin Mobile and giffgaff brands and partnerships across content, value-added services and distribution.



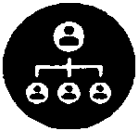
Shareholders with global scale and experience of value creation

LibertyGlobal and Telefónica provide Virgin Media O2 with support in enabling expansion through access to a large pool of financial investments; expertise in technology capabilities; mergers and acquisitions; market intelligence; supply-chain and distribution.



Spectrum assets enabling high quality customer experience

Owning spectrum and mobile infrastructure assets provides us with control over improvements in network capacity, performance and reliability, cost effective delivery and national network provisioning to wholesale customers.

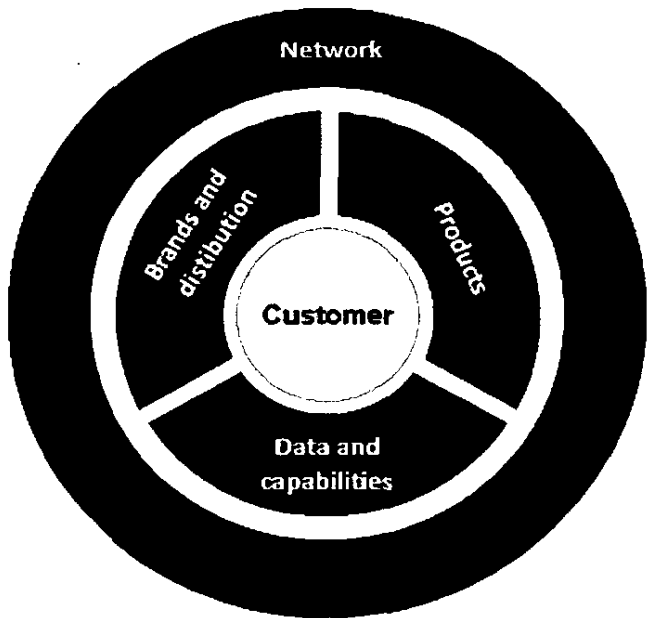


Management team with extensive experience in leading Telecoms companies at scale

Executives with a proven track-record in delivering both business and corporate strategy at scale including motivating large organisations; innovative product development; implementing an adaptable target operating model; effective resource allocation and maintaining a robust balance sheet to support growth. All of which will deliver an increased value to the Virgin Media O2 brand.

What we do

We have a customer-first approach where we sell market leading innovative products and services through focussed brands, supported by strong data insight and capabilities.



Customer

Delivering a high-value customer experience for our consumer and business customers

Brands and distribution

Leverage and distribute our brand portfolio of Virgin Media, O2, giffgaff and Virgin Mobile, across direct and indirect channels including retail, online and voice channels

Products

Develop flexible and innovative products across mobile, broadband and pay-TV

Data and capabilities

Leverage efficient digital architecture for digitalisation of customer journeys

Network

Maintain, upgrade and utilise our network infrastructure

Our value creation for our key stakeholders

	Customers	45% Fixed-Mobile Convergence rate	1.3 million Volt customers	44.7 million mobile connections	5.8 million fixed-line customers
	People	Organisational structure that is scaled and focused on the customer		Investing in skills for the future through award winning apprenticeship and graduate schemes	
	Suppliers	Leveraging the scale of Virgin Media O2 and our shareholders purchasing power		Collaboration on environmental, social and governance activities	
	Investors	Transaction Adjusted Revenue £10,381.9 million ¹ Transaction Adjusted EBITDA £3,905.4 million ¹		Adjusted FCF £666.0 million ¹	
	Communities	Equip 2 million with digital skills by 2025	Enable customers to avoid 20 million tonnes of CO2 by 2025	Connect 1 million digitally excluded people by 2025	

¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

Our Markets and Regulatory Backdrop

Our sector is constantly evolving, and by staying informed on crucial trends, we can seize opportunities and address potential challenges.



Growth in Fixed-Mobile Convergence and household relationships

Growing demand for bundled household connectivity and services puts us in a strong position as the U.K. converged champion and household supplier of choice, providing mobile, broadband and pay-TV with high-value customer experience and innovative propositions.

Telecoms sector is resilient to macroeconomic pressures

Increasing demand for mobile data and fast and reliable broadband, with these products increasingly seen as essential services in light of a macroeconomic backdrop of high inflation and low growth.

FTTH and 5G

FTTH and 5G technologies will enable us to offer customers faster and more reliable broadband and mobile services across a larger footprint. Next generation connectivity also opens up new revenue streams such as advanced Internet of Things (IoT), telemedicine and remote working solutions.

Opportunities for new entrants in the fixed wholesale market

Higher demand by operators for high-speed broadband coverage, coupled with nexfibre's network expansion and our fibre upgrade, places us in a position to become a major wholesale supplier and benefit from new partnerships and higher network utilisation.

Connectivity, digital transformation and new applications

Increasing reliance on technology for communication and collaboration, improved efficiency and the rise of remote work, mean businesses require dependable, high-speed networks to support their business operations. We are at the centre of the industry to serve this growing demand.

Given our scale and the market we operate in, much of our business activity is subject to regulation. To ensure compliance, we maintain close relationships with various U.K. regulatory bodies, notably Ofcom with whom we have covered vital matters affecting both the U.K. Telecoms sector and Virgin Media O2:

Ensuring the customer is at the centre of the industry, whilst supporting competition and innovation

Support for Gigabit speed and fibre investment and supply

There is a significant need for regulatory conditions to support greater fibre network investment and supply in order to:

- Encourage competition: help new wholesale operators enter the market and increase competition, leading to better services and greater value for money.
- Boost economy: Fibre investment creates jobs, attracts businesses and stimulates economic growth, which can benefit the whole country.
- Improve connectivity: Fibre networks offer faster, more reliable and more scalable connectivity, which is crucial for supporting digital transformation and the growth of the UK's digital economy.
- Reduces the digital divide: Government support can ensure that fibre networks are rolled out to areas that are currently underserved, helping to reduce the digital divide and increase access to high-speed internet.
- Supports innovation: Fibre networks provide the high-speed, low-latency connections required for emerging technologies like 5G, Artificial Intelligence (AI), and the Internet of Things, helping the UK stay at the forefront of innovation.

Support for 5G investment and deployment

Ofcom and The Department for Digital, Culture, Media and Sport (DCMS) eye greater investment in mobile connectivity, including 5G, supporting our rollout and customer benefits including:

- Improve connectivity: 5G investment can lead to faster, more reliable and more widely available mobile connectivity, which can improve people's daily lives and support the growth of the UK's digital economy.
- Innovation: 5G provides the high-speed, low-latency connections required for emerging technologies like the Internet of Things, autonomous vehicles and smart cities, helping the UK stay at the forefront of innovation.
- Improve public services: 5G can enable the delivery of innovative public services, such as telemedicine, smart transport and e-government services, making them more accessible and efficient.

Consumer fairness and affordability

Growing public and regulatory interest in affordability and vulnerability. Promoting fairness and affordability can help to bridge the digital divide, ensuring that all citizens have access to the essential communications services they need in order to participate fully in society.

We introduced social broadband tariffs in 2021 and 2022 to support with the challenges consumers are facing during the rising cost-of-living.

Our Group Strategy

We are the largest mobile operator in the UK serving 44.7 million connections and our 5G network covers over 1,600 towns and cities across the UK. In addition, we operate the largest gigabit fixed network providing download speeds which average up to 1.1Gbps to 16.1 million homes.

Across these networks we provide innovative and flexible services such as Refresh and Switch Up, WiFi Guarantee and our flagship converged offering, Volt, where we have now reached 1.3 million customers.

The scale of our network, breadth and flexibility of offering combined with our customer understanding underpins our customer-first mentality and through our 17,100 people and shareholder insight, we have the experience and expertise to maximise value.

Our growth waves

1

2

3

Integration

Delivering synergies of £540 million with a Net Present Value (NPV) of £6.2 billion in 2026.

Core synergy areas of revenue, Mobile Virtual Network Operator (MVNO) migration, backhaul, efficiencies and Fixed-Mobile Convergence.

Synergies milestone accomplished: Exceeded target of 30 per cent of annualised run-rate £540 million synergies and we are on track to achieve over 50 per cent by the end of 2023.

Digital Transformation

Drive improvements in customer experience in the short and long-term.

A digital first approach, with our customers at its heart. Excellent customer understanding, improved interactions and greater engagement. Leveraging data and analytics from our strong customer relationships to provide the best products and services.

Digitalising operations, such as transactions and back office systems for efficiency, organisation effectiveness and to deliver best-in-class customer experience.

Network Evolution

Expanding our footprint and upgrading our capabilities by providing high-quality connectivity that meets the customer's needs.

Through our Fibre Upgrade project we are upgrading our existing network to full-fibre to future-proof our long-term converged offering.

Expanding our 5G mobile network which increases coverage and improves reliability and speed.

Providing construction and corporate services to and wholesaling from fibre JV, nexfibre, enabling us to access up to a further 7 million homes and expanding our fibre footprint to 23 million homes serviceable.

Acting with a Customer-First and team-orientated mentality



BRAVE. Bold, creative, accountable and innovative – stepping up and speaking out when it counts and taking risks with a true challenger spirit.



REAL. Honest, authentic, respectful and open – doing what we say we will and putting ourselves in our customers' shoes.



TOGETHER. Supportive, empathetic, agile and inclusive – celebrating our differences and recognising each other's achievements.

Delivering our Better Connections Plan



Zero carbon future. We have an ambitious commitment to achieve net-zero carbon across operations, products and supply chain by the end of 2040. While enabling customers to avoid 20 tonnes of CO2 and support large-scale decarbonisation by 2025.



Circularity. Zero waste future: achieve zero waste operations and products by 2025. Enable 10 million circular solutions and actions to help customers tackle e-waste by 2025.



Communities. Connect one million digitally excluded people across the U.K. by 2025. Engaging in a digital-first society to empower 2 million people with digital skills and the tools to help them by 2025.

Supported by Shareholders with global capabilities



Liberty Global Liberty Global is a world leader in converged broadband, video and mobile communications services. It delivers next-generation products through advanced fibre and 5G networks that currently provides over 86 million connections across Europe and the United Kingdom.

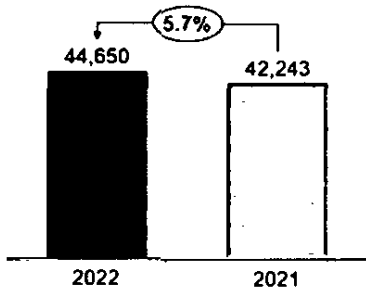


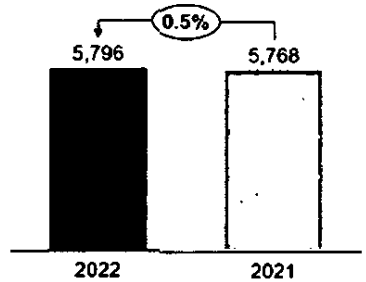
Telefónica is one the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers. With more than 383 million customers, Telefónica operates in Europe and Latin America. Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.

Key Performance Indicators

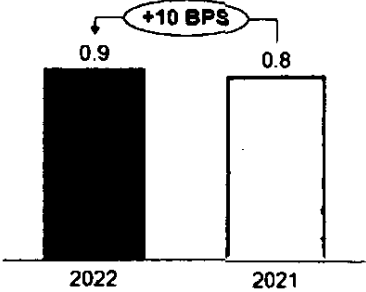
We measure our progress through a number of operational, financial and non-financial Key Performance Indicators (KPIs).

Operational

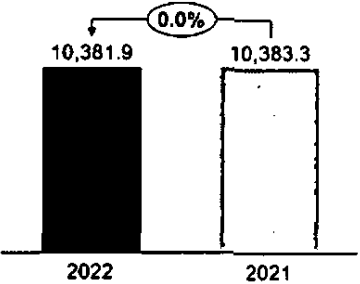
Total Mobile Connections (thousands)	Definition	Development in 2022						
 <table><tr><th>Year</th><th>Total Mobile Connections (thousands)</th></tr><tr><td>2022</td><td>44,650</td></tr><tr><td>2021</td><td>42,243</td></tr></table>	Year	Total Mobile Connections (thousands)	2022	44,650	2021	42,243	The number of active SIM cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a tablet would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from our mobile telephony subscriber counts after periods of inactivity of 90 days. Total number of mobile connections includes Consumer, SMB, Enterprise, IoT (comprising Machine-to-machine and Smart Metering Implementation Programme (SMIP)) and Mobile Wholesale Connections.	Total mobile connections increased 5.7% to 44.7 million (FY 2021: 42.2 million) driven by an increase in mobile contract, IoT and Wholesale connections. This was partially offset by a decrease in prepaid connections.
Year	Total Mobile Connections (thousands)							
2022	44,650							
2021	42,243							

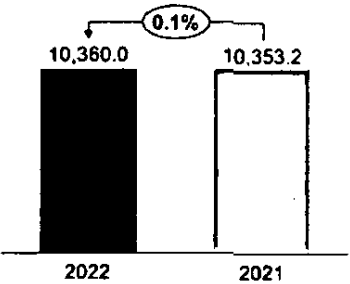
Fixed-Line Customer Relationships (thousands)	Definition	Development in 2022						
 <table><tr><th>Year</th><th>Fixed-Line Customer Relationships (thousands)</th></tr><tr><td>2022</td><td>5,796</td></tr><tr><td>2021</td><td>5,768</td></tr></table>	Year	Fixed-Line Customer Relationships (thousands)	2022	5,796	2021	5,768	The number of customers who receive at least one of our broadband, video or telephony services, without regard to which or to how many services they subscribe. Fixed-Line Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g. a primary home and a second home), that individual generally will count as two Fixed-Line Customer Relationships. We exclude mobile-only customers from Fixed-Line Customer Relationships.	Fixed-line customer relationships increased 0.5% to 5.8 million (FY 2021: 5.8 million). In the first quarter 2022, decreased marketing activity led to lower customer acquisitions. This was more than offset by positive momentum gained in net additions during the second half of the year following growth in the footprint of the fixed network.
Year	Fixed-Line Customer Relationships (thousands)							
2022	5,796							
2021	5,768							

Operational (continued)

O2 Monthly Contract Churn (%)	Definition	Development in 2022
 0.9 0.8 2022 2021 +10 BPS	The rate at which contract subscribers relinquish their subscriptions. This is calculated by dividing the proportion of postpaid contract mobile connections who have terminated their contract (Consumer, Small-Medium Business (SMB), Enterprise and Mobile Broadband) for the period by the average base.	O2's monthly contract churn increased 10 basis points (bps) to 0.9% (FY 2021: 0.8%) despite a small increase linked to customers closing accounts but not porting to other networks. Our continued customer-first decisions, such as not reintroducing E.U. roaming charges in 2022, have led to O2's churn remaining stable and low.

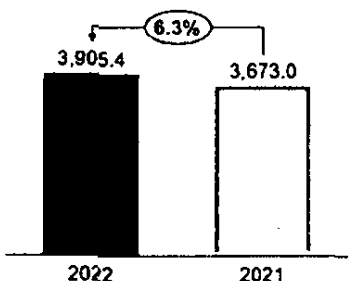
Financial

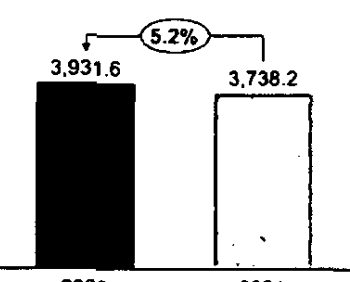
Transaction Adjusted Revenue ¹ (£ millions)	Definition	Development in 2022
 10,381.9 10,383.3 2022 2021 0.0%	Revenue which has been normalised for certain adjustments which have been made to more accurately represent the performance of the underlying operations. These adjustments reflect the fair value measurement required, in connection with the completion of the joint venture, where the opening balance sheet of the combined business was reported at its estimated fair value.	Total Transaction Adjusted Revenue was flat at £10,381.9 million (FY 2021: £10,383.3 million) with increased Mobile service revenue offset by a decline in Fixed and Mobile handset revenues.

Revenue (£ millions)	Definition	Development in 2022
 10,360.0 10,353.2 2022 2021 0.1%	We derive our revenue from residential and Business-to-Business (B2B) communications services, including mobile, broadband internet, video and fixed-line telephony services. Where multiple products and services are provided in a proposition, we allocate revenue proportionally to each performance obligation within the contract based on the relative standalone selling price, recognising revenue as each performance obligation is satisfied. For hardware sales, this is on transfer of the asset, for connectivity services over the contract period as the service is used by the customer.	Total Revenue increased by 0.1% to £10,360.0 million (FY 2021: £10,353.2) with increased Mobile service revenue offset by a decline in Fixed-line and Mobile handset revenues.

¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

Financial (continued)

Transaction Adjusted EBITDA ¹ (£ millions)	Definition	Development in 2022						
 <table><tr><th>Year</th><th>Transaction Adjusted EBITDA (£ millions)</th></tr><tr><td>2021</td><td>3,673.0</td></tr><tr><td>2022</td><td>3,905.4</td></tr></table>	Year	Transaction Adjusted EBITDA (£ millions)	2021	3,673.0	2022	3,905.4	Adjusted EBITDA which has been normalised for certain adjustments which have been made to more accurately represent the performance of the underlying operations. These adjustments reflect the fair value measurement required, in connection with the completion of the joint venture, where the opening balance sheet of the combined business was reported at its estimated fair value.	Transaction Adjusted EBITDA increased by 6.3% to £3,905.4 million (FY 2021: £3,673.0 million), with key drivers of growth being the realisation of synergies, cost efficiencies and a one-off release of £30.0 million in the third quarter, following the resolution of a legal matter for which there is no impact on cash. This was partially offset by increased energy costs.
Year	Transaction Adjusted EBITDA (£ millions)							
2021	3,673.0							
2022	3,905.4							

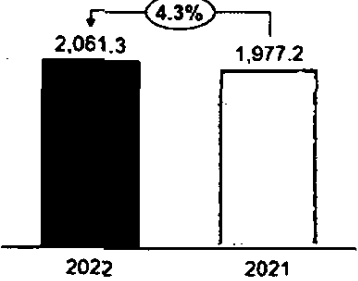
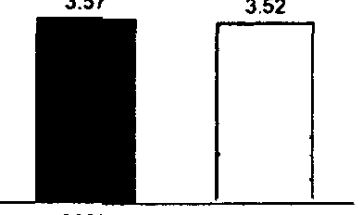
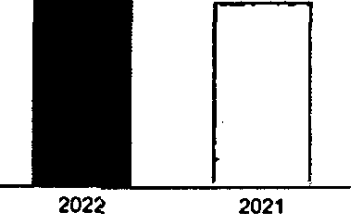
Adjusted EBITDA ¹ (£ millions)	Definition	Development in 2022						
 <table><tr><th>Year</th><th>Adjusted EBITDA (£ millions)</th></tr><tr><td>2021</td><td>3,738.2</td></tr><tr><td>2022</td><td>3,931.6</td></tr></table>	Year	Adjusted EBITDA (£ millions)	2021	3,738.2	2022	3,931.6	Adjusted EBITDA is the primary measure used by our chief operating decision maker to evaluate operating performance and is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. For further detail see financial notes.	Adjusted EBITDA increased 5.2% to £3,931.6 million (FY 2021: £3,738.2 million), with key drivers of growth being the realisation of synergies, cost efficiencies and a one-off release of £30.0 million in the third quarter, following the resolution of a legal matter for which there is no impact on cash. This was partially offset by increased energy costs.
Year	Adjusted EBITDA (£ millions)							
2021	3,738.2							
2022	3,931.6							

Adjusted Free Cash Flow ^{1,2} (FCF) (£ millions)	Definition	Development in 2022				
 <table><tr><th>Year</th><th>Adjusted Free Cash Flow (FCF) (£ millions)</th></tr><tr><td>2022</td><td>666.0</td></tr></table>	Year	Adjusted Free Cash Flow (FCF) (£ millions)	2022	666.0	Net cash provided by our operating activities, plus expenses financed by an intermediary, less (i) capital expenditures, as reported in our consolidated statements of cash flows, (ii) principal payments on amounts financed by vendors and intermediaries and (iii) principal payments on certain finance leases. We believe that our presentation of FCF, provides useful information to our investors because this measure can be used to gauge our ability to service debt and fund new investment opportunities.	FCF was £666.0 million for the year ended 31 December 2022.
Year	Adjusted Free Cash Flow (FCF) (£ millions)					
2022	666.0					

¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

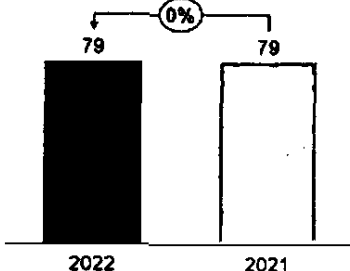
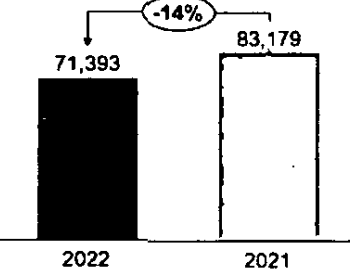
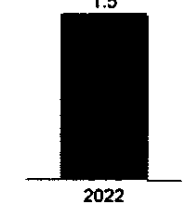
² Pro forma was not calculated for FCF, as such no comparator has been shown for FY 2021 period.

Financial (continued)

P&E Additions (£ millions)	Definition	Development in 2022
 2022: 2,061.3 2021: 1,977.2 4.3% increase	Includes capital expenditures on an accrual basis, amounts financed under vendor financing or lease arrangements and other non-cash additions, but excludes CTC capex costs.	P&E additions increased 4.3% to £2,061.3 million (FY 2021: £1,977.2), with drivers of the increase including increased fixed network rollout, the start of rollout of our Fibre Upgrade programme after completing a trial in the first quarter and further investment in 5G.
Net Total Debt to Annualised Adjusted EBITDA ¹ (times)	Definition	Development in 2022
 2022: 3.57 2021: 3.52	The ratio of net total debt (defined as net senior covenant debt and swapped unsecured debt) to last two quarters annualised EBITDA after prescribed adjustments.	Net Total Debt to Annualised pro forma adjusted EBITDA increased from 3.52x to 3.57x from 31 December 2021 to 31 December 2022. This was below the covenant level of 5.00x.
Net Senior Debt to Annualised Adjusted EBITDA ¹ (times)	Definition	Development in 2022
 2022: 3.27 2021: 3.21	The ratio of net senior debt (defined as net senior covenant debt) to last two quarters annualised EBITDA after prescribed adjustments.	Net Total Debt to Annualised pro forma adjusted EBITDA increased from 3.21x to 3.27x from 31 December 2021 to 31 December 2022. This was below the covenant level of 4.00x.

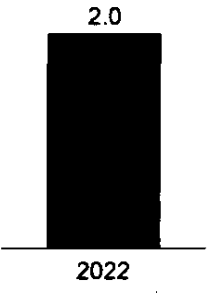
¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

Non-financial

Employee Engagement	Definition	Development in 2022
 79 79 2022 2021	Our primary metric of employee engagement is sustainable engagement collected by anonymous employee surveys. Sustainable engagement focusing on three key areas; (i) Engagement: people are engaged - they are proud to work here, go the extra mile, and believe in the organisational goals and objectives (ii) Enablement: the organisation provides the support employees need to do their work (iii) Energy: the organisation creates a healthy work environment - one that supports employees physical, social, and emotional wellbeing. Employee Engagement is measured on a scale of 0 - 100.	Employee Engagement remained unchanged at 79 in FY 2022 (FY 2021: 79). The survey highlighted several key strengths – 86% of respondents feel proud to be associated with the company, 87% that their performance is improved by conversations with their line managers and 84% that they get a personal sense of accomplishment from their work.
Direct Emissions - Scope 1 and 2 Carbon Dioxide emissions tonnes (tCO ₂ e)	Definition	Development in 2022
 71,393 83,179 2022 2021	Metric tons of (Carbon Dioxide emissions) CO₂e. Direct emissions (Scope 1) from fuel consumption and leakage of refrigerant gases in our operations, as well as indirect emissions from secondary energy sources (Scope 2).	We remain on a science-based target pathway and on course for our 2025 target to reduce operational (Scopes 1 and 2) emissions by 60%, with a 29% reduction in 2022 against our 2020 baseline. See further on definition and development in 2022 in the Streamlined Energy and Carbon Report on page 56.
Number of people benefiting from programmes in Digital skills ¹ (millions)	Definition	Development in 2022
 1.5 2022	The calculation is based on the number of people accessing digital skills and training via the Internet Matters website, registrations on Learn My Way and Carer's U.K. resources which include new users of Digital Resource Centre (DRC), new users of the Jointly app for carers.	To help disadvantaged people across the U.K. (including those on low incomes, global majority communities, low-skilled workers, and older people) get online and gain vital digital skills, we have pledged £2 million to Good Things Foundation as part of a new three-year partnership. See further as part of the Better Connections Plan on page 46.

¹ Excludes 2021 comparator because the combined ESG strategy was launched in 2022.

Non-financial (continued)

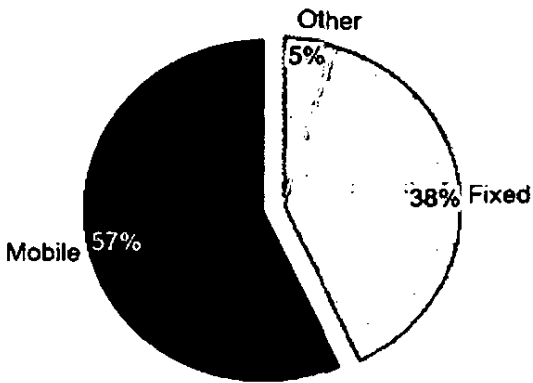
Gender Pay Gap ¹ (%)	Definition	Development in 2022
 A bar chart with a single black bar representing the Gender Pay Gap for 2022. The value '2.0' is printed above the bar, and '2022' is printed below the x-axis.	Mean hourly pay gap between male and female employees as at 5th April 2022.	We have a narrow pay gap of 2% in favour of men. Our ambition is to increase gender representation as part of our All In Diversity, Equity and Inclusion strategy, see further on page 52.

¹ Excludes 2021 comparator as joint venture had not completed at time of reporting.

Divisional Overview

Mobile

Mobile revenue as a percentage of total Group Transaction Adjusted Revenue¹



¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

	Year ended 31 December		Increase (decrease) %
	2022 actual	2021 pro forma	
Mobile KPI's			
Revenue (£ million)	5,913.7	5,812.1	1.7
Transaction Adjusted Revenue ¹ (£ million)	5,913.7	5,812.1	1.7
Handset (£ million)	1,614.6	1,629.0	(0.9)
Retail Connections	33,831,400	32,276,800	4.8
Mobile	24,055,900	24,057,100	—
Contract	16,087,600	15,938,000	0.9
Prepaid	7,968,300	8,119,100	(1.9)
IoT	9,775,500	8,219,700	18.9
Wholesale Connections	10,818,600	9,966,600	8.5
Total Mobile Connections	44,650,000	42,243,400	5.7
Retail new additions	1,554,600	1,940,200	(19.9)
Mobile net additions (losses)	(9,300)	211,100	(104.4)
Contract net additions	141,500	343,800	(58.8)
Prepaid net losses	(150,800)	(132,700)	13.6
IoT net additions	1,563,900	1,729,100	(9.6)
Wholesale net additions	852,000	755,800	12.7
Total Mobile net additions	2,406,600	2,696,000	(10.7)
O2 monthly contract churn	0.9 %	0.8 %	+10 BPS

Financials in £ million to one decimal place, volumes reported to the nearest hundred

Through our brands O2, Virgin Mobile and giffgaff we provide a wide range of mobile telecommunications and value-added services. As well as voice, messaging, and data services we provide customers with handsets and hardware (such as wearables), stand-alone mobile devices and accessories and a number of value-added products and services including a digital loyalty programme.

Services are acquired by consumers and SoHo (Small or Home Office) customers through online, voice, and retail (including franchise). They purchase a SIM card, or an embedded eSIM, either with or without a handset through Prepaid (also termed 'Pay As You Go') and Contract (also termed 'Pay Monthly') models providing access to the O2 network. Prepaid customers have the option to purchase a handset upfront and in-full. Contract customers have access to the "Custom Plan" proposition (**O2 Refresh**) enabling them to spread the cost of their handset over different terms, flex their data up and down or upgrade. Virgin Mobile customers can access "Freestyle" contracts, which provide customers with the flexibility to purchase a handset independently of an airtime contract. As announced in January 2023, Virgin Mobile customers are being transferred onto the O2 network in 2023.

In addition, we offer paid products and services with the aim of leveraging our strong position in the U.K. mobile service market and monetising additional growth opportunities, including (i) mobile and tablet insurance, (ii) international calling bolt-ons which allow customers to make international calls from 1p per minute for £3 per month, and (iii) the O2 Travel bolt-on, which allows customers to call, text and use data at significantly reduced rates (compared with O2's standard rates) while roaming abroad.

¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

Our customer-first approach is designed to maintain and increase our large, loyal customer base and to drive value for our stakeholders with our key products summarised below:

Summary of products and services:

- a. **Priority:** Priority is one of the U.K.'s largest digital loyalty and engagement programmes, offering customers a range of exclusive deals and offers through a mobile app, as well as 48 hours early access to presale tickets for music, comedy and sports events across the U.K., including: The O2, O2 Academy venues based in twenty-one locations across the U.K., England Rugby matches at Twickenham, and over 600 venues nationwide. We have saved customers approximately £20 million from offers in 2022 and more than £200 million since the platform launched. Our Virgin Mobile customers will start to have access to these services through 2023 as they are migrated to the O2 brand.
- b. **O2 WiFi:** O2 WiFi provides access to free WiFi at over 16,500 locations across the U.K. as of December 2022. It is offered free to end users regardless of their network. It had approximately 11.8 million unique users as at December 2022. O2 WiFi supports the connectivity needs of customers, as well as gaining access to a wider potential customer base, introducing them to the O2 brand experience. O2 WiFi has also been developed for business customers.
- c. **Communications:** WiFi Calling (also called Voice over WiFi or VoWiFi), allows customers to make and receive calls even if they cannot connect to the mobile network. 4G Calling (also called Voice over LTE or VoLTE) allows customers to make calls using its 4G network, for a higher definition, clearer voice call. In 4G Calling areas, WiFi and 4G Calling work together to provide a seamless and uninterrupted experience as customers move from one to another, thereby ensuring that no calls are dropped.
- d. **Payment Services:** Charge to Mobile allows customers to buy digital content through their handset, with the cost of the product added to their monthly mobile bill for Contract customers or taken from their mobile credit for Prepaid customers. Customers now have the option to spread the cost of non-cellular hardware over £100 over a maximum of 36 months. This includes high end audio, game consoles, tablet accessories and more.
- e. **O2 Extras:** O2 Extras gives our customers the ability to access services from some of the leading brands in the market, such as Disney, Amazon and McAfee today to enjoy (for a free period) as part of their tariff.

Performance

a) Operational

At 31 December 2022, we had 44.7 million mobile subscribers comprising of retail contract and prepaid connections, internet of things connections, and wholesale connections. This was an increase of 2.4 million on the prior year with increases in mobile contract, IoT and Wholesale connections, partially offset by a decrease in prepaid connections.

Contract net additions of 141,500 were supported by stronger trading in the second half of the year, particularly the fourth quarter with the key periods of Black Friday and Christmas. O2's monthly contract churn rate remained low but increased to 0.9% (FY 2021: 0.8%) as we saw an increase in customers closing accounts but not porting to other networks, thought to be linked to customers closing non-essential accounts.

b) Revenue

Against a challenging macroeconomic backdrop, intensified by the war in Ukraine, we delivered a good performance driven by our choice to enhance our proposition offering as we invested and focussed on the customer. During the year we launched two standout customer centric propositions enabling differentiation in the market. In March we announced that we would be the only major mobile operator to not introduce E.U. roaming fees, and, in August, our launch of 'Switch Up' allows customers to switch to a brand-new phone at any point during their contract with no extra charges when taking a plus plan tariff or adding a bolt on. We had a stronger than expected trading period through the fourth quarter, particularly during Black Friday.

i) Handset Revenue

Handset revenue includes amounts received from residential and B2B customers for the sale of mobile handsets. Handset revenues declined by 0.9% to £1,614.6 million (FY 2021: £1,629.0 million).

There was a decline in handset transactions in 2022 driven by a decline in handset volume after the first quarter, linked to household optimisation due to increased inflationary pressures, which meant customers held onto their handsets for longer.

ii) Service Revenue

Service revenue includes amounts received from residential and B2B customers for ongoing services and, amongst other items, interconnect revenue. Service revenues increased by 2.8% in the year to £4,299.1 million (FY 2021: £4,183.1 million).

Following the execution of price rise (see further in Strategic and Operational Development), effective in April, the second quarter saw an increase in service revenues. Outbound Roaming revenue started to increase as activity was slowly regaining within the leisure and tourism industry, however whilst usage levels were above pre-pandemic levels, this was driven by non-revenue generating countries.

The summer period saw the benefit of Roaming revenues increasing further due to the seasonal impact of customers going on holiday and spending more time outdoors, requiring additional data. Black Friday trading supported fourth quarter revenue growth, particularly strong positioning in Affiliates across both Handset and SIM only.

Strategic and Operational Development

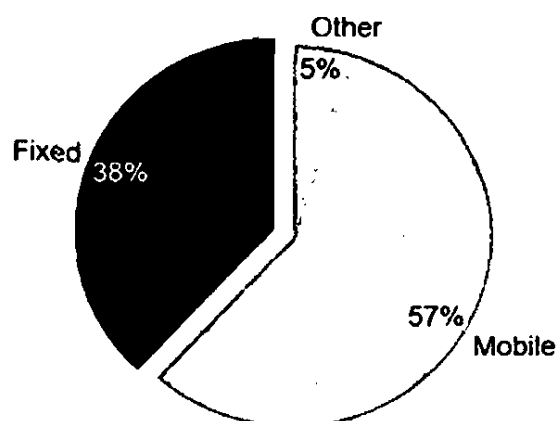
We regularly review how we operate our retail estate to ensure we can continue to deliver the great service our customers expect in a competitive environment. In 2022 we carried out a review of our retail estate considering several factors and commercial drivers that have informed the decision to take our retail strategy in a new direction. In September we took a decision to end our Franchise relationships, bringing many stores into company ownership. We are investing in a refurbishment programme to enhance customer experience in these stores and offering new recruitment opportunities, for impacted employees. We remain committed to working with, and supporting, franchise owners and franchise employees through the closure programme as it gets underway. O2's total number of stores was 384 at the end of 2022.

In April each year, as stated clearly within terms and conditions, customers' Airtime Plan will be increased by January's Retail Price Index (RPI) rate of inflation, announced in February, plus 3.9% if the contract started from 25th March 2021. For contracts that began prior to that date the increase will be RPI rate only. In 2022, the January RPI rate was 7.8%, meaning an increase in Airtime Plan of 11.7% for customers, compared to 17.3% in 2023. As Virgin Mobile and O2 applies price increases to only the airtime in the vast majority of contracts, the average effective increase to a customer's total bill in 2023 (including handset) was approximately 10.0%. These price increases come amid increased business costs including rising energy prices, plus the capacity and infrastructure investment required to support the growing demand on our network which has almost doubled in the last three years.

In January 2023, we announced that in February 2023, we would be sending communications to the first cohort of Virgin Mobile customers to inform them that their current service contracts would be transferred to the O2 network. Hardware contracts will remain with Virgin Media until the end of the contract term. As part of this migration, millions of customers will move to a new similar O2 plan with no increase in cost, but with many receiving added value such as increased data and benefits including access to Priority from O2 and continued inclusive E.U. roaming. Customers are given a right to cancel within 30 days of receiving the communication. This represents a key pillar in Virgin Media O2's integration, with the first stage of this plan completed at the end of 2022 when the entire Virgin Mobile base transferred over to using the O2 network – so all data, voice and text traffic is already using the company's connectivity. This stage marks the moment when customer plans start moving over to O2 for the first time.

Fixed

Fixed revenue as a percentage of total Group Transaction Adjusted Revenue¹



	Year ended 31 December		Increase (decrease) %
	2022	2021	
	actual	pro forma	
	Total		
Fixed KPI's			
Revenue (£ million)	3,953.6	4,086.2	(3.2)
Transaction Adjusted Revenue ¹ (£ million)	3,970.7	4,110.3	(3.4)
Fixed-Line Customer Relationships	5,795,500	5,768,300	0.5
Broadband Connections	5,653,800	5,596,800	1.0
Fixed-Line Customer Relationship net additions	27,200	141,600	(80.8)
Broadband Customer Relationship net additions	57,000	176,700	(67.7)
Fixed-Mobile Convergence	45 %	45 %	—

Financials in £ million to one decimal place, volumes reported to the nearest hundred

We provide a choice of packages and tariffs within each of our fixed-line and fixed-mobile converged product categories. This includes Broadband Internet, Fixed-Line Telephony and Television alongside converged packages with Contract Mobile Telephony. Customers are charged a recurring rental fee for the package with additional out-of-bundle, transactional and one-off charges. Services are acquired by consumers through online, voice, retail and field sales channels.

¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

Our converged offering enables customers to benefit from one supplier for all of their telecommunication and video entertainment needs. Fast and reliable broadband is of crucial importance to our customers, as they spend more time streaming video and other bandwidth-heavy services on multiple devices. Customers across our fixed footprint are able to access gigabit download speeds, with an average speed across our broadband base of 301Mbps, which is approximately 5 times higher than the national average. Our entertainment propositions, accessed through a set-top-box, offer customers a seamless and personal entertainment experience bringing together the top TV channels and streaming apps as well as the ability to watch content on the go with the Virgin Media TV Go app.

Volt is our fixed-mobile converged proposition with customers benefiting from the best of both brands with faster broadband speeds, double mobile data, WiFi pods to boost connectivity, discounts on connected devices and roaming with O2 Travel. Volt is available to both new and existing customers when they combine a Virgin Media broadband package with an eligible Contract mobile plan from O2.

Performance

a) Operational

At 31 December 2022, we had 5.8 million fixed-line customers, with fixed-line customer net additions of 27,200 over the year supported by continued demand for fast and high-quality connectivity.

Fixed-Mobile convergence (FMC) penetration stood at 45%, which represents the number of customers who subscribe to both a broadband internet service and contract mobile service, divided by the number of customers who subscribe to our broadband internet service. FMC was unchanged compared to prior year, the primary activity was customers migrating from earlier FMC bundles such as Oomph to our lead proposition Volt.

b) Revenue

Total Fixed revenues decreased by 3.2% to £3,953.6 million (FY 2021: £4,086.2 million) following a decline in both subscription and other revenue.

i) Consumer fixed - subscription

Consumer fixed subscription revenue includes revenue from subscribers who purchase bundled services at a discounted rate and is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our fixed-line and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period. Additionally, we include revenue from certain SoHo subscribers who pay a premium price to receive expanded service levels that are the same or similar to the mass-marketed products offered to our residential subscribers.

Consumer fixed subscription revenues decreased by 1.2% to £3,329.7 million (FY 2021: £3,369.9 million) with growth in fixed-line customers offset by changes in customer mix and retention impact following increasingly challenging macroeconomic backdrop and some optimisation of consumer spending. This was partially offset by an average fixed price rise of approximately 6.5%, effective from 1 March 2022.

ii) Consumer fixed - other

Consumer fixed other revenue includes, amongst other items, channel carriage fees, late fees and revenue from the sale of equipment. Other revenue decreased by 11.8% to £69.0 million (FY 2021: £78.2 million) primarily driven by a reduction in cancellation fees after a removal of early disconnect fees for off-network movers.

iii) B2B fixed

B2B fixed rental comprises of revenues from business customers for fixed line services.

B2B fixed revenue decreased by 13.0% to £554.9 million (FY 2021: £638.1 million) primarily driven by a high level of installation revenue for high-capacity data services within Wholesale in the prior year, which in turn reduced the size of the annuity base.

For further detail on B2B fixed see the Divisional Overview - Business-to-Business, page 25.

Strategic and Operational Development

Since the merger in 2021 we have focused on continuing our commercial momentum, driving convergence, digitalising our business, and unlocking the benefits of our fixed network.

a) Commercial Momentum

In April 2022 we launched a new, flexible entertainment service TV Stream from Virgin Media that gives customers an affordable way to access their favourite entertainment with no long-term contract or ongoing charges for the basic package and benefiting from 10% credit on any subscriptions that they add via their Virgin Media bill.

Fast and reliable broadband is of crucial importance to our customers and in September 2022 we launched the U.K.'s fastest WiFi Guarantee promising minimum download speeds of 20Mbps in every room or £100 back, so customers can work, play and stream safe in the knowledge their connectivity needs are covered. In addition we gave millions of customers a broadband speed boost at no extra cost in November, increasing both download and upload speeds, offering customers more value from their broadband services.

2022 has seen an increasingly challenging macroeconomic context, through which we have continued to provide high quality services while supporting our customers. We were one of the first providers to launch a social tariff to support customers facing financial difficulty. In October 2022, we reduced the price of our social tariff and in November 2022, launched a faster 50Mbps service and we have since taken further steps to expand the eligibility criteria of these services to make signing up easier.

In the first quarter of 2022, we informed some customers of price increases which averaged approximately 6.5%, effective from 1 March 2022, giving customers the right to cancel for 30 days. Some cohorts are excluded from price rises, including vulnerable customers on Essential Broadband and Talk Protected tariffs. In the first quarter 2023 we have announced price rises which averaged approximately 13.8%, in addition to an updated set of terms and conditions where RPI +3.9% will now be effective for 2024.

b) Driving Convergence

We aim to increase penetration of FMC through acquisition of new customers, cross-sell of new products into respective fixed and mobile bases and enrolment of existing customers.

During the year we reached 1.3 million Volt customers, just a year after launch, with customers benefitting from faster broadband speeds, double mobile data, WiFi pods to boost connectivity, discounts on connected devices and roaming with O2 Travel.

In October 2022, we launched a series of new Volt offers exclusively for small businesses, providing more speed, more data and more value with any customer taking a Voom broadband service from Virgin Media Business and an eligible O2 Small Business mobile tariff able to choose from free O2 4G back-up for their Voom Fibre broadband or a boost to the next Voom speed tier – and as O2 customers, they also have the option to double their mobile data for free or receive a free 4G mobile hotspot at no extra cost.

Additionally, we continue to deliver integration benefits from combining our operations across marketing, service, supply chain and SoHo to benefit from scale, efficiencies and sharing best practice.

c) Digitalising our Business

Throughout the year the macroeconomic backdrop has been challenging and we have used this time proactively to understand our customers needs. As part of this we have broadened and increased the flexibility of our product offering. This has been done through our data and digitalisation, underpinning our development and customer-value approach.

We have continued to gain digital market share in acquisition through a focus on digital journey improvements and traffic efficiency. We also moved to a new technology platform for in-life cross sell and upsell, enabling improved customer journeys and wider targeting to drive conversion.

Business-to-Business

In B2B we remain committed to showcasing the role that connectivity can play in helping U.K. businesses grow and thrive, both now and in the future. We provide products and services to Large Enterprise, Public Sector and Small and Medium Business customers as well as Wholesale and Mobile Virtual Network Operator (MVNO) partners. Through our

converged offering we provide flexibility and choice with connectivity solutions across our award-winning Fixed and Mobile networks, as well as integrated Voice, Mobility, Security, and Cloud solutions. Additionally, we leverage our expertise and understanding of the customer through our data assets to create customer-first solutions through 5G Private Networks, and IoT connectivity, empowering customers to solve real-time business challenges and harness innovation. In 2022 Business Mobile revenue is reported in the Mobile division, B2B Fixed revenue within the Fixed division and other products including SMIP and Information and Communication Technology (ICT) revenues within Other.

Strategic and Operational Development

In 2022, we have progressed in delivering our integration creating value for customers as we leverage our Fixed and Mobile networks. At the beginning of the year we launched our joint business brand, Virgin Media O2 Business, to bring a single, cohesive voice to the market and introduced several propositions under the joint brand. In March we launched Success Agreements across Fixed and Mobile solutions, offering bespoke agreements built on tangible customer outcomes. In May, we launched our Get More fund, enabling customers to claim a fund to spend on technology when they combine their Fixed and Mobile connectivity through us.

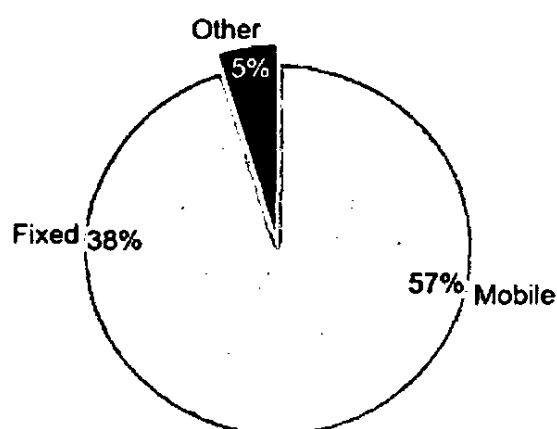
Throughout the year we introduced new, innovative and upgraded solutions. We rolled out 1.0Gbps Business Broadband, offering small businesses the fastest broadband across our entire U.K. network, and upgraded our converged offering, Volt, adding 4G mobile broadband support ensuring customers are always connected. Adding to our wider multi-vendor Software-Defined Wide Area Network (SD-WAN) solutions, we launched Smart Internet Access to keep customers connected with faster, more secure and co-managed internet access. For our Wholesale customers, we launched a new core network for National High-Capacity Services, enabling simpler, faster delivery of high-bandwidth, ultra-low-latency connectivity.

Throughout the year, our scale and broad product offering as a merged business has supported our ability to acquire new customers and enable increased cross-portfolio sales within our customer base. We have deployed innovative solutions such as body-worn video services for a major police force and saw particular success in bringing Mobile services to our Fixed customer base in the Public Sector. Additionally, we have been ahead of the market with our deployment of 5G Private Networks which continues to be a key growth area. In January, we launched the first multi-site private network for British Sugar, and in July we switched on the U.K.'s first 5G-connected hospital with South London and Maudsley NHS Foundation Trust.

We are proud to have been recognised by our industry and partners for keeping our customers at the heart of what we do as we have integrated as one business, winning two awards at the Customer Experience Awards, and being named Cisco's U.K. & Ireland Customer Experience Partner of the Year. We were also delighted to see our converged business brand awarded "Best Use of Content Marketing" and "Best Use of Customer Insight" at the B2B Marketing Awards, and to see continued industry confidence in our solutions, winning "Best Mobile Network for Business" at the Mobile Industry Awards and being recognised as a Leader in three categories for our Managed WAN Services at the ISG Provider Lens™ Awards.

Other Revenue

Other revenue as a percentage of total Group Transaction Adjusted Revenue¹



¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

Performance

a) Revenue

Other revenues include revenue from SMIP, the provision of ICT services, and associated connectivity to business customers and other services such as mobile insurance. From December 2022 this also includes revenues related to construction and corporate services provided to nexfibre (for more information on nexfibre see the network section in Divisional Overview on page 27).

Other revenues increased by 8.3% to £492.7 million (FY 2021: £454.9 million) driven by increases in insurance, ICT, SMIP and services provided to nexfibre.

Networks

	Year ended 31 December		Increase (decrease) %
	2022	2021	
	actual	pro forma	
	Total		
Networks KPI's			
Homes Passed	16,144,600	15,649,000	3.2
Additional Homes Passed	518,800	339,100	53.0
Own Network	494,700	339,100	45.9
Transferred to nexfibre	24,100	0	
Total Mobile Connections	44,650,000	42,243,400	5.7
5G Towns and Cities	over 1,600	over 300	

We have combined "the U.K.'s favourite mobile network operator", O2, with 44.7 million mobile connections with a fixed line network, Virgin Media, that offers the U.K.'s fastest widely-available speeds to 16.1 million homes. This provides customers with a fixed gigabit-ready service across broadband, digital TV, B2B services and home phone as well as a mobile network providing 2G, 3G, 4G and 5G services to consumers, MVNO partners (including Tesco Mobile, Sky Mobile and giffgaff), businesses and public sector organisations. Our 5G network now covers over 1,600 towns and cities across the U.K. and we are set to deliver 5G services to 50% of the population with outdoor coverage in 2023.

Fixed Network

Our fixed network is entirely Gigabit-capable and we deliver broadband internet and video services to the end customer over a mix of technologies with this evolving over time. In the Hybrid-Fibre-Coax (HFC) zones, there are considerable spectrum and associated bandwidth capabilities using Data Over Cable Service Interface Specification (DOCSIS) 3.0 and DOCSIS 3.1. We currently offer download speed tiers of 1.1Gbps for consumers, and 1.0Gbps for Business customers and we have conducted trials to investigate higher downstream speeds of 2.2Gbps in several regions.

Our fixed network is underpinned not just by a deep-fibre footprint, but also a set of 500 technical site buildings that perform different roles in the network architecture, and can be variously termed Hubsites, Headends, Core Points of Presence (POPs), and data centres. This building footprint gives us an advantage for the future in the expectation that networks evolve towards low-latency regional interconnection and edge compute points, and to support emerging Virtualised Mobile RAN architectures that have tight latency constraints.

For fixed-line telephony services, historically we have used a twisted copper pair access network. However, more recently we have delivered IP voice services to the customer as a specialised service over DOCSIS technology. TV services are in the main provided using traditional Digital Video Broadcasting - Cable (DVB-C) technology, however in 2022 we launched a next generation IP-delivered TV service, TV Stream from Virgin Media, using a compact IP Set Top Box, wholly delivered from within our IP network. As a result of the extensive use of fibre in our access network, we are also able to provide high-speed data network services to business customers delivering nationwide connectivity when complementing with off network B2B access solutions.

As part of the expansion of our network through Project Lightning, we have built to millions of homes using FTTH (full-fibre) technology called Radio Frequency over Glass (RFOG). Today this sub-footprint leverages DOCSIS 3.0 and DOCSIS 3.1 to deliver the same set of services as HFC zones using the same in-home equipment.

In 2022, we rolled out 518,800 homes as part of our growth wave to expand and upgrade our network. This includes 24,100 homes that were subsequently transferred to the new fibre joint venture, nexfibre, which was announced by Telefónica, Liberty Global and InfraVia in July 2022, with the transaction completing in December 2022. Virgin Media O2 is the anchor tenant of this joint venture and will provide build services to nexfibre. The deployment of full fibre to upgrade our existing network gained traction in 2022 as we remain on track to complete our entire network upgrade by 2028. The total fibre footprint will cover up to 23 million or around 80% of the U.K.

In 2022 we have trialled and commenced builds of both greenfield (via Project Lightning) and brownfield (via our announced Fibre Upgrade project) deployments using XGS-PON technology. This symmetric 10-Gigabit Passive Optical Network (PON) technology is our strategic architecture, and these initial footprints are expected to be placed live into service during 2023. The passive fibre aspects of these deployments will be reusable for further technologies beyond XGS-PON in the decades to come. The Fibre Upgrade project commenced in 2022 and aims to overlay all coaxial HFC and RFOG areas with a parallel XGS-PON FTTH capability by 2028.

In 2023 we plan to capitalise further on the upgrade to fibre of our existing fixed network and the rollout of additional coverage for nexfibre in addition to the further optimisation of our existing fixed network infrastructure to support our mobile network nationwide through our backhaul network (the transport link between the mobile sites and our core network).

Mobile Network

At the end of the year, our network consisted of approximately 20,000 macro mobile sites (including approximately 15,000 under the network sharing partnership with Vodafone). This includes 2G, 3G, 4G and 5G base stations (connecting handsets to our mobile network using available spectrum), backhaul, the core network (composed of data centres which store customer information and location and switching sites which route voice calls and data to their intended destination) and a service layer (which provides messaging and voicemail capabilities).

As at the end of December 2022, we had 99.6% population coverage (outdoor) and 99% population coverage (indoor) on our 4G network, as well as 82% 4G geographic (landmass) coverage.

Utilising our low band and high band spectrum purchased in the 2021 Ofcom 5G Spectrum Auction, our 5G rollout saw us reach 42.7% of the population with outdoor coverage in 2022. This puts us well placed to reach our target of 50% 5G population coverage in 2023.

We ended 2022 with 5G coverage in over 1,600 towns and cities (covering over 50% of the outdoor population in each).

a) Network development and spectrum management

In addition to our 5G rollout, we have also continued to focus on network reliability and providing a consistent 4G connectivity experience for our customers. To keep pace with our customers' demands, we have added additional 4G capacity to over 725,000 separate U.K. postcodes during 2022. We have done this through spectrum refarming (re-using our 2G and 3G spectrum on our 4G network) as well as adding new additional spectrum. (see Licences and Frequencies section).

We continued to deploy small cells to increase capacity, particularly in busy urban areas where there is not enough room for full scale mast sites. We now have over 1,400 Small Cells in London and have begun rolling them out to other major U.K. cities in 2022.

The industry is obliged (along with the other major MNOs in the U.K.) to deliver high-quality 4G geographic coverage to at least 90% of the U.K. landmass by January 2027, supporting the objectives of the Shared Rural Network (SRN). As part of the partial not-spots (PNS) element of the SRN, each operator has a target to provide 88% 4G landmass coverage across the U.K. by June 2024. During 2022, we made progress against this target, extending our landmass coverage to 81.9%.

In 2022, we provided temporary coverage and capacity to 70 special events including large music festivals, sporting festivals and events of national importance such as ensuring service for those paying their respects to Her late Majesty Queen Elizabeth II.

At the end of 2022, we secured additional shareholder investment to accelerate our network rollout to support a growing customer base on our network.

b) The future of connectivity

We have brought our customers new ways to connect through Low Power Wide-Area Network (WAN) solutions. Having been the first operator in the U.K. to rollout Long Term Evolution for Machines (LTE-M) in 2019, we now have 74% of our 4G sites enabled with the technology. In 2022, we added Narrowband Internet of Things (NB-IoT) to our portfolio. We aim to have deployed both these technologies completely across our Network by the end of 2024.

We continue to collaborate with DCMS and other industry bodies and technical experts to carry out a number of 5G tests and trials. For example, our partnerships with the Smart Mobility Living Lab (SMLL) which investigates the future role of communication in intelligent transport systems.

Our trials are focussed on identifying innovative ways of using connectivity and use cases that will bring real societal and customer benefits. For example, in 2022, we were part of 5G Festival; the world's first live, hybrid musical and we worked with DCMS and others to test the power of 5G broadcast technology (5G Vista) to bring new and exciting ways to enable an audience to engage with a live sporting event.

We are working with our customers to develop Private Networks, including the first 5G-connected hospital in London, with South London and Maudsley NHS Foundation Trust. This ground-breaking 5G Private Network provided clinicians with the opportunity to trial 5G-connected devices, IoT technology, Augmented Reality headsets and Artificial Intelligence in support of their work.

c) New ways of operating

We are challenging historic business models by performing Open Radio Active Networks (Open RAN) trials which allow us to understand the benefits, opportunities and challenges around developing a more agile and diverse vendor supply chain in Radio Access Networks.

We led a Joint Operators Technical Specification (JOTs) forum around Neutral Hosting¹. We envisage neutral hosts being the agents which can deliver infrastructure sharing on behalf of multiple operators. Specifically, a Neutral Host In-Building solution would be beneficial in places where provision of coverage and capacity has traditionally been difficult, e.g. along railway lines.

Additionally, we signed a deal with BAI Communications (BAI) to provide 4G across the London Underground which will be installed over the next two years.

d) Our converged network enabling more efficient tomorrow's services

We are evolving our fixed and mobile networks to create a smarter, faster and more efficient converged network that will ultimately change the way society functions. Our continuing investments now are ensuring our networks are fit for the future: Reliable, Efficient, Innovative, Sustainable and Scalable. We are challenging historic business models to imagine a more efficient future; bringing connectivity to customers in new and innovative ways.

Our Core network transformation is key to our Mobile and Fixed networks coming together. It will move customers away from the older equipment onto a new converged Core - consolidating our networks to create efficiencies and reducing costs. We are not only significantly evolving existing parts of our Core network, we are also adding new applications and

¹ Neutral Hosting - Where network infrastructure is owned and maintained by a third party that rents or leases its infrastructure to network operators.

functions that did not exist before which will ultimately become the foundation of future services. While these important upgrades are being introduced, we are also remaining focused on the basics so that we continue to deliver great service and minimise any disruption for our customers.

As part of our convergence strategy for our fixed and mobile technology, in 2022 we re-focused our Operations Support Systems (OSS) transformation strategy on automation and continual improvements in both customer experience and efficiency for both our fixed and mobile networks. We started our evolution to an XGS-PON network engaging in trials through the year. The benefit of which will allow the network to be managed through automation built in by design from installation.

Through the year we have continued to benefit from the synergies of the merger, one of which is our ability to provide a faster and improved mobile data experience to customers by boosting backhaul pipes, by a multiple of 10 times, through use of our fixed networks. We are also trialling the installation of small cells on posts next to fixed network cabinets to improve mobile coverage.

e) Awards

In 2022 we continued to win awards for our Mobile Network customer experience as we won twice at the uSwitch awards for “Best Network for Roaming” and “Most Popular Network” as well as Best Network for business at the Mobile Industry Awards and “Best Network for Reliability in London”.

f) Network Sharing Arrangement with Vodafone

We have a long-standing network sharing with Vodafone arrangement under which they share their collective mobile sites to form a single, national grid across the whole of the U.K. and 5G active equipment, such as radio antennae, on joint network sites in certain parts of the U.K.

The active RAN share component involves sharing of our and Vodafone’s 2G, 3G, 4G and 5G networks (except in London and certain other major cities). The shared network is managed by each party separately based on a geographical split: we are responsible for managing the active component of the shared network in the Eastern half of the U.K., Northern Ireland, most of Scotland and North London, and Vodafone is responsible for managing the active component of the shared network in the Western half of the U.K. (including Wales) and South London.

g) Licences and frequencies

Spectrum licences are currently divided between the four MNOs active in the U.K. mobile telecommunications service market, with approximately 32% of allocated relevant spectrum licensed to BT and EE, approximately 24% licensed to Vodafone, approximately 22% licensed to Three and approximately 22% licensed to Virgin Media O2.

Summary of Virgin Media O2’s spectrum holding:

Frequency Band Megahertz (MHz)	Spectrum Amount Held (MHz)
700 Frequency Division Duplex	20
800 Frequency Division Duplex	20
900 Frequency Division Duplex	34.8
1800 Frequency Division Duplex	11.6
2100 Frequency Division Duplex	20
2300 Time Division Duplex	40
2600 Time Division Duplex	20
3600 Time Division Duplex	80

Financial Review

The following discussion and analysis, which should be read in conjunction with our consolidated financial statements, is intended to assist in providing an understanding of our results of operations and financial condition and is organised as follows:

- *Results of Operations.* This section provides an analysis of our actual or pro forma results of operations, as applicable, for the years ended 31 December 2022 and 2021.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity and our consolidated statements of cash flows.
- *Quantitative and Qualitative Disclosures about Market Risk.* This section provides discussion and analysis of the foreign currency, interest rate and other market risks that our Company faces.

Certain capitalised terms used below have been defined in the notes to our consolidated financial statements. In the following text, the terms “we,” “our,” “our Company” and “us” refer to VMED O2 or, collectively, to VMED O2 and its subsidiaries.

Unless otherwise indicated, convenience translations into pound sterling are calculated as of 31 December 2022.

Results of Operations

The discussion presented in this section provides an analysis of our revenue and operating costs (excluding depreciation and amortisation, and share-based compensation expense) for the years ended 31 December 2022, and 2021 on a pro forma basis which represents the impact if the JV Transaction had occurred on 1 January 2020. As further described in note 1 to our consolidated financial statements, the VMED O2 Joint Venture was formed on 1 June 2021. Our results are set forth below:

Revenue reconciliation

We derive our revenue from residential and B2B communications services, including mobile, broadband internet, video and fixed-line telephony services.

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of customer relationships or mobile subscribers outstanding during the period and (ii) changes in ARPU. Changes in ARPU can be attributable to (a) changes in prices, (b) changes in bundling or promotional discounts, (c) changes in the tier of services selected, (d) variances in subscriber usage patterns and (e) the overall mix of fixed and mobile products during the period.

Year ended 31 December										
2022			2021			Increase / (decrease)				
actual			pro forma (unaudited)							
Transaction Adjusted Revenue (g)	Adjustment	Revenue	Transaction Adjusted Revenue (g)	Adjustment	Revenue	Transaction Adjusted Revenue (g)	Adjustment	Revenue		
in millions, except percentages										
Mobile (a)	£ 5,913.7	£ —	£ 5,913.7	£ 5,812.1	£ —	£ 5,812.1	£ 101.6	£ —	£ 101.6	
Handset (a)	1,614.6	—	1,614.6	1,629.0	—	1,629.0	(14.4)	—	(14.4)	
Fixed	3,970.7	17.1	3,953.6	4,110.3	24.1	4,086.2	(139.6)	(7.0)	(132.6)	
Consumer fixed (b)	3,403.0	4.3	3,398.7	3,455.5	7.4	3,448.1	(52.5)	(3.1)	(49.4)	
Subscription (c)	3,334.0	4.3	3,329.7	3,377.3	7.4	3,369.9	(43.3)	(3.1)	(40.2)	
Other (d)	69.0	—	69.0	78.2	—	78.2	(9.2)	—	(9.2)	
B2B fixed (e)	567.7	12.8	554.9	654.8	16.7	638.1	(87.1)	(3.9)	(83.2)	
Other (f)	497.5	4.8	492.7	460.9	6.0	454.9	36.6	(1.2)	37.8	
Total	£ 10,381.9	£ 21.9	£ 10,360.0	£ 10,383.3	£ 30.1	£ 10,353.2	£ (1.4)	£ (8.2)	£ 6.8	

Table shows the transaction adjusted revenue, less the transaction adjustment giving actual revenue. Current year figures are actual data. Prior year data are Pro forma figures. For further explanation on the revenue streams, please see note 5 to our consolidated financial statements.

- (a) Mobile revenue includes amounts received from residential and B2B customers for ongoing services and, amongst other items, revenue from sales of mobile handsets and interconnect revenue. Mobile revenue increased £101.6 million or 1.7% during the year ended 31 December 2022, as compared to the corresponding pro forma period in 2021. This increase is primarily due to price increases in April 2022, partially offset by a reduction in lower margin handset sales.
- (b) Consumer fixed revenue includes subscription and other revenue for ongoing services and the recognition of deferred installation revenue over the associated contract period. Consumer fixed revenue decreased £49.4 million or 1.4% during the year ended 31 December 2022, as compared to the corresponding pro forma period in 2021, primarily due to the decrease in subscription revenue of £40.2 million. The impact on subscription revenues of higher customer volumes and the March 2022 price rise was more than offset by the reduction in ARPU reflecting changes in the customer mix.
- (c) Consumer fixed subscription revenue includes revenue from subscribers who purchase bundled services at a discounted rate and is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our fixed-line and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

Additionally, we include revenue from certain SoHo subscribers who pay a premium price to receive expanded service levels that are the same or similar to the mass-marketed products offered to our residential subscribers.

- (d) Consumer fixed other revenue includes, amongst other items, channel carriage fees, late fees and revenue from the sale of equipment.
- (e) B2B fixed revenue includes (i) revenue from business broadband internet, video and fixed-line telephony services offered to medium to large enterprises and, on a wholesale basis, to other operators and (ii) revenue from long-term leases of portions of our network. B2B fixed revenue decreased £83.2 million or 13.0% during the year ended 31 December 2022, as compared to the corresponding pro forma period in 2021. This decrease is primarily driven by (a) lower data revenue, including decreases in installation revenue from high-capacity data services, (b) lower revenue associated with long-term leases of our network and (c) lower revenue from voice services and equipment sales.
- (f) Other revenue includes revenue from SMIP, the provision of ICT services, associated connectivity to O2 business customers, and other services, including corporate services provided to nexfibre. Other revenue increased £37.8 million or 8.3% during the year ended 31 December 2022, when compared to the corresponding pro forma period in 2021. The increase was mainly driven by growth in mobile insurance revenues driven by the rate of claims.
- (g) The APMs, including 'Transaction Adjusted Revenue', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in Note 31 of the Notes to the Consolidated Financial Statement.

Profit reconciliation

Most of our revenue is subject to VAT or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our Adjusted EBITDA and Adjusted EBITDA margin (Adjusted EBITDA divided by revenue) to the extent of any such tax increases. As we use the term, "Adjusted EBITDA" is defined as profit (loss) from continuing operations before net income tax (expense) benefit, other non-operating income or expenses, share of results of investments accounted for by the equity method, net finance income (costs), depreciation and amortisation, share-based compensation, impairment, restructuring and other operating items and CTC operating expenses. Share-based compensation for the purposes of calculating Adjusted EBITDA also includes awards granted to VMED O2 employees that are settled with Liberty Global or Telefónica shares. CTC generally include incremental, third-party operating costs that are directly associated with integration activities, restructuring activities and certain other costs associated with aligning our business processes to derive synergies.

We are subject to inflationary pressures with respect to certain costs. Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

	Year ended 31 December		Increase (decrease)	
	2022	2021	£	%
	actual	pro forma	in millions, except percentages	
Revenue.....	£ 10,360.0	£ 10,353.2	£ 6.8	0.1
Cost of sales	3,425.8	3,608.6	(182.8)	(5.1)
Personnel expenses.....	690.4	759.1	(68.7)	(9.1)
Other expenses.....	2,386.8	2,306.5	80.3	3.5
Costs to Capture included in the above.....	(74.6)	(59.2)	15.4	26.0
Adjusted EBITDA ¹	3,931.6	3,738.2	193.4	5.2
Transaction Adjustments.....	(26.2)	(65.2)	(39.0)	(59.8)
Transaction Adjusted EBITDA ¹	3,905.4	3,673.0	232.4	6.3
Transaction Adjusted EBITDA ¹	3,905.4	3,673.0	232.4	6.3
Transaction Adjustments.....	26.2	65.2	39.0	59.8
Adjusted EBITDA ¹	3,931.6	3,738.2	193.4	5.2
Costs to Capture.....	74.6	59.2	15.4	26.0
Depreciation and amortisation.....	3,553.9	3,507.5	46.4	1.3
Share-based compensation expense.....	43.6	41.3	2.3	5.6
Restructuring and other operating.....	62.6	46.8	15.8	33.8
Operating income.....	196.9	83.4	113.5	136.1
Finance income.....	4,589.9	700.3	3,889.6	555.4
Finance costs.....	(4,023.1)	(1,005.4)	3,017.7	300.1
Share of results of equity method investments.....	0.7	0.2	0.5	250.0
Other (expense) income, net.....	(3.6)	1.9	(5.5)	(289.5)
Income tax (expense) benefit.....	(7.2)	231.9	(239.1)	(103.1)
Net profit.....	£ 753.6	£ 12.3	£ 741.3	6,026.8

Cost of sales

Cost of sales includes programming and copyright costs, interconnect and access costs, costs of mobile handsets and other devices and other cost of sales related to our operations. Programming and copyright costs represent a significant portion of our operating costs and are subject to rise in future periods due to various factors, including (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (ii) rate increases.

¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

Our cost of sales decreased £182.8 million or 5.1% during the year ended 31 December 2022, as compared to the corresponding pro forma period in 2021, primarily due to:

- A decrease in mobile, data, and voice interconnect and access costs of £136.3 million or 20.9%, primarily due to lower MVNO costs;
- A decrease in programming costs of £37.6 million or 4.0%, primarily due to changes in customer product mix; and
- A decrease in mobile handset and other device costs of £13.9 million or 0.8%, primarily due to lower sales volumes.

Personnel expenses

Personnel expenses include salary and payroll costs, commissions, incentive compensation costs, deferred labour and contingent labour.

Our personnel expenses decreased £68.7 million or 9.1% during the year ended 31 December 2022, as compared to the corresponding pro forma period in 2021, primarily due to (i) a decrease related to certain charges for legacy incentive compensation programs included in the 2021, (ii) a decrease in salary and payroll costs driven by lower headcount and (iii) lower costs due to higher capitalisable activities, relating to employees working on network expansion.

Other expenses

Other expenses include marketing and other sales costs, network operations, customer services costs, business service costs, impairment and restructuring, share-based compensation and other general expenses.

Our other expenses (exclusive of share-based compensation expense and depreciation and amortisation) increased £80.3 million or 3.5% during the year ended 31 December 2022, as compared to the corresponding pro forma period in 2021, primarily due to the net effect of:

- An increase in business service costs of £112.9 million or 22.1%, primarily driven by increased energy costs and higher variable service charges;
- An increase in network and information technology-related costs of £88.2 million or 22.5%, primarily driven by an increase in spend on outsourced managed and support services, and increased spend on licenses and software costs;
- An increase in bad debt expense of £23.3 million or 76.6%, primarily due to an increase in the bad debt provision write-offs relating to airtime in the current year;
- An increase in customer services costs of £18.9 million or 5.9%, primarily caused by an increase in outsourcing costs most notably within sales and retentions;
- A decrease in third-party selling costs of £94.0 million or 21.0%, primarily due to changes in our mobile sales distribution mix, as a result of the expiration of previous third-party selling arrangements;
- A decrease in marketing costs of £51.2 million or 13.5%, primarily due to an increase in the level of vendor funding which is netted against our external marketing costs; and
- A decrease in provision expenses due to a one-off release of £30 million following the resolution of a legal matter in the third quarter of 2022.

Adjusted EBITDA¹

Adjusted EBITDA is defined as profit (loss) before income taxes, other income (expense), net, depreciation and amortisation, share-based compensation, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items.

Adjusted EBITDA increased 5.2% to £3,931.6 million (FY 2021: £3,738.2 million) during the year ended 31 December 2022, with key drivers of growth being the realisation of synergies, cost efficiencies and a one-off release of £30 million in the third quarter, following the resolution of a legal matter for which there was no impact on cash. This was partially offset by increased energy costs.

Operating income

Operating income increased by £113.5 million or 136.1% to £196.9 million (FY 2021: £83.4 million) during the year ended 31 December 2022. The increase in Adjusted EBITDA was partially offset by an increase in depreciation and amortisation due to increased additions.

Finance income and costs

Finance income increased by £3,889.6 million or 555.4% to £4,589.9 million (FY 2021: £700.3 million) during the year ended 31 December 2022. Finance costs increased by £3,017.7 million or 300.1% to £4,023.1 million (FY 2021: £1,005.4 million) during the year ended 31 December 2022. The increase in finance income and cost to the corresponding pro forma period in 2021, was primarily due to the macro-economic environment, with significant movements in both interest and foreign exchange rates seen during the current year.

Net profit

Net profit increased by £741.3 million or 6,026.8% to £753.6 million (FY 2021: £12.3 million) during the year ended 31 December 2022. This was driven by the stated increase in operating income as well as an increase in the net of finance income and finance costs.

Liquidity and Capital Resources

a) Sources and Uses of Cash

i) Cash and cash equivalents

At 31 December 2022, we had cash and cash equivalents of £46.0 million, all of which was held by our subsidiaries. The terms of the instruments governing the indebtedness of certain of these subsidiaries may restrict our ability to access the liquidity of these subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax, legal considerations and other factors.

ii) Liquidity of VMED O2

Our sources of liquidity at the parent level include, subject to the restrictions noted above, proceeds in the form of (i) distributions or loans from our subsidiaries and (ii) contributions or loans from VMED O2 UK Limited. It is the intention of the Shareholders that the Joint Venture, and by extension VMED O2, will be a self-funding company capable of financing its activities on a stand-alone basis without recourse to either Shareholder.

The ongoing cash needs of VMED O2 include corporate general and administrative expenses and fees associated with the JV Service Agreements. From time to time, VMED O2 may also require cash in connection with (i) the repayment of outstanding debt and related-party obligations (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions), (ii) the funding of dividends or distributions to our immediate parent, VMED O2 UK Limited, to in turn fund dividends or distributions by VMED O2 UK Limited pursuant to the Shareholders Agreement, (iii) the satisfaction of contingent liabilities or (iv) acquisitions and other investment opportunities.

¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

iii) Liquidity of our subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of our operating subsidiaries are cash provided by operations and any borrowing availability under the VMED O2 Credit Facilities. For details of the borrowing availability of the VMED O2 Credit Facilities, see note 14 to our consolidated financial statements.

The liquidity of our operating subsidiaries generally is used to fund (i) property, plant and equipment additions, (ii) debt service requirements and (iii) other liquidity requirements that may arise from time to time, as well as to settle certain obligations that are not included in our 31 December 2022 consolidated statement of financial position. In this regard, we have significant commitments related to (a) purchases of customer premise and other equipment and services, (b) network and connectivity commitments and (c) programming contract and other items. These obligations are expected to represent a significant liquidity requirement of our Company, the majority of which is due over the next 12 to 24 months. For additional information regarding our commitments, see note 27 to our consolidated financial statements.

For additional information regarding our consolidated cash flows, see the discussion under *Consolidated Statements of Cash Flows* below. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to VMED O2 UK Limited. No assurance can be given that any external funding would be available to our subsidiaries on favourable terms, or at all.

b) Capitalisation

At 31 December 2022, the outstanding principal amount of our consolidated debt, together with of our lease obligations, aggregated £20.5 billion, including £3.0 billion that is classified as current in our consolidated statement of financial position, £3.0 billion due before 2028 and £14.5 billion that is not due until 2028 or thereafter. For additional information regarding our debt and lease maturities, see notes 14 and 15, respectively, to our consolidated financial statements.

As further discussed under *Quantitative and Qualitative Disclosures about Market Risk* below and in notes 17 and 18 to our consolidated financial statements, we use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase our Adjusted EBITDA¹ and to achieve adequate returns on our property, plant and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based leverage covenants contained in our various debt instruments. In this regard, if our Adjusted EBITDA¹ were to decline, our ability to obtain additional debt could be limited. We do not anticipate any non-compliance with respect to any of our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

Notwithstanding our negative working capital position at 31 December 2022, we believe that we have sufficient resources to repay or refinance the current portion of our debt and lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities.

All of our consolidated debt and lease obligations at 31 December 2022 have been borrowed or incurred by our subsidiaries or our joint operation, Cornerstone Telecommunications Infrastructure Limited (CTIL). For additional information concerning our debt and lease obligations, see notes 14 and 15, respectively, to our consolidated financial statements.

¹ The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Summary. Our consolidated statement of cash flows for year ended 31 December 2022 is set forth below (in millions):

Net cash provided by operating activities	£	3,363.6
Net cash used by investing activities.....		(3,561.1)
Net cash provided by financing activities		192.5
Effect of exchange rate changes on cash and cash equivalents.....		3.1
Net decrease in cash and cash equivalents and restricted cash ¹	£	(1.9)

Operating Activities. The net cash provided by our operating activities for the year ended 31 December 2022 is primarily attributable to our Adjusted EBITDA² and related working capital items. See the Consolidated Statement of Cash Flows on page 112 for further information.

Investing Activities. The net cash used by our investing activities for the year ended 31 December 2022 is primarily attributable to capital expenditures and net advances to related parties. See the Consolidated Statement of Cash Flows on page 112 for further information.

Financing Activities. The net cash used by our financing activities during the year ended 31 December 2022 is primarily attributable to the net effect of (i) cash used of £125.5 million related to net repayments of third-party debt and lease obligations, (ii) cash received of £381.2 million related to derivative instruments and (iii) cash used of £49.3 million related to repayments of related-party debt. See the Consolidated Statement of Cash Flows on page 112 for further information.

¹ Pro forma data is not produced for this data, therefore no prior year comparator has been used in this table.

² The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 31 of the Notes to the Consolidated Financial Statements.

The capital expenditures we report in our consolidated statements of cash flows do not include amounts that are financed under capital-related vendor financing or lease arrangements. Instead, these amounts are reflected as non-cash additions to our property, plant and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, we refer to (i) our capital expenditures as reported in our consolidated statements of cash flows, which exclude amounts financed under capital-related vendor financing or lease arrangements, and (ii) our total property, plant and equipment and intangible asset additions, which include our capital expenditures on an accrual basis and amounts financed under capital-related vendor financing or lease arrangements. For further details regarding our property, plant and equipment and intangible asset additions, see note 10 to our consolidated financial statements. A reconciliation of our consolidated property, plant and equipment and intangible asset additions to our consolidated capital expenditures, as reported in our consolidated statement of cash flows for year ended 31 December 2022 is set forth below (in millions):

Property, plant and equipment and intangible asset additions	£	2,408.0
Assets acquired under capital-related vendor financing arrangements		(759.9)
Assets acquired under leases		(100.6)
Changes in current liabilities related to capital expenditures, net		(25.3)
Capital expenditures, net [†]	£	1,522.2

Our property, plant and equipment and intangible asset additions during the year ended 31 December 2022 includes (i) investments in network capacity, technology facilities and information technology-related projects, (ii) expenditures for new build and upgrade projects and (iii) baseline expenditures, including network improvements and expenditures for property and facilities and information technology.

[†] Pro forma data is not produced for this data, therefore no prior year comparator has been used in this table.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of our business operations due to our ongoing investing and financing activities. Market risk refers to the risk of loss arising from adverse changes in foreign currency exchange rates and interest rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future profits. As further described below, we have established policies, procedures and processes governing our management of market risks and the use of derivative instruments to manage our exposure to such risks.

Cash

We invest our cash in highly liquid instruments that meet high credit quality standards. At 31 December 2022, £37.0 million or 80.4%, £7.9 million or 17.2% and £1.1 million or 2.4% of our consolidated cash balances were denominated in pounds sterling, U.S. dollars and euros, respectively.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk with respect to our consolidated debt in situations where our debt is denominated in U.S. dollars and euros. Although we generally match the denomination of our and our subsidiaries' borrowings with our functional currency, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in our functional currency (unmatched debt). In these cases, our policy is to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At 31 December 2022 substantially all of our debt was either directly or synthetically matched to our functional currency. For additional information concerning the terms of our derivative instruments, see note 18 to our consolidated financial statements.

Currently, the U.K. is facing various macro-economic pressures, including financial and political challenges, that have impacted the broader U.K. economy, valuation of the local currency, interest rates and inflationary pressures. In addition to the exposure that results from the mismatch of our borrowings and our functional currency, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our functional currency (non-functional currency risk), such as equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) and certain services provided by our Shareholders. Changes in exchange rates with respect to amounts recorded in our consolidated statements of financial position related to these items will result in unrealised (based upon period-end exchange rates) or realised foreign currency transaction gains and losses upon settlement of the transactions. Moreover, to the extent that our revenue, costs and expenses are denominated in currencies other than our functional currency, we will experience fluctuations in our revenue, costs and expenses solely as a result of changes in foreign currency exchange rates. Generally, we will consider hedging non-functional currency risks when the risks arise from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts and the payments or receipts are not otherwise hedged. In this regard, we have entered into foreign currency forward and option contracts to hedge certain of these risks. For additional information concerning our foreign currency forward and option contracts, see note 18 to our consolidated financial statements.

The relationships between (i) the euro and (ii) the U.S. dollar and the pound sterling, which is our reporting currency, are shown below, per one pound sterling:

	31 December	
	2022	2021
Spot rates:		
Euro.....	1.1296	1.1887
U.S. dollar.....	1.2099	1.3535

	Year ended 31 December 2022	Period from 1 June 2021 to 31 December 2021
Average rates:		
Euro.....	1.1733	1.1727
U.S. dollar.....	1.2190	1.3689

Inflation Risk

We are subject to inflationary pressures with respect to labour, programming and other costs. While we attempt to increase our revenue through price increases to customers to offset increases in costs, there is no assurance that we will be able to do so. Therefore, costs could rise faster than associated revenue, thereby resulting in a negative impact on our operating results, cash flows and liquidity. The economic environment in the U.K. is a function of government, economic, fiscal and monetary policies and various other factors beyond our control that could lead to inflation. We are unable to predict the extent that price levels might be impacted in future periods by the current state of the economy in the U.K.

Interest Rate Risk

We are exposed to changes in interest rates primarily as a result of our borrowing activities, which include fixed-rate and variable-rate borrowings by our subsidiaries. Our primary exposure to variable-rate debt is through our SONIA-indexed, LIBOR-indexed and EURIBOR-indexed VMED O2 Credit Facilities.

In general, we enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. Accordingly, we have entered into various derivative transactions to manage exposure to increases in interest rates. We use interest rate derivative contracts to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. We also use interest rate cap agreements and swaptions to lock in a maximum interest rate if variable rates rise, but also allow our Company to benefit from declines in market rates. Under our current guidelines, we use various interest rate derivative instruments to mitigate interest rate risk, generally for the full term of the underlying variable-rate debt. In this regard, we use judgement to determine the appropriate composition and maturity dates of our portfolios of interest rate derivative instruments, taking into account the relative costs and benefits of different maturity profiles in light of current and expected future market conditions, liquidity issues and other factors. For additional information concerning the impacts of these interest rate derivative instruments, see note 18 to our consolidated financial statements.

For additional information concerning the phasing out of LIBOR, see *The phasing out of LIBOR will result in a new reference rate being applied to our LIBOR indexed, which may not be the same as the new reference rate applied to our LIBOR-indexed derivative instruments, and will have to be adjusted for*, within the Principal Risks and Uncertainties section below.

Weighted Average Variable Interest Rate. At 31 December 2022, the outstanding principal amount of our variable-rate indebtedness aggregated £7.3 billion and the weighted average interest rate (including margin) on such variable-rate indebtedness was approximately 6.3%, excluding the effects of interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Assuming no change in the amount outstanding, and without giving effect to any interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, a hypothetical 50 basis point (0.50%) increase (decrease) in our weighted average variable interest rate would increase (decrease) our annual consolidated interest expense and cash outflows by £36.5 million. As discussed above and in note 18 to our consolidated financial statements, we use interest rate derivative contracts to manage our exposure to increases in variable interest rates. In this regard, increases in the fair value of these contracts generally would be expected to offset most of the economic impact of increases in the variable interest rates applicable to our indebtedness to the extent and during the period that principal amounts are matched with interest rate derivative contracts.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments, cash holdings and undrawn debt facilities will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments and undrawn debt facilities is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under the derivative instruments. Most of our cash currently is invested in either (i) AAA credit rated money market funds, including funds that invest in government obligations, or (ii) overnight deposits with banks having a minimum credit rating of A by Standard & Poor's or an equivalent rating by Moody's Investor Service. To date, neither the access to nor the value of our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions.

At 31 December 2022, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £1,456.6 million, (ii) aggregate undrawn debt facilities of £2,118.0 million and (iii) cash and cash equivalents and restricted cash of £87.4 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in the event of an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and or liquidity.

Although we actively monitor the creditworthiness of our key vendors, the financial failure of a key vendor could disrupt our operations and have an adverse impact on our revenue and cash flows.

Sensitivity Information

Information concerning the sensitivity of the fair value of certain of our more significant derivative instruments to changes in market conditions is set forth below. The potential changes in fair value set forth below do not include any amounts associated with the remeasurement of the derivative asset or liability into the applicable functional currency. For additional information, see notes 18 and 19 to our consolidated financial statements.

Cross-currency and Interest Rate Derivative Contracts

Holding all other factors constant at 31 December 2022:

- (i) an instantaneous increase / (decrease) of 10% in the value of the pound sterling relative to the U.S. dollar would have decreased / (increased) the aggregate fair value of our cross-currency and interest rate derivative contracts by approximately £919.0 million;
- (ii) an instantaneous increase / (decrease) of 10% in the value of the pound sterling relative to the euro would have decreased / (increased) the aggregate fair value of our cross-currency and interest rate derivative contracts by approximately £298.0 million; and
- (iii) an instantaneous increase / (decrease) in the relevant base rate of 50 basis points (0.50%) would have (decreased) / increased the aggregate fair value of our cross-currency and interest rate derivative contracts by approximately £163.0 million.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The pound sterling equivalents presented below are based on interest rate projections and exchange rates as of 31 December 2022. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts required in future periods. For additional information regarding our derivative instruments, see notes 17 and 18 to our consolidated financial statements.

	Payments (receipts) due during:						
	2023	2024	2025	2026	2027	Thereafter	Total
	in millions						
Projected derivative cash payments (receipts), net:							
Interest-related (a).....	£ 92.0	£ 227.6	£ 125.7	£ 173.0	£ 187.2	£ 82.1	£ 887.6
Principal-related (b).....	0.2	—	30.2	—	71.4	341.7	443.5
Other (c).....	1.9	—	—	—	—	—	1.9
Total.....	£ 94.1	£ 227.6	£ 155.9	£ 173.0	£ 258.6	£ 423.8	£ 1,333.0

- (a) Includes (i) the cash flows of our interest rate cap, floor, swaption and swap contracts and (ii) the interest-related cash flows of our cross-currency and interest rate swap contracts.
- (b) Includes the principal-related cash flows of our cross-currency swap contracts.
- (c) Includes amounts related to our foreign currency forward contracts.

Sustainability

Following the creation of Virgin Media O2 in June 2021, we reached a significant milestone in May 2022 as we launched our first combined sustainability strategy, the Better Connections Plan. Informed by a materiality assessment, it focuses our activity on the environmental, social and governance (ESG) issues that matter most to our business, ensuring we are both meeting our responsibilities and acting in the areas where we believe we can make the greatest difference. Taking into account the material issues of our shareholders and our previous businesses – Virgin Media and O2 - we also conducted a review of relevant Telecoms sector issues and mapped our issues against the UN Sustainable Development Goals (SDGs).

Governance structure

In 2022, we refreshed the membership of the governance body that oversees our sustainability activity - including the development and delivery of our strategy, setting and monitoring of targets, and sustainability reporting and communications. The Sustainability and Responsible Business (SRB) Committee is chaired by the Chief Communications and Corporate Affairs Officer and examines ESG risks, which are managed through our company's over-arching risk management framework.

The SRB Committee is supported by three Steering Committees, reflecting the *Better Connections Plan*'s key strategic priorities: Environment; Social Impact; and Diversity, Equity and Inclusion. Each Steering Committee is sponsored by a member of the Executive Management Team:

Environment Steering Committee	Jeanie York – Chief Technology Officer
Social Impact Steering Committee	Rob Evans – Managing Director, Fixed Network Expansion
Diversity, Equity and Inclusion Steering Committee	Jo Bertram – Managing Director, Business and Wholesale

In 2023, we plan to streamline our approach by empowering these Steering Committees to oversee our sustainability activities and to disband the SRB Committee. The outputs from the committees will be communicated to the Virgin Media O2 Audit Committee and Virgin Media O2 Executive Management Team.

Integrating ESG with Risk Management

The importance of environmental, social and governance issues means that they are a function of our principal risks and uncertainties. The current environmental risk is taken into account in "ESG" with health and safety included within our "people" principal risk and our supply chain risk included within "supply chain". Our interaction with society in general is not assessed to be a principal risk.

An additional part of our disclosure is our Taskforce on Climate-Related Financial Disclosures (TCFD) statement on page 56, which provides further information on how we identify and manage our main physical and transition climate risks.

Our policies and procedures

All of our activities are united by principles of responsible business. Since bringing together our operations, we have harmonised our policies across the business to ensure that our employees, partners and suppliers uphold the highest levels of integrity and ethical conduct.

Code of Conduct

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.

Our Anti-Bribery and Corruption (ABC) Policy establishes our approach in complying with the requirements of the U.K. Bribery Act, and the US Foreign Corrupt Practices Act. The Policy also provides guidance on what constitutes a bribe and prohibits the giving or receiving of any excessive or improper gifts and hospitality. Our Executive Management Team has a zero-tolerance approach to bribery or corruption.

Anti-Bribery and Corruption framework

At Virgin Media O2 we operate a risk-based ABC Framework which is aligned to the Ministry of Justice's Six Principles for the prevention of bribery by commercial organisations. The key areas are:

Ministry of Justice Principle	Key update
Top Level Commitment	Our Executive Management have a 'zero tolerance' to bribery and corruption. In support of this commitment a. Our Executive Management and Senior Leadership Team members complete an Annual Directors Governance Statement to confirm their understanding and compliance with the requirements of the Code of Conduct and ABC Policy Our Audit Committee assists the Executive Management Team in fulfilling their duties in regards to ABC risk management and policy compliance.
Risk Assessment	We assess the nature and extent of our exposure to potential internal and external risks of bribery. A key priority during 2022 has been the completion of an extensive independent ABC risk assessment in support of our regulatory obligations and our commitment to integrity and fairness. The Executive Management Team were actively engaged and provided assurance of the key internal and external bribery risks in relation to the customers, markets and activities of our newly integrated business.
Proportionate Procedures	We deploy a range of bribery prevention procedures in mitigation of the risks identified within the risk assessment. These include a. The launch of a new third party operated digital 'Speak-up' platform allowing individuals to raise concerns or breaches of the Code of Conduct in a confidential manner via an online portal or by telephone b. A Gifts and Hospitality pre-approval, guidance and reporting tool including restrictions in relation to public sector officials or activity during commercial negotiations c. Charitable Donations and Conflicts of Interest declaration and approval processes
Due Diligence	We undertake risk-based procedures to identify and mitigate the risks of organisations who perform services on our behalf. Our third-party controls include Anti-Bribery and Corruption terms and conditions within our commercial agreements and due diligence screening for new and existing suppliers.
Communications and Training	We seek to ensure that our Code of Conduct and Anti-Bribery Policy and procedures are embedded and understood throughout the whole team. Our communications and training approach include a. Our Compliance Training completion (which includes a mandatory Code of Conduct module) for all employees was 98.3% as at 31st December b. Internal Code of Conduct employee communications program including videos, intranet posts, group wide colleague emails and Anti-Bribery and Corruption briefings and webinars for higher risk teams
Compliance Monitoring	We regularly monitor and review our ABC procedures to ensure they remain effective in mitigating the identified and any emerging bribery or corruption risks. During 2022 we have implemented an enhanced Compliance function structure which included establishing a new specialist Ethics and Training Team responsible for the day-to-day management of our ABC monitoring program. Our Compliance program provides assurance over the key requirements of our ABC control framework including supplier due diligence, conflicts of management and charitable donations review and approval and gifts and hospitality screening.

Health and Safety

Keeping everyone safe and well is a vitally important part of the way we work. We are committed to provide and maintain, so far as is reasonably practicable, a safe and healthy working environment, compliant with legislation, and safe systems of work to ensure the health, safety and well-being of all our employees, contract partners, visitors, customers and members of the public. It includes those who work on or visit our premises or who may be affected by our products, activities or services.

As part of our team, continual improvement of health and safety performance and promotion of health and safety measures is seen as a mutual objective for management and employees, with every person within Virgin Media O2 empowered to work safely and stop unsafe acts or conditions where they see them.

Our three safety behaviours; (i) Take Care, (ii) Think it, say it and (iii) Do the right thing enable every person in our organisation to work towards our vision to ensure Everyone Home Safe and Well.

Better Connections Plan underpinning our Group Strategy

Our 2025 strategy is centred around three elements - Zero carbon future, A circular economy, Connected communities - underpinned by a better way to do business. It centres our ambitions on cutting carbon faster; tackling the growing problem of e-waste; reducing data poverty and digital exclusion; and making sure we grow the business in an ethical, inclusive way.

To ensure we better understand the needs of the next generation when it comes to social and environmental issues, we established a Youth Advisory Council in 2022 (**the Council**), composed of Generation Z (16-24 year olds) activists.

We also support the United Nation's Sustainable Development Goals (**SDGs**) and want to play our part in tackling the global challenges of climate change, waste and inequality. Our strategy contributes to a number of goals that tackle issues including climate action, responsible consumption and production, reducing inequalities, and gender equality.

The following table describes the main elements of our 2025 strategy, why they matter to our key stakeholders, how we are going to deliver them and the representative UN SDGs that they align with.

What	Zero carbon future	A circular economy	Connected communities
Why	We are in the midst of a climate and ecological emergency. We believe that technology can play a crucial role in facilitating the shift to a zero carbon future.	We will embed principles of circularity into everything we do and champion the reduction of e-waste - the fastest-growing waste stream in the world.	We have a responsibility to help tackle the inequalities brought about by the deepening digital divide, and are determined to ensure that our services are accessible to all.
How	We are committed to achieving net zero carbon emissions across our entire value chain by the end of 2040. We are empowering customers to prevent 20 million tonnes of CO2 from entering the Earth's atmosphere and we will support large-scale decarbonisation by the end of 2025.	We are committed to achieving zero waste operations and products by the end of 2025. We will help consumers to carry out 10 million circular actions to tackle e-waste by the end of 2025.	We are committing to help eradicate data poverty by connecting 1 million digitally excluded people across the U.K. by the end of 2025. We are working to equip 2 million people with skills and tools to help them feel more connected to our digital society by the end of 2025.
Related SDGs	  	 	   

	Underpinned by a Better business
Why	We want to make sure that our business operates in a fair, ethical way and that we become a leading, inclusive employer and a great place to work.
How	We are working to achieve gender parity and improve representation from underrepresented ethnic backgrounds to 15% across our wider leadership team, and to 25% across our entire business by 2027. We are supporting 1 million people through our 'Take 5' day employee volunteering programme by 2025. We are making sure all our major purchases commit contractually to defined sustainability requirements and aligned carbon-reduction goals.
Related SDGs	   

Development against our strategy in 2022

A zero carbon future

During the year, we consolidated Virgin Media and O2's carbon footprints and published our new net zero target - aligned with the Science-Based Target initiative's (SBTi) Net-Zero Standard. We were also one of ten companies to become a Pathfinder for The Carbon Trust's new 'Route to Net Zero' standard and have achieved the 'Advancing' certification level.

Our net zero pathway places a clear emphasis on implementing energy efficiency solutions and continuing to invest in renewable energy – we source 100% of renewable energy at sites where we control the bill.

As a result of our carbon footprint consolidation process and ongoing efforts to ensure accuracy with our emissions reporting, in 2022 we changed the way we estimate non-renewable electricity consumption for masts operating on third party sites and convert the consumption to emissions.

This change ensures we fully align with the Greenhouse Gas Protocol Corporate Reporting guidelines and affects our historical emissions reporting, with the revised methodology showing an 18% reduction in emissions in 2021 since 2020, instead of the previously-reported 29%.

Despite the measurement changes, we were able to deliver an 18% reduction in 2021 and 29% reduction in 2022 against our baseline year 2020, ensuring we remain on our science-based target pathway. Key highlights include:

1. Introducing the first 76 electric vehicles (EVs) to our van fleet on our roadmap to transition 100% of the fleet to EVs by 2030. Global supply chain issues remain a challenge for our electric vehicle rollout, delaying the full delivery of vehicles ordered.
2. Whilst we saw fugitive emissions (i.e. leaks and other irregular releases) increase by 19% year on year, predominantly due to fire suppression systems discharges where inert gas is not used, they remain 30% below the 2020 baseline. In response, we are increasing our investment in replacing the gases with inert alternatives to drive emissions down in line with our net zero ambitions.
3. Continuing to decarbonise masts operating on third party sites where we do not control the bill. To drive faster decarbonisation for this part of the network, we have for the first time begun to purchase unbundled Renewable Energy Guarantees of Origin certificates (REGOs) to cover a proportion of non-renewable electricity consumed. The certificates provide evidence that electricity has been generated from renewable sources. For 2022 we have purchased 53,000 MWh of unbundled REGOs, covering 35% of non-renewable consumption.

Alongside our efforts to reduce our own carbon footprint, we believe our technology and services can provide solutions that will help other industries decarbonise faster, delivering environmental benefits at scale and helping the U.K. to transition to net zero faster.

We also use our communication platforms and purchasing power to raise awareness of the climate crisis and encourage others to reduce their carbon footprint:

- a. In 2022, we ran a campaign - Just One Thing - encouraging customers to take action on environmental issues, however big or small.
- b. We have continued to engage Generation Z, organising an industry workshop with peers from Conscious Advertising Network, Responsible Media Forum, ITV, BBC, Live Nation and WWF to discuss climate issues.
- c. In partnership with the British Chambers of Commerce, we are helping small and medium-sized enterprises (SMEs) to reduce their own emissions through a Net Zero Hub.
- d. In accordance with our Supply Chain Sustainability policies, our major suppliers are required to have carbon-reduction plans and science-based targets in place.

In 2022, we kept our employees informed about the environmental and social issues our world is facing, and how our Better Connections Plan is helping to work towards solutions. We ran climate immersion sessions with our Executive Management Team, SRB committee and wider Corporate Affairs team, and we marked the UN Global Climate Conference COP27 with a series of virtual events for all of our employees.

A circular economy

Initiatives like Eco Rating (an environmental ratings system for devices), Like New (refurbished phones), O2 Recycle and Virgin Media's 'take-back scheme' all help customers reduce their carbon impact and give devices a longer life – supporting our ambition to champion the reduction of e-waste and promote a circular economy. Over ten million routers and set-top boxes have been refurbished and reused since 2014, and 3.5 million devices have been returned through O2 Recycle since 2009. During 2022, our customers took 2.4 million circular actions in total, including the aforementioned O2 Recycle. We have also made progress towards our zero waste targets in 2022, by recycling 4,252 metric tonnes of waste from a total of 5,053 metric tonnes produced.

In October, in partnership with environmental charity Hubbub, we launched Time after Time - a new e-waste eco fund that will award grants of between £10,000 and £75,000 for creative U.K. projects that reduce e-waste, encourage recycling of electronic goods, or support devices being used over and over again.

We have taken action to minimise the plastics and packaging required to make and sell our products and services. Our own-brand mobile accessories contain no single use plastic packaging, and our O2 SIM cards are made from recycled plastic.

We are also embracing sustainable design principles, ensuring that every new customer product takes environmental impact into account at the product development stage, like our new product scorecard that requires all new Virgin Media routers to be more efficient than the previous version.

We take our environmental impacts seriously. To ensure we have best practice governance, management systems, controls, targets and resources in place, we manage our primary environmental impacts through our ISO14001 certified Environmental Management System.

Connecting communities

To make progress on our Better Connections Plan's targets by making a difference in the communities where we operate, our work in 2022 focused on reducing data poverty, improving digital literacy, and supporting unpaid carers through our partnership with Carers U.K.

a) Connecting the disconnected

The National Databank - an initiative we set up with digital inclusion charity Good Things Foundation - is the cornerstone of our drive to bring data poverty and digital exclusion to an end. In 2022, we:

- i. increased our National Databank donation to 61 million GB of free data up until the end of 2025;
- ii. successfully invited the involvement of Vodafone and Three in the National Databank scheme;
- iii. launched a Christmas campaign to raise awareness of data poverty, which gave away 1 million GB of extra data through O2 Christmas SIM Cards.

During the year, we achieved the milestone of re-homing over 10,000 smartphones and £1 million of free O2 mobile data through our Community Calling scheme, run in partnership with Hubbub. The project distributes smartphones donated by members of the public, businesses and Virgin Media O2 to those in need, giving a second life to old devices and preventing them from ending up in landfill as e-waste. We have now re-homed over 13,000 devices through Community Calling following its launch in May 2020. We also announced plans to donate 2,500 smartphones to support asylum seekers and survivors of domestic abuse through charities Migrant Help and Women's Aid and increased our Migrant Help commitment by a further 5,000 devices to support migrants impacted by the war in Ukraine and other humanitarian crises.

Additionally, we launched the Tech Lending Community fund - a £400,000 fund that has been shared by five charities who have received more than 1,000 tablets and data to distribute to beneficiaries living in temporary accommodation including women seeking refuge from domestic violence, refugees, asylum seekers and people at risk of homelessness.

We have continued to expand the Shared Rural Network in 2022, which is intended to improve rural mobile coverage, and we plan to connect 10 community hubs a year with free broadband to keep communities connected across the U.K.

Overall, we connected over 18,500 people in 2022 with free and more affordable connectivity and free devices through our programmes including the National Databank, Community Calling, Essential Broadband, and Tech Lending Community.

b) Building digital skills and confidence

In 2022, research with the Centre for Economics and Business Research (**CEBR**) highlighted the societal and economic costs of a digital skills gap, at risk due to pandemic-accelerated digital transformation. With strong and established relationships in the Public Sector, across both Central and Local Government, we have an opportunity to drive meaningful change. After a successful pilot with Greater Manchester Combined Authority (**GMCA**), we announced in October that we will be rolling out nationwide trials of our Connect More programme to help address digital exclusion. Working in partnership with local authorities to identify citizens facing digital exclusion, and delivered by our employees, the programme offers training to help build the digital skills, confidence, and motivation to get online. Through Connect More, employees in the B2B division totalling more than 2,000 employees can use their five paid volunteering days to volunteer their time.

To help one million disadvantaged people across the U.K. (including those on low incomes, global majority communities, low-skilled workers, and older people) get online and gain vital digital skills, we have pledged £2 million to Good Things Foundation as part of a new three-year partnership.

One of the initiatives the funds will support is *Learn My Way*, a free online learning course for people that need support with digital skills and literacy. Created by Good Things Foundation and used by community groups and charities around the U.K., we are helping to update it and make it available to more people – with a new version planned to launch in 2023.

During “Get Online Week” in October 2022, a number of our employees volunteered to deliver hundreds of free digital skills training sessions to local authorities and the public sector through the Connect More programme in a bid to tackle digital exclusion.

Our services also seek to protect children, young people and vulnerable customers. We continued to build the digital confidence of parents and guardians during 2022 to help keep their children safe online through a partnership with Internet Matters, which supported 1.4 million parents and guardians seeking advice during the year. We implement age verification processes that restrict access, where possible, to 18-rated content.

Through these initiatives, we supported over 1.5 million people in 2022 with access to digital skills training and greater online confidence.

c) Making life better for the nation’s carers

In 2022, our work with Carers U.K. focused on using our digital resources and expertise to help improve the lives of unpaid carers, like the Jointly app (an app created by carers for carers). We also supported the digital transformation of Carers U.K. and championed the charity’s annual campaign to raise awareness of the challenges unpaid carers face and make their valuable contribution more visible. As part of our journey towards being a best practice employer of unpaid carers, we launched our new carers leave policy for our people, giving them 5 days of leave a year to help with their caring responsibilities.

We supported a new charity initiative, Concerts for Carers, which provides NHS staff and paid Care workers access to free tickets to live events all across the U.K. as a means of promoting their mental health and wellbeing. We provided 36,000 tickets to Concerts for Carers in 2022.

A better way to do business

Our employees

During the year, our people strategy focused on business integration to foster a more diverse, equitable and inclusive organisation that is committed to the wellbeing, development and retention of our people, in addition to succession planning for the future. We are committed to improving our gender and ethnicity balance and ensuring that disabled employees can thrive at work. To support this, we have created our ‘All in’ strategy, which is sponsored at an Executive level and is a key focus of the Better Connections Plan.

Diversity, Equity and Inclusion

In March 2022, we launched our Diversity, Equity and Inclusion (DE&I) strategy with the following ambitions for 2027:

- Move the dial on diversity by having gender parity in our leadership population while driving towards gender parity across the organisation, in addition to increasing the representation of Global Majority¹ employees to a minimum of 15% leadership and 25% across the business.
- Make equity part of everything we do.
- Put inclusion at the heart of how we do business.

We aim to track our performance as an integrated business against the following indicators:

	All Staff	Leadership
As at 31 December 2022:		
Female employees	30.6%	32.8%
Global Majority ¹ employees	16.8%	12.5%

a) Moving the dial on diversity

We understand that diversity of thought, background and experience is essential to drive business performance, and have made progress during the year to increase the awareness of the DE&I agenda across the organisation. Our aim is to create a fairer future for our people, and we want our workforce to go 'All in'. We commit to do more, not less, and to address systemic inequity and systemic barriers together for our people and the communities we serve. During the year, we launched our harmonised family friendly policy, which caters for a variety of situations such as generous maternity, paternity, and adoption policies, in addition to carer and neonatal leave to support our people when it matters.

b) Making equity part of what we do

We have made steady progress in embedding equity in our practices and procedures. In addition to the family friendly policy, we have implemented a trans-inclusive healthcare policy to provide access to financial support for our people who need to transition. Also, we committed to extending the private healthcare benefit to all employees in 2023. We intend to continue to make our healthcare policy even more inclusive by broadening our support for diverse communities, as well as focusing on an inclusive hiring transformation across the organisation.

c) Putting inclusion at the heart of how we do business

We aim to build a fully inclusive culture, celebrating everybody's individuality and differences. We want our organisation to be a place where people feel they can do the best work of their careers, feel psychologically safe and empowered to make decisions for the benefit of our business and customers.

To help us achieve our aim we have 6 employee networks: Enrich, Proudly, The Women's Network, The Neurodiversity Network, We Care and Ultraviolet. Our networks provide an open forum where employees have an opportunity to build community and belonging in our organisation. The networks also provide guidance to management on how we can be a leading, inclusive employer and service provider.

¹ Global Majority is a collective term that first and foremost speaks to and encourages those so-called to think of themselves as belonging to the global majority. It refers to people who are Black, Asian, Brown, dual-heritage, indigenous to the global south, and or have been racialised as 'ethnic minorities'.

Globally, these groups currently represent approximately 85% of the world's population making them the global majority now, and with current growth rates, notwithstanding COVID-19 and its emerging variants, the global majority is set to remain so for the foreseeable future.

In 2022, our networks held a range of campaigns and events including celebrations for International Women's Day, Carers Week, Neurodiversity Awareness Week, LGBTQ+ Pride, Disabled Pride, South Asian Heritage month and Black History Month.

We have a statutory obligation to publish annual gender pay gap reports for O2 and Virgin Media that detail our progress in this area. In line with our commitment to equity and increasing transparency we have also voluntarily disclosed our ethnicity pay gap for O2 and Virgin Media for 2022, as well as publishing an overall gender and ethnicity pay gap for Virgin Media O2.

Gender Pay Gap

Gender Pay Gap between the average pay of men and women	O2	Virgin Media	Virgin Media O2
As at 5th April 2022:			
Mean hourly pay gap	10.5%	-2.4%	2.0%
Median hourly pay gap	20.7%	-0.8%	4.2%

Ethnicity Pay Gap¹

Ethnicity Pay Gap between the average pay of white colleagues and Global Majority colleagues	O2	Virgin Media	Virgin Media O2
As at 5th April 2022:			
Mean hourly pay gap	13.6%	8.2%	10.3%
Median hourly pay gap	14.4%	18.8%	15.4%

There is further progress required to close both our ethnicity and gender pay gaps. The biggest factor in both our gender and ethnicity pay gaps is representation at senior levels. We have made a commitment to increase leadership representation of both women and global majority employees by 2027 as part of our 5-year DE&I strategy.

Fair treatment in the workplace

We guarantee that all employees may exercise their employment rights and do not tolerate any situations of forced labour, threats, coercion, abuse, discrimination, violence, or intimidation in our working environment. We guarantee the right of our employees to belong to the trade union of their choice and we do not tolerate any kind of retaliation or hostile action towards employees who take part in trade union activities. We also have employment related grievance policies and processes, to resolve issues and concerns relating to an individual's employment.

We are committed to employment policies that are based on equal opportunities for all and the creation of a diverse and inclusive environment. We support the health and wellbeing of our employees and are committed to providing a range of occupational health and employee support services.

Our policies and line manager guidance ensures fair treatment of people with disabilities in relation to their recruitment, training, and development, for example:

- Reasonable adjustments and practical considerations relating to disabilities.
- Increasing the accessibility of our services making them more inclusive for disabled people.
- Importance of diversity and ensuring that discrimination does not occur.
- Importance of focusing on what people can do rather than what they cannot and challenging stereotypes about people with disabilities.
- E-learning which is available to all our employees to highlight the legal and behavioural aspects of Diversity, Equity and Inclusion.

¹ Ethnicity pay gap reporting is based on ethnicity as disclosed by our employees. As of 5 April O2 ethnicity disclosure was 78%, Virgin Media ethnicity disclosure was 54% and Virgin Media O2's ethnicity disclosure was 63%.

Talent and retention

Our continued focus remains on talent, retention, capabilities, and the skills of our people, including our future talent pool. We engaged a number of individuals across the organisation to define our approach to both talent management and leadership development. We are now in the process of rolling out these approaches across the organisation. Our Learning and Development team, and our partnership with LinkedIn Learning, continues to provide all of our people with access to a range of learning content (technical, professional and leadership), as well as the capability to promote targeted learning to specific teams. During the year, we implemented a long-term incentive plan for the wider leadership team.

We have a “future careers” programme including apprenticeship, internship, and graduate programmes, that enable us to build a future pipeline of talent for both leadership and technical specialist positions. Attracting diverse talent is important to us as we are aware of the industry challenge in this area. To address the challenge, we actively participated specialist and diversity events as well as utilising media channels that are dedicated to engaging with this audience especially for our recruitment processes. We listened to prospective candidates' feedback and as a result have taken the decision to revise the entry requirement making it more skills-based testing without impacting the quality of hire.

In recognition of the impact of the wider economic crisis as young people consider other alternatives to university education, alongside the more than 40 apprenticeship schemes we already offer, the business introduced five new schemes in digital marketing, cyber security, quantity surveying, network cabling and DevOps, helping apprentices learn in-demand skills and get into roles which would in some instances require a degree.

Employee wellbeing

Our people are not immune to the wider economic crisis and the increasing cost of living. In addition to our family friendly policy, which focuses on taking time away for moments that matter, our people also have access to the “Unmind” app, focused on mental health, and a range of resources to support wellbeing overall. As a business we recognise that financial hardship is likely to be worse for our people on lower income and so we decided to offer a one-off cost-of-living allowance of £1,400 to all employees earning a basic salary of £35,000 with instalments paid between November 2022 and July 2023. Further details on our employee engagement are discussed in the Corporate Governance Statement on page 95.

Engaging employees in sustainability

To ensure that our employees understand and integrate our Better Connections Plan into their every day activities, we are ensuring training is provided and that ESG responsibilities are linked to our reward and recognition programme.

Employees are also encouraged to get involved in our strategy by taking advantage of our new volunteering programme, Take Five, which lets employees take five days of paid leave a year to volunteer in communities nationwide. During the year, over 1,200 of Virgin Media O2 employees gave their time to volunteer with local good causes, in turn helping over 120,000 people.

Our customers

We commit to treating our customers fairly, providing clear and transparent information about the products and services we offer, including associated fees and charges. We make it easy for our customers to communicate with us through multiple channels. If our customers tell us they are dissatisfied, we act swiftly and diligently to resolve any issues.

Customers put their trust in us to protect that data. We therefore use all information in a responsible way and protect personal data on our systems, ensuring it is kept private and safe, and is treated in a way that is compliant with laws and regulations.

We remain focused on enhancing customer experience. The primary way this is measured is Net Promoter Score (NPS), which captures the proportion of customers who are promoters less those who are detractors.

In January 2022, we announced we would not be re-introducing E.U. roaming charges which shows a clear differentiating factor against all other major U.K. mobile network operators. This was against a backdrop where customers were restarting travel following the effect of the COVID-19 pandemic. In February 2022, we announced its decision to change the early disconnection charge policy for customers moving home. Price increases in the first quarter negatively impacted NPS, with the full recovery for Cable Relationship NPS gained by the fourth quarter 2022 (+8pt improvement fourth quarter 2022 versus first quarter 2022).

Cable Relationship NPS achieved the largest month on month improvement in 12 years (+6pts) in November 2022, driven by Speed boosts for 3.7 million customers, personalised customer communications and improved sentiment towards customer service. Install engineer NPS achieved +60 NPS for the first time in November 2022 as the field team continue to push the boundaries of customer experience; Contact Help journey NPS improved +24pts from first quarter 2022 to fourth quarter 2022 via continued multi-skilling, improved resource planning reducing wait times for customers and introduction of new VOC programme allowing front line advisors to receive instant feedback specific to interactions they have with customers. Record monthly Cable NPS was also achieved in Buy Purchase, Movers, Help and Fix Visit touchpoints driven by top-down focus and significant process improvements.

In October 2022, we created a new Customer Office function with the intention of providing increased dedicated focus on this area.

a) Accessibility and vulnerable customers

We believe that everyone should have access to the products and services they need to thrive in a digital world and that technology should be accessible to all. We want to help people in their homes, workplaces and communities have access to and enjoy the social, environmental and economic opportunities of connectivity.

b) Cost-of-living

With the significant effect of inflationary pressures on the cost of living in 2022, Ofcom found in its annual affordability study that 8 million U.K. households are having difficulty affording communications services. In response, we have taken a number of steps to help ensure our customers can access the services they need, by:

- a. improving the availability, awareness and affordability of our existing social broadband tariff - Essential Broadband - which is aimed at people receiving Universal Credit;
- b. adding fuel poverty, debt advice and financial support organisations to existing zero-rated websites so customers can access trusted advice without using their mobile data allowance.

c) Crisis response

We have worked hard to ensure that those impacted by war and natural disaster overseas had free connectivity in order to access essential services and stay in touch with loved ones - with a particular focus on Ukraine and Pakistan.

We introduced free calls and texts to and from Ukraine from February 2022 and removed charges for data use in Ukraine - an offer we extended to December 2022. Through the National Databank, we have also been able to provide free mobile data to Ukrainian refugees arriving in the U.K., alongside those from other conflict zones. We also zero-rated a Ukrainian language education website for school-age refugees based in the U.K. and provided a refugee recruitment support package.

Following the devastating floods in Pakistan, we credited back all customer charges for mobile calls, texts and data used in Pakistan, and international calls and texts to mobiles and landlines from the U.K. to Pakistan, between 29 August and 17 September 2022. We also donated a total of £850,000 to Ukraine and Pakistan humanitarian appeals via the Disasters Emergency Committee (DEC) and other charities. We also joined forces with U.K. charity Jangala which will make available 'Big Boxes', briefcase-sized devices that transform internet connectivity into Wi-Fi, to vulnerable people.

Our suppliers

Ethical sourcing

We aim to establish open, trusted and transparent relationships with our business partners and suppliers. And we expect our suppliers to maintain the highest ethical and environmental standards, in accordance with our Code of Conduct. We establish clear sustainability expectations of our suppliers, integrating ESG goals into our procurement processes – focusing on ongoing training and engagement. When we make a major purchase, suppliers are contractually committed to set significant carbon reduction goals, uphold our supply chain sustainability standards, and increase their contribution to society.

We take a zero-tolerance approach to modern slavery and human trafficking in our operations. During the year, we have undertaken modern slavery risk management reviews with high-risk suppliers: our annual Modern Slavery statement details

our due diligence activities on this issue. Details of our Modern Slavery Statement can be found <https://www.virginmediao2.co.uk/modern-slavery>

We respect and actively promote nationally and internationally recognised human and employment rights, including those contained in the United Nations Universal Declaration of Human Rights, and the principles related to the rights recognised by the International Labour Organization and its Eight Fundamental Conventions.

The SRB Committee and Virgin Media O2 Executive Management Team maintain oversight of supply chain sustainability management, and we also engage with sector initiatives such as the Joint Audit Cooperation to develop common sector sustainability standards.

Sustainability performance data table¹

Environment	Social	Governance
Emissions Scope 1 and 2 emissions (Market-based): 71,393 Metric Tonnes of CO ₂ e Scope 1 and 2 emissions (Location based): 243,043 Metric Tonnes of CO ₂ e	Digital inclusion Number of digitally excluded people connected: 18,572	Employees Total number of employees: 17,054
Energy Total energy consumption: 1,171,285 Megawatt Hours (MWh) Total consumption of Renewable energy: 977,697 Megawatt Hours (MWh)	Digital skills Number of people benefiting from programmes in digital skills: 1,536,457	Employee turnover Total Employees leaving the business: 4,580 Voluntary leaves: 2,627 Involuntary leaves: 1,953
Waste Total waste produced in the company: 5,053 Metric Tonnes (T) Total Recycled waste: 4,252 Metric Tonnes (T)		Gender balance Men 11,813, Women 5,217, Other 24 Senior leadership by gender: 33.7% Women directors
Circular actions Number of circular actions undertaken by customers: 2,405,203		Health and Safety Absentee Rate ² : (total number of working days lost due to absenteeism of any cause against the total available annual work days) - 0.034 Injury Rate ² : (total number of occupational accidents with sick leave against the total hours worked annually, multiplied by 200,000) - 0.36 Occupational Disease Rate ² : (total number of occupational illnesses against the total hours worked annually, multiplied by 200,000) - 14.3

¹ For the period 1 January 2022 to 31 December 2022.

² Definitions aligned to International Labour Office reporting.

Streamlined Energy and Carbon Report

We are pleased to report on our energy and carbon report for the financial year ended 31 December 2022.

The scope of the report includes our company owned stores, all corporate sites, switch and data centres, and cell sites (mast and antennae sites), it does not include O2 Franchise stores; these are separate legal entities.

The calculation approach is based on invoicing (where applicable) and estimation where the scope includes emission sources outside our operational control (for example landlord supplied sites). Emissions factors have been taken from the Department of Business, Energy and Industrial Strategy (BEIS) 2022 Conversion Factors.

2021 carbon figures have been restated in line with Virgin Media O2's environmental reporting policy and have not been reassured. A more accurate electricity consumption estimation approach for masts operating on third party sites has been implemented and backdated. In addition, the residual electricity grid mix emissions factor is now being used for non-renewable electricity consumption used in the masts operating on third party sites.

Virgin Media O2 Emissions	2022 (tCO₂e)	2021 (tCO₂e)
Scope 1 - Direct emissions from activities owned or controlled by the Company.		
This is low impact and fuel used is primarily for space heating (gas) and fuel used in standby generators (diesel)		
Static fuel	5,426	5,331
Fugitive gases	13,184	11,110
Vehicle fuel	14,020	13,744
Total	32,630	30,185
Scope 2 - Indirect emissions into the atmosphere associated with purchased, electricity, heat, steam and cooling		
Emissions from electricity consumed across the following site types (cells, switch sites, offices and stores)		
Electricity (including renewables) - Location based	210,413	215,376
Electricity (excluding renewables) - Market based	38,763	52,994
Scope 1 and 2 – Total (Location based)	243,043	245,561
Scope 1 and 2 – Total (Market based)	71,393	83,179
Intensity Ratio (Scope 1 and 2 Market-based emissions per petabyte of data)	1.78 kgCO ₂ e/PB	2.31 kgCO ₂ e/PB
Scope 3 a consequence of an indirect source and not Scope 2 (e.g. business travel by vehicles not owned by the Company)		
Business travel (business mileage, flights etc.) ¹		
Air Travel	1,346	134
Land Travel	4,212	1,681
Methodology for scope data	ISO14001:2015 and GHG Protocol	ISO14001:2015 and GHG Protocol
Total Energy Consumption (MWh)	1,171,285	1,137,058
Carbon offsets (tCO₂e)	0.0	0.0

Virgin Media O2 is committed to supporting the U.K.'s roadmap to net zero and enabling a zero-carbon future. Here is an overview of our progress made during 2022 against our objectives:

Net Zero: We remain on a science-based target pathway and on course for our 2025 target to reduce operational (Scopes 1 and 2) emissions by 60%, with a 18% reduction in 2021 and a 29% reduction in 2022 against our 2020 baseline. This was underpinned by the following performance:

¹ 2021 business travel emissions are based on the tank-to-wheel approach, 2022 business travel emissions are based on the well-to-wheel approach.

- a. **Renewable energy:** We continued to source 100% renewable electricity wherever we control the bill and focused on non-renewable electricity consumption from masts operating on third party sites. In addition, we were able to ensure 901 masts operating on third party sites are on renewable electricity supplies and for the first time we have purchased renewable energy certificates (REGOs) to match to 35% of the non-renewable electricity consumption, helping to reduce Scope 2 emissions by 38% since 2020.
- b. **Fugitive gases:** Emissions from fugitive gases increased by 19% in 2022 compared to 2021 though remain 30% below our 2020 baseline. The year-on-year increase in 2022 is primarily due to fire suppression systems discharges where inert gas is not used. In response we are increasing our investment in replacing the gases with inert alternatives to drive emissions down in line with our net zero ambitions.
- c. **Fleet fuel:** : In 2022 we welcomed the first 76 electric vehicles into our van fleet as we work towards a full electric vehicle transition by the end of 2030. Due to the global supply chain issues facing the electric vehicle and wider automotive markets, we have faced significant challenges in receiving ordered vehicles so have not seen a reduction in fuel consumption in line with original expectations. With an increase in the overall size of the fleet to support our customers, we have seen a 2% increase in fuel emissions year on year. We expect to see this decline in line with our emissions reduction targets as we increase our electric vehicle transition.
- d. **Static fuel:** Emissions from static fuel sources increased by 2% year on year but remains 10% down against our 2020 baseline. While emissions from gas heating decreased, there was a 20% increase in emissions from diesel linked to generators used to ensure our mobile network continues to function.
- e. **Energy efficiency and reduction:** Alongside our market-based net zero goal, energy efficiency and reduction remain a key priority for Virgin Media O2. During 2022 we have focused on the following initiatives:
 - i. Procuring more efficient equipment across all areas of the business and putting energy consumption as a key decision factor in all business cases.
 - ii. Beginning a three-year programme of decommissioning of legacy fixed line voice equipment.
 - iii. Auditing technical sites to identify and remove other legacy kit and consolidate products to more modern and efficient platforms.
 - iv. Extending our usage of RAN Power Management technologies to more masts and more hours of the day.
 - v. Continuing to rollout free air cooling and more robust battery backup solutions across the Radio Network.
 - vi. Proactively shutting down under-utilised 3G carriers as we move towards sunset of 3G technologies.
 - vii. Deploying new site monitoring capabilities to optimise technical site cooling and enable raising of set points in our data centres.

Task Force on Climate-Related Financial Disclosures (TCFD)

As shown in our Principal Risk and Uncertainties, climate change is the single greatest sustainability challenge both the industry and the world faces today. The role that we play in industry has an impact on the environment we live and operate in – it is important we recognise our part in reversing this impact and delivering a low-carbon economy.

This is our second voluntary disclosure, in readiness for mandatory reporting starting in our 2023 Annual Report, and this report explains how we identify, manage and mitigate climate-related risks and opportunities, in line with the Taskforce for Climate-Related Financial Disclosure's recommendations. We have structured the information in accordance with the eleven TCFD recommendations (2021 version), setting out our responses to the four thematic areas: Governance, Strategy, Risk Management, and Metrics and Targets. *Where we are not yet in a position to fully align with TCFD recommendations, we have stated our ambitions for improvement.*

For more information on our climate change principal risks please see the principal risks and uncertainties section of this report.

TCFD alignment roadmap

During the year, we undertook a range of activities to improve our alignment with TCFD recommendations, strengthen internal processes and reinforce our ability to manage climate risks and opportunities. In each section, we share the progress we have made as well as areas for improvements, so that we can ensure our organisation is adaptable, resilient and able to thrive in a low-carbon future.

Climate strategy and targets

In 2022, we launched our new sustainability strategy, the Better Connections Plan, and announced a new, consolidated net zero goal for 2040 across our value chain. We also set a second carbon goal to help our customers avoid 20 million tonnes of CO₂ by 2025, aiming to deliver environmental benefits for society that outweigh our own impacts. Our greatest potential for influencing others lies in our promotion of a shift towards low carbon ways of living; supporting other businesses to reach their net zero ambitions; and helping to accelerate the U.K.'s shift towards a zero-carbon future.

Biodiversity

While this TCFD statement focuses on climate risk and opportunity, it is clear our changing climate is interconnected with the Earth's natural ecosystems: extreme weather events and rising temperatures impact biological wealth in innumerable ways. We take a range of actions to mitigate any risks to nature that our operations may pose, including taking precautionary measures to respect biodiversity during construction and complying with planning legislation and industry best practice for network development. Over the coming years, we will continue to develop our management and reporting of nature-related risks and opportunities.

Governance

Board oversight of climate-related risks and opportunities

Our JV Board has overall responsibility for identifying opportunities to create value for the Group and its stakeholders and maintaining sufficient oversight to effectively manage and mitigate the principal risks to the business. The day-to-day management and decision-making of the Group is delegated to the Executive Management Team, overseen by the JV Board and its associated committees.

The Audit Committee - a Board delegated authority - oversees business risks, in addition to financial and non-financial reporting, internal control and compliance processes. We apply a risk-based governance approach, with increased oversight for the more significant risks of the business. During 2022, we implemented a new climate risk principal risk category into our corporate risk register, so climate risk will now be routinely monitored by the Audit Committee and Executive Management Team, alongside the Group's other priority risks.

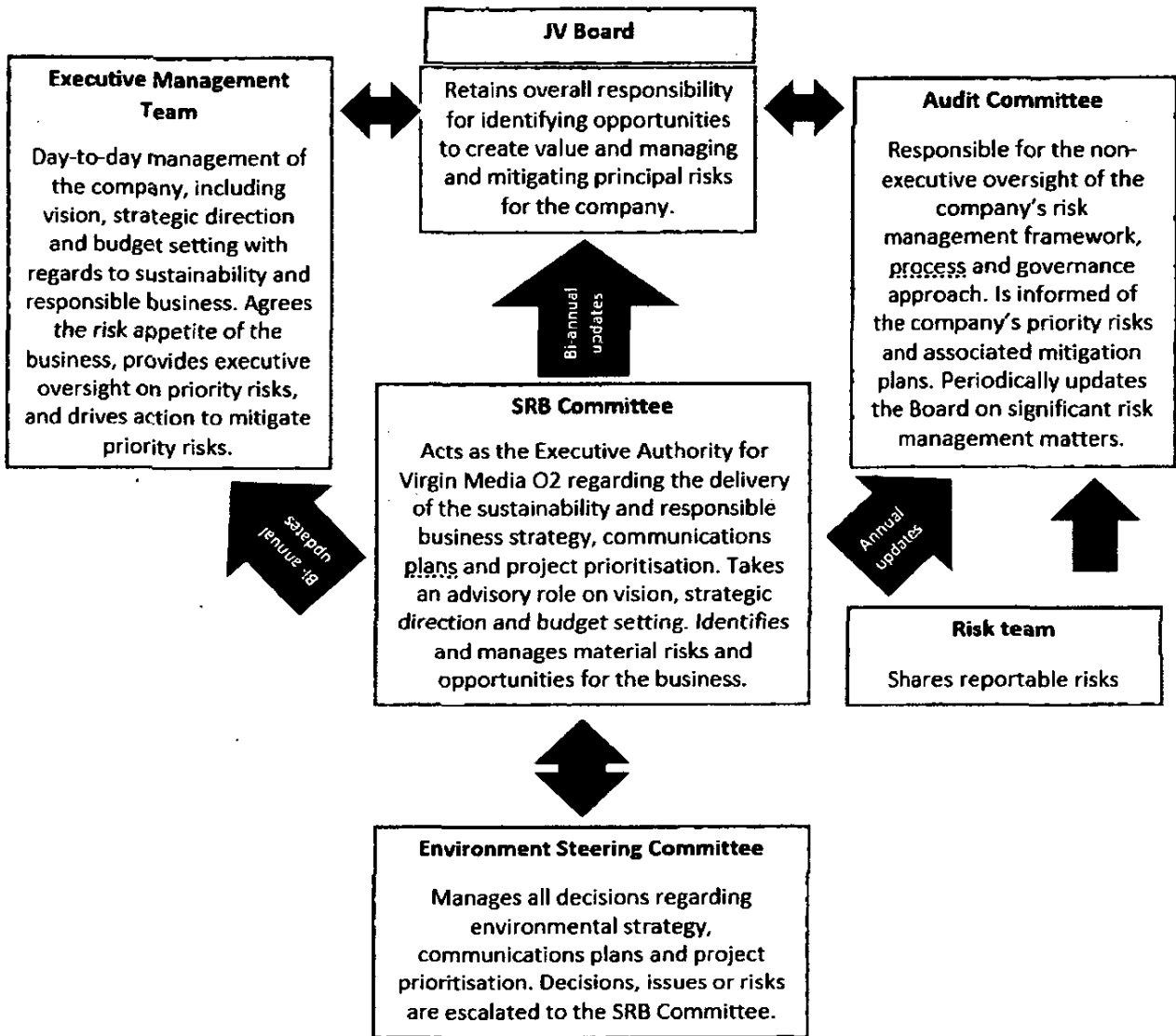
The Sustainability and Responsible Business (SRB) Committee is responsible for overseeing all ESG activity and material risks - including climate-related risks - acting on behalf of the Executive Management Team (EMT). It maintains delegated authority for all decisions regarding the delivery and communication of the sustainability strategy and our climate goals, providing biannual updates to the Board and annual updates to the Audit Committee.

The Environment Steering Committee, one of three specialist steering committees set up to support the SRB Committee, assumes the overall management of all environmental aspects of our business, including performance, plans and risks. It is sponsored by EMT member Jeanie York, our Chief Technology Officer.

2022 Board updates

- The Board and EMT approved our new sustainability strategy and its associated climate targets. Bi-annual progress updates against our 2025 strategic goals will be provided to the Board.
- To improve understanding and awareness of climate risks, we invited an external agency to facilitate climate science immersion sessions with our EMT and also delivered a TCFD update to the EMT in November 2022.
- The Sustainability team report Objectives and Key Results (**OKRs**) on the net zero programme to the EMT on a monthly basis – highlighting any issues or risks to the delivery of the programme goals and targets.

Climate risk governance



More information about the composition and responsibilities of our key governance structures of Virgin Media O2 can be found in the Corporate Governance section on page [95](#).

Key achievements and next steps

2022 progress	2023 focus areas
Consolidated and aligned our previous businesses' ESG structures, chaired or sponsored by EMT members.	Aim to formally incorporate climate risk and opportunity management into the Terms of Reference of the Audit Committee and Environment Steering Committee.
Updated governance bodies including the JV Board and EMT on sustainability strategy, climate science and TCFD requirements.	Include climate-related risks and opportunities as a standing item in the biannual Board and annual Audit Committee updates, enhancing climate awareness and understanding.
Improved oversight of climate-related risk by incorporating a new specific climate risk in our risk register – thereby ensuring it will be overseen by the Board-delegated Audit Committee as part of our risk management governance.	Engage with our Finance and Strategy teams to embed sustainability considerations, and climate risk specifically, into the our strategy, financial planning and business decision-making processes.

Management's role in assessing and managing climate-related risks and opportunities

The EMT member who leads the delivery of the sustainability strategy is the Chief Communications and Corporate Affairs Officer (CCCAO). Daily management of climate-related risks and opportunities is undertaken by the Sustainability team, which reports to the CCCAO.

We replicated the EMT climate science immersion workshop with the SRB Committee (which includes representatives from all areas of the business), Corporate Affairs team, and wider employee population during 2022. We also marked the UN Global Climate Conference COP27 with a series of virtual events for all employees to ensure we are continuously improving awareness and understanding of climate issues.

To ensure that the Environment Steering Committee receives relevant climate-related information, Sustainability team members – who are also members of the Committee - attend best practice webinars and conferences and retain membership of industry forums. Additionally, environmental legislation is tracked through our Environmental Management System (EMS), complemented by an annual legislative compliance review, and reported to the Steering Committee. Any further relevant environmental targets, performance, risks or issues that require consideration or action by the Committee are shared by the Sustainability team.

Key achievement and next steps

2022 progress	2023 focus areas
Initiated climate awareness and engagement workshops with relevant governance bodies and the wider employee population.	Continue to engage and upskill our management in understanding climate risks, issues and opportunities.

Our Strategy**Short, medium and long-term climate-related risks and opportunities**

We are collectively facing a climate emergency with the earth warming at an unprecedented rate and the effects already being felt across the globe. We know that climate change has the potential to impact our business and we have taken steps to understand the associated likelihood, possible impacts, and consequences of both physical and transitional climate-related risks, as well as considering any climate-related opportunities that may arise for our business. We have sought to integrate the risk and reward relationship into our decision-making process as we future proof our business.

In 2022 we undertook new analysis to identify three physical and seven transition risks, and four climate-related opportunities that we believe could materially impact our business, from a commercial and operational perspective. This included identifying key upstream and downstream dependencies across our operations and value chain, mapping these against a wider understanding of climate risks and evaluating them against a range of different climate scenarios. As a U.K.-based business with a global supply chain, climate change will impact our supply chain in different ways in different places and we plan to undertake further analysis to identify how the identified risks present themselves based on sector and, in

particular, geography. In January 2023, our shortlist of ten risks and opportunities was validated and prioritised by the SRB Committee.

Time horizons (based upon leading practice) of 'short-term', 'medium-term' and 'long-term' shown in this section represent the following in years:

Time horizons	Short-term	Medium-term	Long-term
	3 years	3 to 10 years	> 10 years

a) Physical risks

Physical risks are driven by extreme weather and long-term shifts in climate patterns that have direct impacts.

Risk type	Risk title	Risk description	Financial impact	Time horizon
Acute and chronic	Damage to infrastructure and disruption to operations due to the physical impacts of climate change	Risk that increased frequency in addition to the severity of extreme weather events (such as flooding, storms and wildfires) and longer-term shifts in weather patterns (such as sea-level rise, increased precipitation and extreme heat) result in damage to our physical and operational assets including network infrastructure, data centres etc. This leads to business disruption such as network services outages and restricted services, and more frequent repairs are necessary.	a. Decrease in revenue from lower sales b. Increase in operating costs from repairs c. Early retirement of existing assets due to frequent damage d. Increase in insurance premiums	Medium to long term
Acute and chronic	Disruption to workforce due to the physical impacts of climate change	Risk that increased frequency and severity of extreme weather events (such as extreme heat, extreme rainfall storms or flooding) have negative consequences on the productivity and safety of our people, leading to delays in the roll out of our services and increased customer dissatisfaction.	a. Decrease in revenue from lower output b. Increase in costs from negative impacts on workforce (absenteeism) c. Threat to business continuity	Medium to long term
Acute and chronic	Disruption to suppliers due to the physical impacts of climate change	Risk that increased frequency in addition to the severity of extreme weather events (such as flooding, storms and wildfires) and longer-term shifts in weather patterns (such as sea level rise, increased precipitation and extreme heat) disrupt the operations of our suppliers, leading to disruption to third-party operated services, such as call centres, and delays in product delivery.	a. Decrease in revenue from lower sales b. Threat to business continuity	Medium to long term

Key:

Acute – Risk of increasing severity of extreme weather events.

Chronic – Risk of longer-term changes and variability in weather patterns.

b) Transition risks

Transition risks are driven by policy, regulation, technology development, reputation, and market shift as a result of goals to decarbonise.

Risk type	Risk title	Risk description	Financial impact	Time horizon
Market	Rising input prices leading to increased production and operating costs	Risk of increasing volatility in input prices (such as raw materials and energy) leading to fluctuating production and operational costs. For example, timing of energy policy changes and availability and demand for different raw materials as a result of market shifts may lead to higher energy prices and the risk of rising third-party costs associated with the manufacturing of handsets and wearables.	a. Increase in production and operating costs e.g. energy prices b. Reduction in profit margins	Long term
Technology	Increased costs from the transition to lower emissions technology	Risk of increased research and development (R&D) costs, associated with investment in new and alternative technologies to enable more efficient services and production processes, necessary to meet emissions reductions targets.	a. Increase in capital investments required for technology development b. Reduction in profit margins	Short to medium term
Policy and legal	Introduction of carbon pricing impacting operating costs	Risk of the introduction of a formal carbon pricing system in jurisdictions where we operate which results in having to pay for our GHG emissions - leading to increased operating costs.	a. Reduction in profit margins b. Increase in production and operating costs	Medium term
Policy and legal	Enhanced exposure to climate-related regulatory changes and litigation	Risk of enhanced exposure to climate-related litigation as a result of more stringent legislation and mandates on emissions associated with our services and products.	a. Increase in potential for climate litigation b. Increase in production costs c. Increase in staffing costs and investment to support reporting functions d. Loss of brand loyalty	Medium term
Reputation	Shifts in consumer preferences towards greener Telecom providers	Risk that we fail to keep up with competitors' climate action leading to consumers switching to Telecom providers with stronger ESG credentials, meaning lose market share and in turn becomes less desirable to potential investors.	a. Reduction in revenue and market share b. Decrease in access to capital c. Loss of brand loyalty	Short to medium term

Reputation	Failure to meet emission reduction targets across Scope 1, 2 and 3 emissions	Risk that we fail to meet our net zero 2040 target through missing our own Scope 1 and 2 targets directly or being implicated by third-party dependencies and associated Scope 3 emissions (for manufacturing in addition to licensing products). We may fail to meet targets as a result of changing business priorities, redirections of budget funding, or through third-parties failing to reduce their own Scope 1 and 2 emissions in line with our Scope 3 supplier climate targets. This could lead to reputational impacts and effects on internal and external stakeholder brand loyalty. Failure to meet such targets would also mean that we are unable to obtain sustainability-linked financing or further leverage green finance.	a. Damage to reputation b. Increase in potential for climate litigation c. Decrease in access to capital d. Decrease in employee retention rates and ability to attract talent e. Loss of brand loyalty	Medium to long term
Market	Disruption to our supply chain due to geopolitical volatility from climate-related impacts	Risk that geopolitical volatility, spurred on by the impacts of climate change, disrupts our supply chain, including the delivery of handsets and accessories. As a result, we are unable to meet customer demand for products and experiences disruption to services, increasing costs and reducing market share.	a. Increase in production and distribution costs b. Reduction in profit margins c. Loss of brand loyalty	Medium to long term

Key:

Policy and legal – risk of existing and emerging climate-related regulations, as well as climate-related litigation claims

Markets – risk of shifts in supply and demand as markets respond and react to climate change

Technology – risk of disruption to parts of the economic system caused by emerging technologies required to support the transition to a low carbon economy

Reputation – risk of damage to brand value and loss of customer base from shifting public sentiment over an organisation's response to climate change

c) Climate-related opportunities

Opportunity	Opportunity title	Opportunity description	Financial impact	Time horizon
Transition – resilience	Become a credible, low carbon Telecom provider	Opportunity to demonstrate credible improvements in ESG performance, such as meeting our net zero target ahead of 2040 deadline and having robust physical risk management strategies in place, going beyond potential investor expectations and leading to an improvement in market valuation as a result. As customers increasingly consider climate credentials when selecting a Telecom service provider this will lead to an increased market share over less progressive competitors.	a. Increase in revenue and customer market share b. Increase in access to capital c. Increase in employee retention rates and ability to attract talent	Medium term
Transition – products and services	Development and expansion of low emissions products and services	Opportunity to expand our portfolio, including the development of low emission products and services, in line with shifting consumer sentiment towards greener consumption. These products and services would not only reduce our climate footprint, but also support our customers to achieve their personal emissions reduction and climate resilience goals. This will lead to an enhancement in our brand amongst both internal and external stakeholders.	a. Increase in revenue b. Increase in investment and access to capital c. Increase in brand loyalty d. Increase in customer market share	Short to medium term

Transition – markets	Access to new markets via new products and services	Opportunity to diversify our portfolio through the development of new products and services to give access to new markets or greater market share by pursuing climate objectives, such as decarbonisation or circularity targets. This would lead to an expansion of our customer target market and reputation as a low carbon Telecom provider whilst also providing the opportunity to leverage additional green finance as a result of ambitious climate action enabling us to meet our climate targets and enhance our green credentials.	a. Increase in revenue b. Increase in customer market share c. Increase in investment and access to capital	Medium term
Transition – resource efficiency	Green-led resource efficiency	Opportunity to harness green-led resource efficiency across our operations and distribution processes leading to a reduction in operating costs. For example, greening our fleet and increasing the use of recycled materials in products ahead of current target deadlines or switching to renewable energy sources across the value chain.	a. Reduction in operating costs b. Increase in revenue c. Increase in access to capital	Medium term

Key:

Resilience – adaptive capacity to respond to climate change, better manage the risks and seize the opportunities

Energy source – access to cost and emissions benefits through low-carbon and alternative energy options

Markets – access to new markets enabling the diversification of activities, facilitating the transition to a lower-carbon economy

Resource efficiency – improved efficiency across production and distribution processes, buildings, machinery and transport in relation to energy efficiency, water, waste management and material usage

Products and services - improved competitive position and ability to capitalise on shifting consumer preferences through development of low-emission products and services

Key achievements and next steps

2022 progress	2023 focus areas
Updated our physical and transition climate-related risks and opportunities.	Formally address and incorporate the identified climate-related risks into our company risk framework.
Undertook a prioritisation exercise with the SRB Committee.	Map physical climate-related risks across our value chain.

Impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning

The climate-related risks and opportunities that we identify in the 'Short, medium and long-term climate-related risks and opportunities' section on page 61 include a description of the top-line potential financial impacts. Further examination of the wide-ranging potential impacts on our operations, products and services, supply chain and how climate risks influence our financial planning process, will be undertaken in 2023 by conducting quantitative analysis. While we are not currently consistent with the full disclosures recommended by the TCFD in this area, we hope to achieve greater alignment in 2023 through this additional quantitative evaluation.

Risks, business impact and mitigating activities

a) Extreme temperatures and flooding

Climate change can drive medium to long-term increases in operational costs as a result of shifts in climate patterns, for example extreme temperatures affecting infrastructure cooling costs; low-lying facilities being subject to flooding; and the impacts of increased or reduced precipitation.

High ambient temperatures can cause issues with the effectiveness of cooling units at our network sites. To mitigate this risk and ensure the network is always operational, we ensure resilient systems are in place to support any failures of air-conditioning units. We have 24/7 temperature monitoring for all sites and have established an agreed temperature cooling contingency plan for every site.

We have several sites situated near main rivers in the U.K., meaning there is a potential risk of localised ground water flooding where local drains could overflow. We installed flood prevention systems and borehole monitoring on a site where this was identified as a risk.

b) Energy costs

The increasing cost of energy and transition to a decarbonised economy are financial impacts that could seriously affect our business resilience, for example by increasing property costs and fuel for our vehicle fleet. These challenges reinforce our commitment to use renewable energy wherever possible and continue our drive towards efficiency improvements and an all-electric fleet.

c) Value Chain

Some supply chain partners, particularly our outsourced overseas operations and the device supply chain, located mainly in Asia, are particularly vulnerable to the worst effects of climate change. We monitor this risk and embed sustainability requirements in our procurement processes. We consider climate risk at point of purchase for major suppliers, who are required to set science-based net zero targets, alongside other social and environmental factors.

Key achievements and next steps

2022 progress	2023 focus areas
We have identified some initial physical and transition risks and opportunities for Virgin Media O2 and discussed their potential impacts on the business.	We plan to examine how we can effectively factor the identified risks into Virgin Media O2's strategic decision making and financial planning processes.
	We will undertake quantitative climate-related scenario analysis to assess the financial implications of climate risks and opportunities over different time horizons, using the risks and opportunities identified during the qualitative scenario analysis.

Strategic resilience, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Scenario analysis can enable effective decision-making by allowing companies to understand and address the risks they may face to organisational resilience under different hypothetical futures. These futures are not predictions, but are plausible visions of the future that help to challenge accepted thinking.

Climate scenarios combine a range of factors, including climate, emissions, vulnerability, environmental and socioeconomic change. The climate science community often uses two key frameworks to develop these factors into a set of commonly-understood narratives: the Shared Socio-economic Pathways (SSPs) which describe different socioeconomic futures; and the Representative Concentration Pathways (RCPs) which model different emissions pathways and the associated impact on the climate. To develop our climate scenarios, we paired three different SSP/RCP combinations.

In January 2023, we held a workshop with our SRB Committee to validate and prioritise climate risks and opportunities against a range of future states to enable us to maximise the positive impacts and minimise the negative impacts on our business. Workshop participants covered a range of roles and responsibilities to ensure that risks and opportunities were considered from all aspects of the business.

Climate scenarios

- a. Scenario 1 – Steady path to sustainability (1.5°C) – is optimistic about economic decarbonisation and assumes this is achieved in a steady, orderly fashion, to draw out transition risks. (SSP1 / RCP1.9 combination)
- b. Scenario 2 – Middle of the road (2°C) – a delay in efforts to mitigate climate change results in a disorderly transition, intended to emphasise the extent of transition risks. (SSP2 / RCP2.6 combination)
- c. Scenario 3 – Fossil-fuelled global growth (4°C) – this is a plausible worst-case scenario from a climate change perspective, intended to draw out physical risks. (SSP5 / RCP8.5 combination)

In January 2023, we held a workshop with our SRB Committee to validate and prioritise climate risks and opportunities against a range of future states to enable us to maximise the positive impacts and minimise the negative impacts on our business. Workshop participants covered a range of roles and responsibilities to ensure that risks and opportunities were considered from all aspects of the business.

Scenarios	Summary	Key characteristics	Potential organisational impact
1 – Steady path to sustainability (1.5°C) Orderly transition scenario	Under the 1.5°C steady path to sustainability scenario, the world takes the rapid and drastic policy measures required to meet the ambition of the 2015 Paris Agreement. Low carbon technologies take over from fossil-fuels, but under this scenario significantly reduced economic growth is just as important for reaching net zero emissions by 2050.	Climate: Global warming limited to 1.5°C above pre-industrial levels by 2100. Societal approach to climate: Globally coordinated efforts to reduce emissions to net zero by 2050 to avert the worst effects of climate change. Economy: The world makes a gradual but continual shift away from only valuing economic growth towards a wiser sense of prosperity and wellbeing.	Operational efficiencies would need to be made to reduce emissions and operating costs. As consumers move away from mass consumption towards more durable and higher quality products, we would need to adapt and diversify our portfolio of products and services to offer lower carbon solutions. We would take steps to strengthen the resilience of our supply chain.
2 – Middle of the road (2°C) Disorderly transition scenario	Under the middle of the road scenario, social, economic and technological trends do not yet shift markedly from historical patterns. The delay in efforts by government, businesses and citizens to mitigate climate change, and a divergence in responses across sectors and countries, results in a disjointed transition ultimately reaching warming below 2°C.	Climate: Global warming limited to < 2°C above pre-industrial levels by 2100. Societal approach to climate: Delayed, disorderly transition to a low carbon world which results in widening inequalities. Economy: Increasingly divergent outcomes at both micro and macro level, facing permanent scarring due to disorderly transition.	We would be exposed to more sudden transition risks and increased likelihood of physical impacts. Large carbon rises could affect the transport and distribution of our products and services, intensifying pressure to fully electrify our fleet and seek low carbon solutions across our value chain will become increasingly important and any changes could cause disruption to services and increase production costs.
3 – Fossil-fuelled global growth (4°C) Physical risk scenario	The 4°C scenario explores a possible route in which the world continues to use fossil fuels as the engine of economic growth, resulting in worst-case levels of global warming with increasingly severe and frequent extreme weather causing extensive business disruption, as well as chronic changes to seasonal weather patterns severely damaging economic growth. Governments quietly drop their climate commitments and instead intervene to build resilience to the worst impacts of climate change.	Climate: Global warming of 4°C above pre-industrial levels by 2100. Societal approach to climate: Global collaboration focused on protecting the population from a changing climate (as opposed to reducing human induced climate change). Economy: While the economy experiences long-term growth through to 2050, catastrophic economic toll of climate changes becomes an unprecedented drag to economic growth.	Our organisation would suffer impacts of increasing physical risks across our value chain. Extreme weather events could not only damage our infrastructure and ability to deliver our services (through network equipment overheating or site flooding, for example), but may also impact the health of our workforce - which would in turn lead to significant period of disruption to network services.

For each climate risk and opportunity, the time horizon under which it is most likely to materialise was assessed. The following time horizons were used, based on leading practice:

- Short-term: up to three years (now to 2026)
- Medium-term: three to ten years (2026 to 2036)
- Long-term: greater than ten years (2036 to 2050)

Each of the climate risks and opportunities were then ranked according to a qualitative assessment by the stakeholders as High, Medium, or Low (overlaid with qualitative scenario analysis), using the following lenses:

- Impact: the potential impact on our ability to achieve its strategic objectives should the risk or opportunity be realised.
- Likelihood: the probability that the risk will present for Virgin Media O2 (applies to risks only).

- c. Effort: the potential level of effort required, in terms of people and capital resources, should we choose to pursue that opportunity (applies to opportunities only).

The SRB agreed the most relevant current risks and opportunities for Virgin Media O2:

Physical risks	Transition risks	Opportunities
Damage to infrastructure and disruption to operations due to the physical impacts of climate change.	Disruption to our supply chain due to geopolitical volatility from climate-related impacts.	Green led resource efficiency.
Disruption to suppliers due to the physical impacts of climate change.	Rising input prices leading to increased production and operating costs.	Development and expansion of low emissions products and services and access to new markets via new products and services.

Key achievements and next steps

2022 progress	2023 focus areas
Held a scenario planning workshop with the SRB Committee, composed of key directorate representatives from across the business.	We will take steps to integrate the outputs of the scenario analysis into our strategic decision making and financial planning, undertake quantitative scenario analysis and set a timeframe for regularly refreshing our analysis to allow for variations over time.

Risk management

Processes for identifying and assessing climate-related risks

Managing risk is a shared responsibility: all employees and suppliers are required to identify, manage and report risk in accordance with the company's risk management policy.

Risks are identified and captured at all levels, in all areas of the business, with input from various sources and forums, including strategic planning, regular risk review meetings and operational teams. They are then assessed to determine their importance, appropriate prioritisation, and risk response. Risks are analysed based on their impact and likelihood to provide an overall risk rating which is then recorded on Virgin Media O2's Risk Heatmap. In addition, we consider proximity, which indicates how quickly the risk may materialise. Climate-related risks are identified and assessed in the same way as other business risks, through our existing risk management processes.

During 2022, we carried out a one-off, in-depth exercise to review and update climate-related risks – outlined in the Strategy section of this TCFD statement. This enabled us to develop and expand our understanding of the main physical and transition climate-related risks that could affect our business.

2022 progress	2023 focus areas
In-depth identification of climate-related physical and transition risks and opportunities.	Ongoing collaboration with Virgin Media O2's risk team to strengthen our ability to identify and assess climate risk.

Our Processes for managing climate-related risks

Our sustainability strategy, the Better Connections Plan, was informed by a materiality assessment: as a result of this analysis, climate action became one of three core pillars for the company to focus on. We have integrated all identified material environmental and social issues within our principal risks and uncertainties.

Once a risk has been identified and assessed, a risk owner is allocated. The risk owner determines the most appropriate response for the business and oversees progress, keeping relevant stakeholders updated. Risk responses include: reducing risk exposure ('treating', 'transferring' or 'terminating') or tolerating risk exposure, taking no further action to reduce it. The Director of Sustainability is the climate risk owner. We consider climate risk to be an 'immediate' risk because the effects of the Earth's warming are already materialising.

In the Strategy section of this TCFD statement page 61, we have described the climate-related risks that we have identified. On a day-to-day basis, climate-related risks are managed in the parts of our business they have the potential to affect.

We believe that one way of managing climate-related risk is to contribute to the slowing of global warming by taking climate action. Our net zero 2040 target sets out the pathway to reducing our impact and we provide more detail on the specific actions we are taking in the Metrics and Targets section page 71.

Key achievements and next steps

2022 progress	2023 focus areas
We have identified the key physical and transition climate-related risks and opportunities that have the greatest potential to affect our business and that will require our ongoing focus.	Ensure the newly-identified physical and transition climate-related risks and opportunities are captured into our risk management framework and have clear actions in place to manage them.

Processes for integration the identification, assessment, and management of climate-related risks into the overall risk management

In 2022, we implemented a new risk management framework which combines the best elements of the previous Virgin Media and O2 frameworks, applies core risk management principles and best practices, and is tailored to our new organisation. It's aligned to COSO and ISO31000 guidelines and is integrated into decision-making so that we can consistently identify, assess, manage and monitor risks - escalating priority risks that could adversely affect the future success of the business, such as climate risks.

All risks (as well as their controls and mitigating actions) are captured in the risk register, which is held within Virgin Media O2's designated Risk Management Information System - managed by the Risk Management Team. We apply risk governance thresholds to all risks, with risks judged to be either Priority Risks; Enhanced Oversight Risks; or Locally Managed Risks.

Priority risks, which now includes climate risk, are reported quarterly via the Audit Committee and EMT and, once identified, the Audit Committee is responsible for reporting any significant issues to the Board. For more information on our company's risk management, see page 79 of our Annual Report.

Key achievements and next steps

2022 progress	2023 focus areas
Climate risk is now integrated into the broader risk management practices of the business, including risk prioritisation frameworks and internal risk reporting procedures.	Continue developing discussions between the Sustainability and Risk team to ensure climate risk (including the physical and transition risks identified in 2022) remain fully incorporated into existing risk processes.

Metrics and targets

Metrics used to assess climate-related risks and opportunities

We engage in extensive global and local reporting, contributing to our shareholders' (Liberty Global and Telefónica) annual reporting processes, as well as publishing ESG information in our U.K. Annual Report and on our website.

In our Streamlined Energy and Carbon Report (SECR) on page 56, we disclose Scope 1, Scope 2 and limited Scope 3 GHG emissions, as well as an emissions intensity ratio, in line with the GHG protocol and ISO14001:2015. We work with specialist environmental consulting agencies to produce our energy and emissions data, which is subsequently externally validated. Our Scope 3 emissions are limited to business travel at present, although we are looking to widen the scope of our Scope 3 reporting in future SECRs.

a) Emissions methodology

During 2022, we have continued to refine our emissions reporting approach and methodology to ensure we align with best practice. As part of this we have developed an internal emissions calculation policy, guided by the principles defined in the Greenhouse Gas Protocol, which outlines our approach for calculating emissions. This ensures our disclosures are assessed against criteria including relevance, completeness, consistency, transparency, and accuracy.

b) Remuneration

Plans are underway to include ESG metrics in the annual bonus of eligible employees during 2023. The Boards of our shareholders, Telefónica and Liberty Global, already have ESG metrics in their management annual bonus structure (with climate change making up 5% and 1% respectively). In 2022, we have also established ESG responsibilities within employees' roles, linked to our reward and recognition programme.

In 2023, we plan to undertake quantitative climate-related risk and opportunity analysis that will inform our approach towards widening the number of metrics that we collect data on and disclose in future TCFD statements.

Key achievements and focus areas

2022 progress	2023 focus areas
Drafted an emissions methodology, in line with best practice.	Undertake a Scope 3 mapping exercise to identify and disclose additional Scope 3 emissions sources.
Established ESG responsibilities in Virgin Media O2 employees' roles.	Secure approval to include ESG metrics (including climate change and carbon emissions) within Virgin Media O2's annual bonus structure.
	Investigate the possibility of including additional disclosures around the seven climate-related metric categories described by the TCFD, informed by a quantitative analysis of climate-related risk.

Scope 1, Scope 2, Scope 3 greenhouse gas (GHG) emissions and risks

We publish Scopes 1, 2 and some Scope 3 GHG emissions in our SECR statement on page 56: only two categories of Scope 3 emissions are currently disclosed. We plan to disclose a full value chain footprint in 2023.

Scope	Primary sources	Data collection methodology
1 - Direct	Emissions that come from sources that are company owned or controlled e.g. a. static combustion (fuel used in generators for heating and power); b. mobile combustion (vehicle fuel from company fleet); c. coolants and propellants used (air conditioning units and fire suppression systems)	Company fuel cards, business travel expenses, third party reports, invoices and site visits.
2 - Indirect	Emissions originating from purchased energy, including: a. purchased electricity; b. heat and steam	Electricity consumption invoices, co-location service invoices (i.e. where electricity is estimated by market operations), on-site meters or inverters. <i>Calculated for location-based (using grid-average emissions intensity) and market-based (supplier-specific emissions intensity) methods</i>
3 - Indirect	Emissions come from a range of upstream and downstream sources, including: a. purchased goods and services b. fuel and energy related activity c. transport, distribution and logistics d. operational waste e. business travel: air, road and rail f. employee commuting g. use of sold products h. end-of-life treatment of sold products i. franchises j. investments	Invoices, third party reports, supplier published emissions data and estimated supplier emissions, purchase ledger spend, product lifecycle analysis and product energy testing, expense claims, employee headcount.

a) Related risks

Reducing emissions in line with our science based aligned targets not only directly addresses our contribution to climate change, but also helps to mitigate some of the transition risks identified in the strategy section of this TCFD statement, for example, in helping to reduce the impact of rising input prices on operational costs.

Key achievements and our focus

2022 progress	2023 focus areas
Consolidated Virgin Media and O2's carbon footprints and reported for the first time a Virgin Media O2 carbon footprint.	Evaluate widening our Scope 3 emissions reporting disclosures.

Targets to manage climate-related risks and opportunities and performance against targets

In setting bold and targeted goals to reduce our environmental impact, we take a science-based approach, including reflecting the latest science-based emissions reduction targets that are designed to achieve a 1.5 degrees warming scenario. In 2022, we set the following climate action targets:

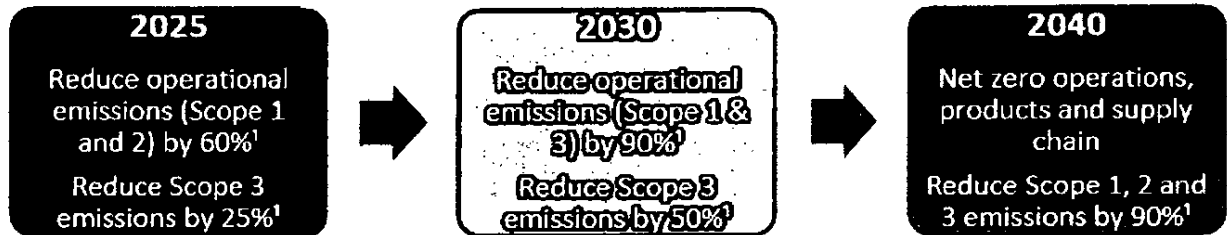
- Become net zero carbon across operations, products and supply chain by 2040.
- Enable U.K. customers to avoid 20 million tonnes of CO₂ and support large-scale decarbonisation by 2025.

We are currently undergoing an official assessment process with the Science-Based Targets initiative (SBTi) for our targets and expect a response in spring 2023.

a) Net zero

To prevent the worst climate change, the Paris Agreement says we need to reach net zero emissions by 2050. Now we are aiming for net zero by 2040, across Scopes 1, 2 and 3 (2020 baseline). We are aiming for net zero by 2040, across Scopes 1, 2 and 3 (2020 baseline), in line with the Science-Based Target initiative's (SBTi) Net Zero standard. To achieve net zero emissions, companies must reduce their emissions by at least 90% before 2050 and invest in carbon-removal schemes to make up the other 10%. The new Net Zero Standard helps clear up climate confusion and make it easier for businesses to understand what is needed to meet global climate goals.

Our interim targets are:



Most of our carbon emissions relate to electricity used to power our network, so our focus is on switching our entire network to renewable energy and removing all possible non-renewable energy across our business. As our network expands and more customers connect to products and services with 5G, there is unsurprisingly a carbon cost as energy use increases, so it is vital we maintain the use of renewable energy sources and continue to drive energy efficiency improvements. We already source 100% renewable electricity at all sites where we directly control the bill.

Tangible actions that we are taking to make progress against our target include:

- a. Scope 1 - replacing with fire suppression gases for zero carbon alternatives, upgrading air-conditioning systems to reduce refrigerant gases, and transitioning company cars to electric vehicles.
- b. Scope 2 - working with landlords at sites we do not operate to encourage the transition to renewable energy and we are now also purchasing REGOs to match to 35% of non-renewable electricity consumption.
- c. Scope 3 - collaborating with our supply chain to reduce emissions across the goods and services we purchase, supporting more sustainable travel for our employees including enabling hybrid working and tackling waste across our operations.

¹ Absolute reductions.

b) Enabling others

Our second climate target commits us to helping customers avoid 20 million tonnes of CO₂ and supporting large-scale decarbonisation by 2025. Our 4G and 5G technology can help build a greener, more resilient economy by providing connected solutions in smart homes and cities, transport and healthcare.

As part of our Better Connections Plan 2025 sustainability targets, we are committed to achieving zero waste operations and products by the end of 2025 and to helping consumers to carry out 10 million circular actions to tackle e-waste by the end of 2025. Our waste targets include making sure over 95% of operational waste is recycled and ensuring 100% of customer packaging for own-branded products are widely recyclable and contain no single-use plastic.

c) Oversight and best practice

Our designated expert governance bodies, the SRB Committee and Environment Steering Committee monitor and track performance against the targets, and the Board are updated on progress twice a year. In order to ensure we have appropriate internal resource and focus, we have also created a net zero transformation project team. Working with experts in their field ensures our practices remain aligned with latest science-based thinking. We were 1 of only 10 'pathfinder' companies that worked towards the Carbon Trust's new 'Route to Net Zero Standard' – a certification that helps organisations measure and manage emissions and align targets with climate leadership by independently verifying carbon reductions and recommending carbon reduction strategies. We are currently certified at 'Advancing' level.

We have also joined The Climate Pledge to align our environmental commitments with the SBTi's new net-zero standard and are members of the Media Climate Pact which commits us to using our communications platform to change behaviours towards climate-friendly lifestyles.

Key achievements and next steps

2022 progress	2023 focus areas
Launched new, consolidated 2040 net zero target and worked with best practice expert organisations such as The Carbon Trust, the SBTi and The Climate Pledge to ensure our actions are aligned with the latest climate science.	Continue to work with industry experts to refine our methodologies and maintain our alignment with climate science.

Stakeholder Interaction - S172(1) Statement

We understand the importance of regular constructive two-way discussions with our stakeholders on how we create value and the delivery of our strategy and success. This is balanced against the needs of the business as we face industry-wide and macroeconomic challenges.

This statement explains how the Board has acted in good faith in the interest of the shareholders, whilst having regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006. This includes our obligation to have regard to the long-term sustainability and our stakeholders when taking principal decisions of strategic importance which are significant to any of our key stakeholders.

In discharging our responsibilities a governance framework has been put in place which includes procedures to support the assessment of those matters necessary for us to make informed decisions in our delivery of the long-term success and sustainability of the Company and the Group as a whole.

The Company’s key stakeholders are integral to the key stakeholders of the operating businesses in the Group. For administrative efficiencies, key stakeholder engagements are conducted at operational level led by members of the Executive Management Team as Executive Sponsors (**Executives**).

Details of how we have promoted the success of the Group are disclosed in the Divisional Overview section on page 19. Some examples of how we considered matters of concern to our key stakeholders including the outcomes are detailed below with further details in the Corporate Governance Report on page 95.

Customers

Our customer base comprises of both consumer and business customers. Further details of our customers segments are discussed in the Divisional Overview section of the Strategic Report on page 19.

Customer satisfaction is essential to our long-term success and putting our customers first is, and will always be, a foundational strategic priority for the organisation. Our large customer bases have broad needs and expectations, and the business remains increasingly focused on meeting and exceeding as many of them as possible as the household economic outlook continues to prove challenging.

Topic	How we engage and monitor	Outcomes
Championing and prioritising Customer Fairness. Outstanding connectivity at home and on the move. Suitable product options and flexibility in offerings.	How we engage: We stay as close to our customers through an extensive primary insight calendar, ensuring we understand and meet their needs, by: Continually interacting with all customer types with different product holdings, at different lifecycle stages. Customer focus groups; to identify customer pain-points and make improvements. How we monitor: Analyse customer journeys through customer journey measurement framework. Customer insight from NPS, Social Media communities. Customer segmentation embedded across the organisation.	Free connectivity to people experiencing data poverty via the National Databank. We have committed over 60 million GB of O2 data to it and people can be given a free O2 PAYG sim card and up to 12 months of vouchers that provide 20GB a month of data, free calls and free texts. Financial support (discount or change of tariff to lower cost to help the stay connected) to any customer who inform us of the financial struggles. Products and Services launch: Essential broadband is our social tariff to provide low-cost broadband to customers in receipt of Universal Credit WiFi Max aim is to meet our key customer need of broadband reliability. UK fastest WiFi guarantee with speeds of 20Mbps in every room or £100 back. This includes updated Connect app to enable customer to monitor speeds and in-home connectivity. Stream is an entertainment service provided through a new, smaller and more sustainable set top box that works over WiFi and doesn't require cabling. A flexible 30-day contract with no minimum spend.

People

Our people are core to the continuing success of our business and the wellbeing of our people is important to us. Further details of our People strategy can be found in the Our Employees section on page 50.

Topics	How we engage and monitor	Outcomes
Integrating as one team. Employee retention and commitment. Diversity, Equity and Inclusion. Wellbeing.	How we engage: Quarterly live streams lead by the CEO and the Executives including Questions and Answers session. Workplace, an interactive social platform two-way communication. Executives tour across the country and corporate sites. The focus was to have a dialogue on the cost-of-living with employees. How we monitor: Pulse surveys with a wide range of questions to understand the views and perceptions of employees.	Harmonised DE&I strategy "All in" focused on increasing DE&I awareness across the business. A family friend policy. One-off cost of living support package for employees earning £35,000 and below.

Suppliers

We rely on a number of partners for important aspects of our operations, in particular the provision of products and services to our customers. The Board and Executives recognise that effective management of suppliers is important to the business reputation and long-term success of the Group. Further details of our supplier relationship and engagement can be found on page 98 of the Corporate Governance Statement.

Topics	How we engage and monitor	Outcomes
Supply continuity and protecting service quality against a volatile geopolitical background. Alignment with our ESG strategy, decarbonisation goals and our supply chain sustainability standards. Regulatory compliance, in particular Telecoms Security Act.	How we engage: Dialogue with selected suppliers to understand any exposure and impacts of the pandemic and the Ukraine conflict on their ability to deliver services to us and how any impact would be managed. How we monitor: Vendor Management Programmes with dedicated relationship leads. Formal reviews. Suppliers samples: to understand and address any gaps that may exist about the requirements of the Telecoms Security Act.	We shared our ESG goals and the strategy expectation with our suppliers. Integrated ESG goals into our procurement process and established and implemented carbon reduction programmes for significant supply chain emission sources both at a product and supplier level. Despite an unusual year of disruptive events impacting the supply chain we have been able to successfully work with our supplier partners to adapt and have maintained supply and customers service quality.

Regulator

Our regulators are important to delivering on our purpose, a connectivity champion and provide services to our customers at affordable prices in a competitive market whilst taking into account the wider economic challenges impacting businesses and customers. Further details of our engagement with our regulators can be found on page 98 of the Corporate Governance Statement.

Topics	How we engage and monitor	How we are responding
Spectrum utilisation and opportunity.	How we engage: Regular CEO roundtables, executive steering working groups. Monthly working groups on matters of that important to the delivery of our purpose.	Ofcom amended the 2.6GHz TDD spectrum licence to unrestricted use which would enable us to have more flexibility on the use.
Future spectrum availability.	How we monitor: We responded to Ofcom's publication of spectrum roadmap and WRC-23 preparation as our position.	Ongoing discussion on the long-term sustainability of the mobile spectrum as our position, is that additional spectrum must be reserved for mobile use.
Customer affordability.	Ofcom released reports on affordability and financial vulnerability which identified concerns in relation to broadband affordability and urged broadband providers to consider their payment management and disconnection processes.	We introduced another social tariff for broadband in November in addition to the social tariff introduced in 2021.

Investors

Regular engagement with our shareholders, bondholders, banks, ratings agencies, sell-side analysts and industry analysts is important and we seek to embrace it as part of a two-way interaction in conjunction with our shareholders. We understand that it is important to promote the interests and remain committed in delivering value for them.

Topics	How we engage and monitor	Outcomes
Deep-rooted understanding of competitor dynamics and market position	How we engage Investor calls and correspondence with the Head of Investor Relations in conjunction with group meetings with management supported alongside our shareholder Investor Relations teams.	CEO attendance at shareholder earnings calls.
Improved quarterly reporting		Quarterly 1:1 Group management meetings in conjunction with shareholder IR teams.
Expanding our 1:1 and conference audience interaction	How we monitor Following the merger a greater focus has been given through the employment of a dedicated Investor Relations (IR) team. Their focus is to build out the IR infrastructure, improve audience understanding and interaction of the Group, develop regular and more detailed understanding of the external view in addition to continued progression of the IR programme.	Virgin Media O2 IR to attend conferences with Shareholders at most effective opportunities.
Building relationships with Ratings Agencies		Further progression of IR strategy throughout 2023.
Increased focus on how the Annual Report can support the investor audience		
Regularly updating website (www.news.virginmediao2.co.uk)		

Our Risk

Risk Management

Our approach is to support the business to identify and realise opportunities which deliver value creation and preservation, to aid our employees to effectively manage risks, and ultimately to help improve the Company and Group's position. Risk is managed at the Group level and the entities adopt the Risk Management framework. Risk management helps us to strike the optimal balance of how much uncertainty to accept whilst seeking value generation for all our stakeholders by:

- a. Aiding alignment of risk appetite and strategy
- b. Enhancing risk response decisions
- c. Reducing operational surprises and losses
- d. Identifying and managing multiple and cross-enterprise risks
- e. Helping seize opportunities
- f. Improving deployment of capital

There are operational thresholds in place to escalate and drive enhanced oversight of risks in accordance with the risk appetite of each business area.

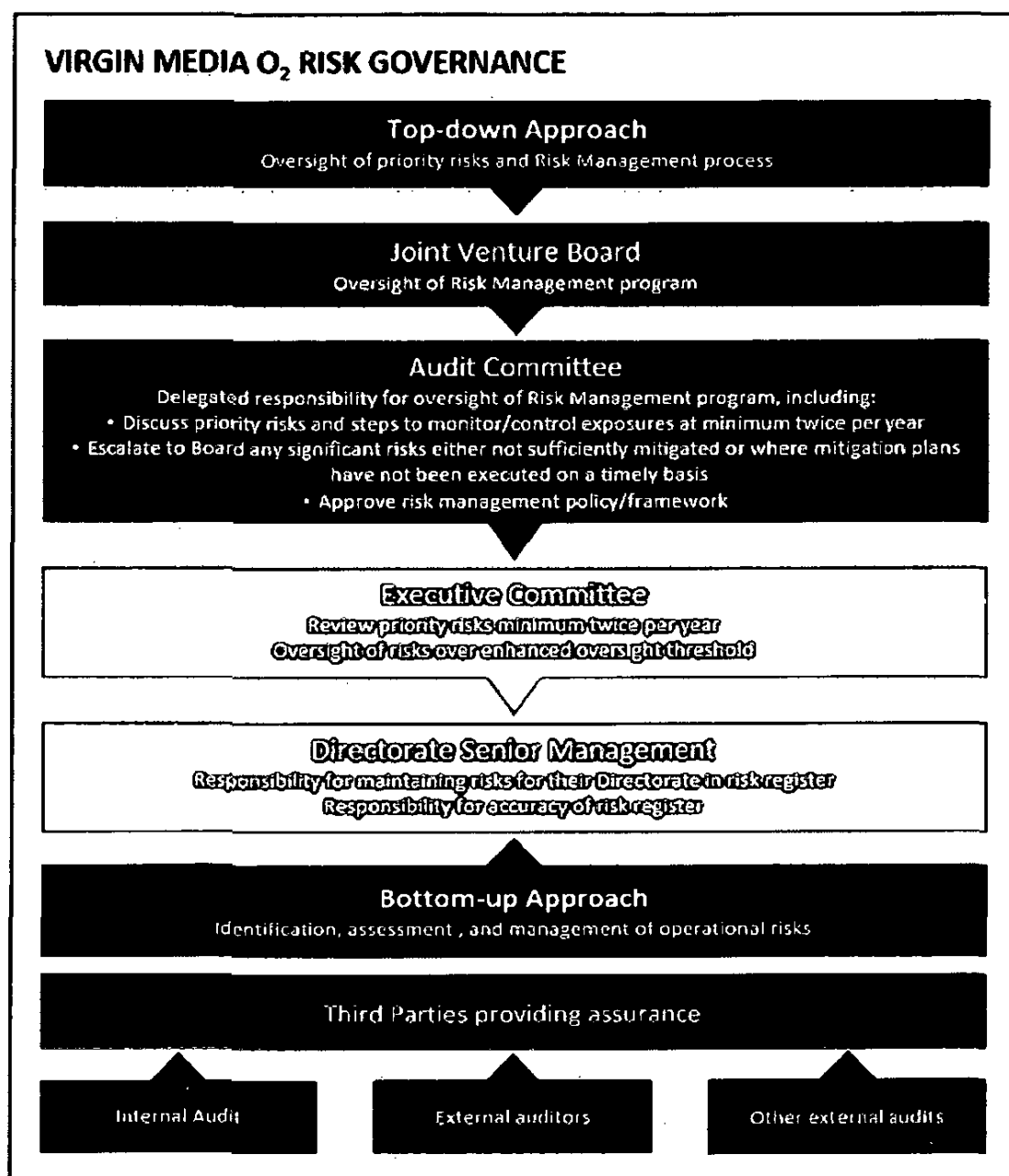
Governance and Reporting

Our risk management model is aligned to both Committee of Sponsoring Organizations of the Treadway Commission (COSO) and ISO31000 guidelines and is integrated into the management of our strategy, objectives, operations, and transformational activities. Additionally, executive management has established a culture of accountability for risk, embedding risk management into the responsibilities of all employees. Virgin Media O2's risk governance model enables aligned risk oversight across operational divisions, delivering an enterprise-level view to senior management with focus on significant and emerging risks facing the business.

The Joint-Venture (JV) Board is responsible to the Company, Group, and its two shareholders for oversight of the Risk Management program. This responsibility has been delegated to the Audit Committee, which performs the following Risk Management oversight functions:

- a. Ensures that management has established an appropriate risk management program
- b. Obtains periodic updates relevant risks included in the Company's risks register
- c. Obtains periodic updates from management (at least twice annually) to review the adequacy of mitigation plans to address key risks in the underlying risk register
- d. Reports to the Board significant risks that are either not sufficiently mitigated or where mitigation plans have not been executed on a timely basis

Risks are housed in the risk register and categorised into three profiles to ensure appropriate oversight and proportionate focus on risks in accordance with the risk appetite of each business area. The risk profiles are based on the likelihood of their occurrence and the potential impact on the Company and Group. Controls and action plans to mitigate the risks are also tagged to the risks and monitored. The Priority risks are reported quarterly to shareholders via the Audit Committee and to Virgin Media O2 Executive Management Team quarterly; the Enhanced Oversight risks are reviewed by the Wider Leadership teams at agreed frequencies; Locally Managed risks have local proportionate oversight by the accountable business area with escalation as appropriate.



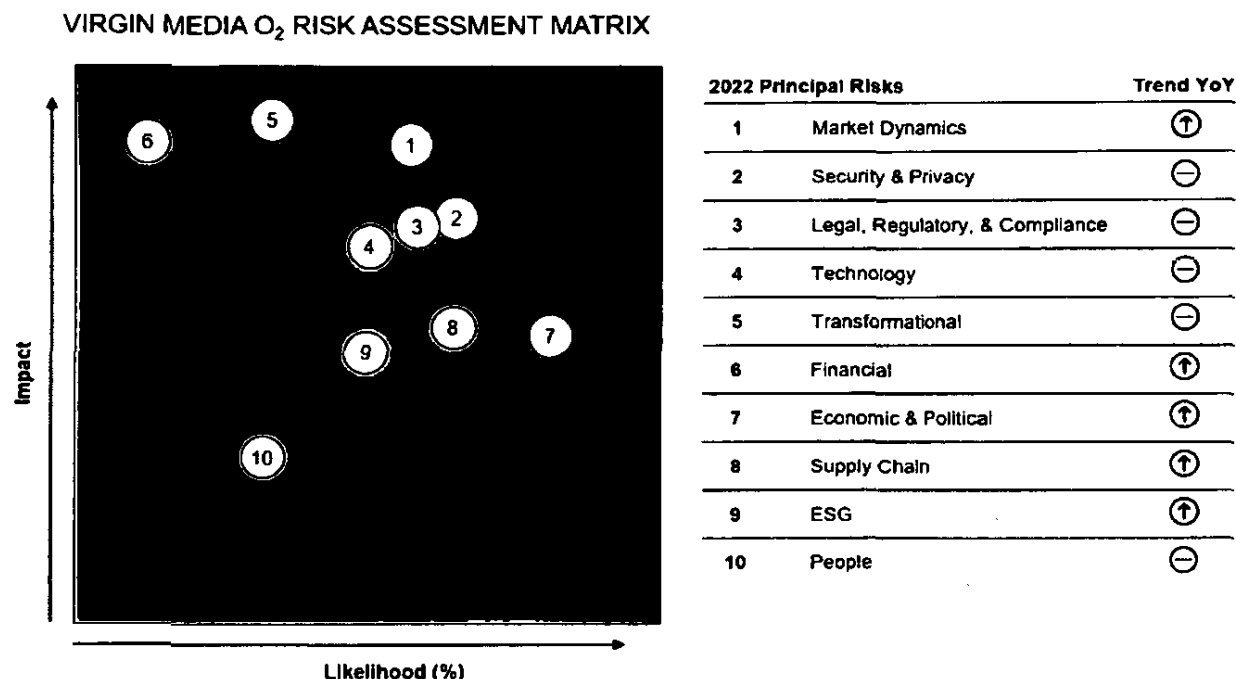
a) Risk Identification

Risks are identified and captured at all levels, in all areas of the business. Input comes from various sources and forums, including strategic planning, regular risk review meetings; our operational teams; Governance, Risk, and Compliance functions; horizon scanning and monitoring of emerging risks. Risk identification activities are a continual part of the risk process operating in Virgin Media O2, considering both internal and external sources of risk to the effective delivery of the company and Group's strategy such as its operations, and transformation activities. We use ongoing monitoring to manage the triggers that could crystallise these risks and turn them into risk events.

b) Risk Assessment

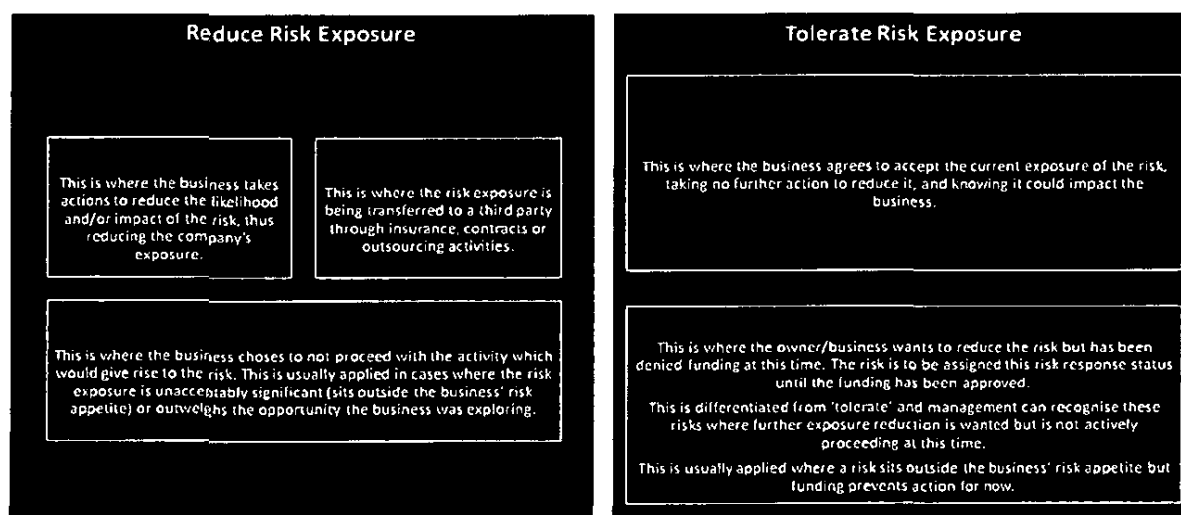
All risks are assessed to determine their importance, appropriate prioritisation, and risk response. The combination of impact and likelihood provides the rating and profile of the risk. In addition, but separate to the rating/profile, we also

consider proximity, which indicates how quickly the risk may materialise and so helps further determine appropriate prioritisation and response. The combination of the impact and likelihood assessment is illustrated on the Virgin Media O2 Risk Heatmap, supporting management oversight and risk prioritisation:



c) Risk Response

Once a risk has been identified and assessed, the risk owner determines the most appropriate response for the business. In doing so, they consider the risk appetite of the business, and the benefits and opportunities as well as the resources required and exposures of the different options. If the response is to reduce the mix of likelihood and impact of the risk, the risk owner sets a measurable and achievable target and date. The main risk response options are as follows:



Principal risks and Uncertainties

All risks in our framework are linked to one of 10 principal risk categories, through which all risks are linked, reported, and managed. These categories and our enterprise-wide approach collectively ensure we undertake aligned micro- and macro-analysis of our business, the external environments, and the markets in which we operate to identify and manage applicable risks. This enables management to effectively direct their focus to material risks, helping us to deliver our purpose of *Reimagining Connectivity*, live our values of *Brave, Real, Together*, and fulfil our mission of *Upgrading the U.K.*.

Our risks

The section below details our Risk Categories, example risks, and how we are monitoring and managing them. Respective context of specific risks and how we are monitoring and managing them is provided:

Principal Risk Categories	Why this is important and what we consider	How we manage it	Year-on-Year Trend	Example risks in this category
Market Dynamics	Why this is important: The U.K. Telecoms sector remains a highly competitive environment with many factors driving change. It is therefore key that Virgin Media O2 suitably adapts its strategy, brand and offerings to remain relevant and competitive considering these ever-changing variables. What we consider: a. Emerging technologies b. Economic environment c. Competitor activity and positioning (such as pricing, speed and convergence) d. Customer behaviours and preferences e. Our business model, unique assets and capabilities	In a competitive and fast-changing operating environment, having a clear strategy is key to ensuring the organisation remains focused on the most important activities. a. Our corporate and business Strategy teams monitor risk from competitors' evolving strategies. 'State of the sector' report produced quarterly and shared with our EMT. b. Robust governance with regular JV board, Audit Committee, EMT and Senior Leadership Team steering committees on strategic topics. c. Monthly tracking of OKRs to measure and report against strategy execution d. Sales and marketing teams monitor and report on competitor trading and campaign activity reporting back to the EMT. e. Insight teams track and report on changing customer attitudes and behaviours.	Increased: Possible further consolidation of the U.K. Telecoms sector presents new uncertainty.	a. Reduced margins on certain airtime products. b. Reduced demand on certain TV propositions due to IP-TV competition. c. Risk of competitor inorganic activity due to mergers and acquisitions in the Telecoms market. Emerging risks: a. The current inflationary environment which has led to an increased cost of living presents new and exacerbates existing Market Dynamics risks. a. Customer expectations regarding 5G Standalone availability versus roll out speed across the UK.

Security and Privacy	Why this is important: When Virgin Media O2 customers use our products and services, they expect and trust that the information they share is suitably used and protected. We appreciate and respect this at Virgin Media O2 and reflect this in our data governance and security practices. Virgin Media O2 must be able to provide services, prevent the loss of data to ensure consumer information remains confidential, system integrity is maintained and personal data is available to each consumer. What we consider: a. General Data Protection Regulation (GDPR) and other applicable regulations. b. Codes of practice and guidance published by the Information Commissioner's Office. c. The ever-evolving security landscape, security threats and our security posture. d. New business initiatives and the associated potential security risk implications.	a. Our Security function ensures our data is protected from external and internal threats: i. Our Security risk approach defines the security specific risk management requirements, security risk appetite, security risk ownership model and risk categorisation. ii. Enhanced the security risk reporting to generate business discussions on the security risk profile at Security Council meetings. b. Our Digital Security function performs security architecture and engineering; performs posture management; delivers security products; and advises on digital risks, controls, and compliance; enabling us to accelerate growth securely as we digitalise our business and customer channels. c. Our Data Protection Office advises across the business on our privacy obligations and monitors compliance. d. Our Digital Privacy Management function verifies our use of data complies with our obligations and internal policies. e. Our internal audit team and external advisors assess the effectiveness of our programs and controls.	Stable: We continue to adapt our privacy practices and security posture to manage and protect customer's data which has resulted in a stable risk exposure trend over 2022.	a. A direct or indirect data breach. b. Unintentional non-compliance with associated regulations (see Legal, Regulatory and Compliance section). Emerging risks: a. Security threats due to geopolitical activities.
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Legal, Regulatory and Compliance	Why this is important: We are subject to many different regulations and all applicable laws in order to deliver positive customer journeys and outcomes. Additionally, in going about providing our products and services we have contractual and Intellectual Property obligations to adhere to. What we consider: a. Current applicable laws and regulations relating to our market, customers, technology, people, and divisions b. Emerging and evolving laws and regulations c. Contractual performance and litigation	a. We continue to work with our regulators on compliance with regulations, laws, corporate governance obligations and to protect Virgin Media O2 from penalties, sanctions and loss of licenses. b. We contribute to consultations by Government and our regulators to influence the direction and content of legislation and regulation as it is developed. c. An internal team of lawyers, supported by external legal counsel, drafts contracts to protect the Company and Group, including actively negotiating terms and securing the right protections for the business. d. Litigation and contractual disputes are managed by an internal team of lawyers who protect the Company and Group's assets and interests and limits exposure to risk and liability. Specialist external resource is also used where required. e. We require employees to take regular compliance training, whether through electronic training modules or bespoke training requirements, as appropriate.	Stable: No material changes in regulatory position.	a. Unintentional non-compliance with a U.K. Telecoms regulation or applicable piece of legislation. b. Litigation risks arising from contractual relationships with third parties. Emerging risks: a. Telecoms Security Regulations: We are working closely with regulator to define the basis for compliance with new regulations made under the Telecoms Security Act 2021.
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Technology	Why this is important: Customers have an ever increasing demand for our services and products and our technology underpins their experiences. In order to continue to improve our customers experience it is key our offering, networks and systems keep pace with demand and expectations to deliver a high quality of customer experience. What we consider: a. Aging technologies b. Technology maintenance c. Technology protection, including security d. Capacity e. Technology evolution	• We have an annual targeted programme of technology refresh to address obsolescence and any associated or developing security risks. • We have a number of ongoing projects, focusing on resilience, obsolescence, replacement, and transformation, that improved our network and services for customers. • Our Digital Technology and Security functions design and build secure digital platforms that are optimised to meeting the needs of our customers.	Stable: Alongside our rollout we have continued to invest in our future capability, innovation and improving our capacity, continuity, and resilience.	Service impact due to: a. Capacity constraints b. Components nearing end of life and support c. Recovery of system(s) and network element(s) is incomplete in the event of a disaster Emerging risks: In 2022 the risks have remained stable versus the prior year when the activities of fixed and mobile network expansion and upgrade were already underway.
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Transformational	Why this is important: Successful design and delivery of change programmes is key for our business given the ever-evolving market we operate in. The execution of our transformation will realise the anticipated strategic and commercial benefits. This is in addition to our continuous operational improvement as we deliver a customer-first mentality, efficiencies, and Compliance by design. What we consider: a. Design and delivery of our customer-first mentality and ever improving customer experience. b. Prioritisation of transformational activities as we deliver our strategy and value creation for our stakeholders. c. Synergy and efficiency opportunities in our operations. d. Compliance by Design. e. Resilience, security and capacity across our operations and systems and their timely modernisation.	a. Prioritisation of change programmes, including a review of risk, through our Investment Committee. b. Robust governance: change programmes are regularly reviewed by the senior leadership team and EMT at steering committees. c. Monthly tracking of OKRs and KPIs impacted by transformation. d. Post-implementation reviews to understand impact and ensure lessons are documented for future transformation.	Stable: Following the merger we initiated integration plans, including our own transformation, for which its delivery has continued through the year.	a. Transformational delays causing impacts to our integration, synergy or commercial goals. b. Significant operational and customer disruption caused by a failed/delayed launch. Emerging risks: a. The speed and complexity of change across the Telecoms market and related technologies, combined with the scale, costs and time to respond and deliver our own change initiatives will continue to present new and evolving risks in this space.
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Financial	Why this is important: Planning for and managing adverse movements in financial variables, so that we continue to meet our financial commitments. What we consider: a. The economic environment and financial market conditions regarding interest rates, inflation, foreign exchange rates, taxes and access to capital markets. b. Asset impairment. c. Counterparty risk. d. Changes in and compliance with accounting standards. e. Our pension schemes and related funding commitments. f. Our cash generation, liquidity, ability to pay dividends, and ability to refinance debt. g. Creating sustainable value for stakeholders.	a. Regularly reviewing actual and forecast cash flow performance. b. Performing regular viability assessments and conducting scenario analyses. c. Shareholders agreement for Treasury Services agrees shareholder responsibilities for management of capital markets activity which includes lender relationship management. d. Undertaking treasury risk management processes with Executive committee and Audit committee oversight. e. Hedging and buying forward energy to limit our exposures.	Increased: Due to rise in cost of energy, inflationary pressures, and potential increased financing costs.	a. Various Treasury-related risks due to current financial variables and the structure of our financial vehicles. b. Increased energy cost exposures. c. Increased pensions funding risk caused by current economic factors. Emerging risks: a. Shifting economic policies from governments, financial conditions and capital markets may present new or increased risk exposures over the coming months.
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Economic and Political	Why this is important: Economic and political factors present a dynamic set of challenges and risks for us to consider. We are resilient but not immune to negative changes in the economic environment or political activities with the potential to disrupt the U.K. Telecoms sector. What we consider: a. Changes to the legislative and policy environment driven by the government and economic motivations that impacts areas in which Virgin Media O2 and its supply chain operates. b. Changes in the global and U.K. economy and financial markets such as: inflation; economic growth or recession; increased cost of living; pressure on labour market (for example supply of network engineers); interest rates and energy costs.	We are actively monitoring the evolving economic and political environments to determine how they could impact our operations and performance: a. We pro-actively engage the respective government departments and parliament to understand the political and policy environment. b. We provide input into the respective consultation and draft legislation including supporting evidence to support our position. c. Individual divisions consider the specific economic drivers affecting their areas and adjust their risks, budgetary commitments, and forecasting as required.	Increased: We have seen new and increased risk exposures in 2022 as a direct and indirect result of political and economic root causes in the national and international environment s.	a. Economic factors affecting customers appetite for either our products and services. b. Political factors affecting U.K. energy supply, in-turn affecting our network service continuity.
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Supply Chain	Why this is important: a. We rely on our partners for important aspects of our operations, in particular the provision of products and services to our customers. Like most large operators our delivery is underpinned by a global supply chain. b. To deliver customer value and a great customer experience we must carefully manage our supply chain across many elements including quality, risk, and sustainability. What we consider: a. The capability of suppliers to deliver the products and services we need and the value they bring to our business and our customers. b. How well suppliers uphold our business values and align with our ESG goals. c. The risk inherent in trading with specific suppliers.	a. We contractually commit suppliers to our supplier code of conduct, with defined sustainability requirements and integrated ESG goals. b. We use Vendor Management Programmes, including risk-based due diligence and monitoring of financial stability. c. We run formal business continuity forums to track, understand and manage the impact of the Ukraine conflict. d. We run Modern Slavery Risk management reviews with suppliers operating in at risk sectors. e. We work with our shareholders to gain Supply Chain intelligence and expertise. f. We engaged with a sample group of suppliers to understand and address any gaps that may exist with regards to the requirements of the Telecoms Security Act.	Increased: Over the course of this year we have seen post-pandemic, geopolitical and economic factors each present new or increased Supply Chain risk.	a. Supply disruption for example silicon and microchips. b. Supplier shortage and reliance. c. Supplier resilience concerns (financial and operational). Emerging risks: a. Energy supply over the winter continues to be an evolving variable. b. Ukraine war potentially causing supply chain disruptions, rising costs, and materials and equipment shortages.
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ESG	Why this is important: Our principal ESG risk is Climate Change. For details regarding ESG risks associated with our Supply Chain and People, see separate entries in this table. We are collectively facing a climate emergency: Earth is warming at an unprecedented rate and the effects are already being felt across the globe. We know that climate change has the potential to impact our business over the short, medium and long-term and have taken steps to understand the possible impacts and consequences of both physical and transitional climate-related risks, as well as considering any climate-related opportunities that may arise for our business. Assessing the likelihood and impact of a range of risks, and integrating them into how we plan and make decisions, helps us future proof our business. What we consider: a. Climate-related regulation. b. Extreme weather events impacting service and infrastructure.	Virgin Media O2 is committed to achieving net zero carbon emissions across its entire value chain by 2040. In addition, we're helping the U.K. to transition to net zero faster – empowering our customers and the U.K. to avoid 20 million tonnes of carbon entering Earth's atmosphere through our products and services. We have worked with best practice expert organisations such as The Carbon Trust, the Science-Based Target Initiative and The Climate Pledge to ensure our actions are aligned with the latest climate science.	Increased: Due to increased extreme weather events in the U.K. and the effect on our infrastructure and operations.	a. Risk to Virgin Media O2 assets, offerings, and supply chain due to climate change. b. For further details relating to physical and transitional climate-related risks, please refer to the Taskforce on Climate-Related Financial Disclosure statement in this report.
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People	Why this is important: We are brave, real and together we are reimagining how we attract, develop and excite an inclusive, empowered and high performing Teams. Maintaining and increasing the skills our people are developing is a critical enabler in achieving our medium and long-term growth plan in a sustainable way across our Work, Workforce and Workplace. We aim to attract, retain, train, and inspire our People. What we consider: - Hiring needs of the business (including succession planning). - Training needs. - Providing competitive benefits to our people. - The diversity of our workforce including equal opportunities. Greater workplace trends, including benefits and pay. - Employment legislation.	We manage our growth plan via our People Strategy: Work: Re-designing the work and job architecture and enable the future operating model through implementing the required changes. Workforce: Build and nurture adaptability, innovation and tenacity in our workforce and grow the next generation of leaders. Workplace: Enable a high-performance culture and facilitate innovation, inclusion, and productivity through the alignment of physical and digital workplaces to embody our new ways of working.	Stable: The emerging risks have not increased in risk through the year, despite recent a squeezed labour supply and inflationary pressures on the cost of living and therefore wages.	Emerging risks: - Increased salaries due to inflationary pressures. - Decreased productivity due to the loss of talent, smaller pool of skilled people and challenge to attract the level of talent required in order to maximise productivity.
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The Strategic Report was approved by the board on 27 April 2023 and signed on its behalf by:

Mark Hardman

M D Hardman

Director

Governance

Directors' report

Under the requirements of the Companies Act 2006, we are pleased to present the Directors' Report for the year ended 31 December 2022. The report does not include matters of strategic importance which are disclosed in other parts of the Annual Report and referenced accordingly.

Directors

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

J L Boyle
M D Hardman

Directors' insurance and indemnities

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

Corporate Governance Statement

Details of our governance arrangements are set out in a separate, Corporate Governance Statement, shown on pages 95 to 99.

Stakeholder Statement

Details of how we have fostered business relationships with suppliers, customers, and other stakeholders and the effect on principal decisions can be found in the Section 172 Statement of page 76 and the Corporate Governance Statement on page 95.

UK Employee Engagement Statement

We solely operate in the U.K. and our people are based in the U.K., apart from a handful which are seconded to other Group companies from time to time. Details of our people engagement and how we have had regard to matters of concern to them can be found in the Our Employees section of the Strategic Report on page 50 and in Principle 6 of the Corporate Governance Statement on page 97.

Energy and Carbon Report

Details of our energy and carbon emissions during the year ended 31 December 2022 are set out in a separate report, Streamlined Energy and Carbon Statement on pages 56 to 57 which forms part of this Annual Report.

Dividends

No dividends have been declared during 2022 (2021: nil).

Political Donations

In accordance with VMED O2 policy, no political donations were made or political expenditures incurred in accordance with the Companies Act 2006 during the financial year ended 31 December 2022.

Research and Development

Further details of research and development can be found in the Divisional Overview - Networks section on page 27.

Financial Risk Management Objectives, Policies and Exposure

Details of the Group's approach to financial risk management objectives and policies are set out in the financial statements in note 17 "Financial risk management".

Capital Structure and Rights Attached to Shares

The details of the Company's capital structure including the rights attached to shares is detailed in note 26 of the financial statements.

Going Concern

The financial statements have been prepared on a going concern basis. The following paragraphs summarise the basis on which we have reached our conclusion.

After making suitable enquiries and obtaining the necessary assurances, we have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Whilst forecasts and projections, which account for reasonably possible downsides in trading performance, have not been prepared at the Company level, they have been prepared for VMED O2 UK Limited and its fellow subsidiaries (which includes this VMED O2 Holdings sub-group), as the ultimate parent company of the Joint Venture. These forecasts and projections showed that cash on hand, together with cash from operations and the revolving credit facility, are expected to be sufficient for the Company's cash requirements through to at least 12 months from the date of this report.

Taking into account these forecasts and projections and after making enquiries, we have a reasonable expectation the Company has adequate support and resources to continue in operational existence for at least 12 months from the date of the signing of these financial statements.

For these reasons the Directors continue to adopt the going concern basis in preparing these financial statements.

Subsequent events

In March 2023, we entered into a \$750.0 million sustainability linked term loan facility (Term Loan Y). Term Loan Y matures on 31 March 2031 and bears interest at a rate of the Secured Overnight Financing Rate (SOFR) plus 3.25% (subject to adjustment based on the achievement or otherwise of certain ESG metrics). The proceeds from Term Loan Y were used to repay £220 million of the outstanding principal amount under Term Loan X. The remaining proceeds were used for general corporate purposes (including the repayment of the existing debt).

In March 2023, we also made a further draw down of £325.0m of Term Loan X. This was used for general corporate purposes.

The certain ESG metrics linked to carbon emissions were re-baselined at the time of financing Term Loan Y. Changes were made in order to improve (i) accuracy of electricity consumption estimation for masts operating on third party sites and this was backdated to 2020 and (ii) the residual electricity grid mix emissions factor is now used for non-renewable electricity consumption.

Disclosure of Information to the Auditor

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

Auditor

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

The Directors' Report was approved by the board on 27 April 2023 and signed on its behalf by:

Julia Boyle

J L Boyle

Director

Corporate Governance Statement

The company is part of Virgin Media O2 and the Directors have chosen to adopt the Virgin Media O2 Governance Framework for the year ended 31 December 2022. For the year ended 31 December 2022, in accordance with the Companies (Miscellaneous Reporting) Regulations 2019, the Company has applied the Wates Corporate Governance Principles for Large Private Companies during the reporting year as summarised below.

Principle One: Purpose and Leadership

The Board (**Joint Venture Board**) provides entrepreneurial leadership which sets out the Group's long-term strategic direction and challenge to the Executive Management Team's (**Executives**) implementation of the strategy to deliver sustainable success and value to the Group's stakeholders.

The Executives, in collaboration with the senior and middle management teams (**Leadership**), have established the broader behaviour framework: (1) Customer-First: customers at heart of everything we do, (2) Play at Pace: develop customer offerings in an efficient and timely manner; and (3) Speak Up: empower everyone to speak up to make a difference for the good of the organisation. The behaviour framework is underpinned by the Group's values: Brave, Real and Together. During the year, the Executives held a Leadership event and embarked on several roadshow events. This provided the opportunity for further discussions with employees, to promote the desired corporate culture across the Group.

Further details of how the Group has delivered on its purpose during the year is set out in the Divisional Overview on page 19.

Principle Two: Board Composition

The Board consists of mixed nationalities and continues to remain fit for purpose in relation to the size and complexity of the Group, given the collective expertise and global experience of the Board members. The Board consists of eight Shareholder Directors who are independent from the Group's activities. The provisions to deal with conflicts of interest are set out in the Company's articles and the Shareholders' Agreement. In addition, any permitted conflicts of interest between the Company and the Shareholders is overseen by the Framework Service Agreement, which sets out the rules of engagement between the Shareholders and the Group.

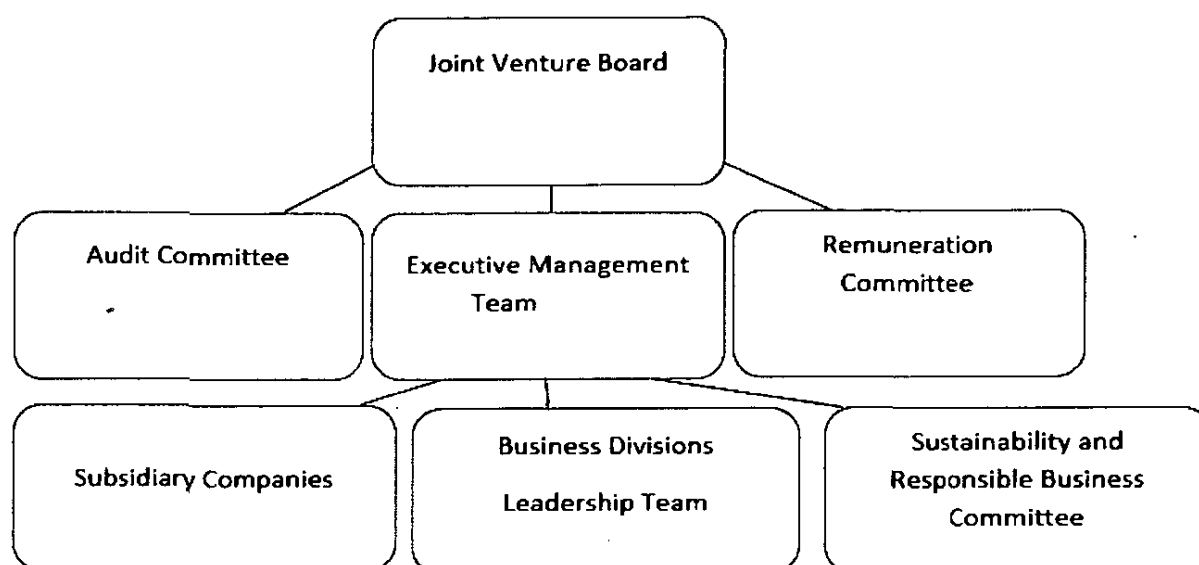
The Chair of the Board does not have a casting vote. The Chair is rotated biennially between the Shareholders and the first Chair is a Liberty Global Shareholder Director up until 31 May 2023. The Board has ultimate control of the Group's governance framework and retains oversight and accountability of certain Shareholder Reserved Matters as determined by the Shareholders Agreement.

The Executive Management Team has the delegated authority for the day-to-day management and operational control of the Group's activities in accordance with the business plan in place from time to time. The Executives, led by the Chief Executive Officer (CEO), are gender diverse and of mixed nationalities with diverse skills and a wealth of experience and expertise. Details of the Executive Management Team's biographies can be found on the corporate website.

The Executives are supported by the Leadership team, which comprises of professional and experienced individuals that oversee specific business divisions. The Leadership team regularly update and advise the Board and Executives on significant matters which impact their business divisions.

The Sustainability and Responsible Business (SRB) Committee is a committee of the Executives, chaired by the Chief Communications and Corporate Affairs Officer. The SRB has the delegated authority to develop and implement the Group's sustainability strategy. The SRB members are part of the Leadership team and are responsible for the sustainability initiatives in their respective business divisions. Further details of the Group's responsible business approach are reported on page 43 of the report.

Governance Framework



Principle Three: Directors Responsibilities

The role of the Chair of the Board is separate from the CEO, who is not a Board member but attends the Board meetings to provide updates on the Executives delegated responsibilities. The structure allows the Board to meticulously challenge the implementation of the Group's strategy, position and performance. The Board is assisted by the Audit Committee which have clear terms of reference and consists of two Board members in addition to the Shareholders' General Counsels. The Audit Committee oversees the Group's risk management and internal control framework. The Remuneration Committee, whose detailed terms of reference consists of two Board members, are responsible for setting the remuneration policy and practices for the Group.

The Board and Executives are ultimately responsible for the Group's internal control framework, and together with the Leadership team are committed to maintaining a robust control framework which accords with the delivery of good governance, and the effective oversight of the operational controls through the delegation of authority processes. Further details of our internal control framework are set out in the Anti-bribery and Corruption Framework on page 44.

The Board has monthly meetings with standing agenda items of strategic importance to ensure enough oversight of the Group's position and performance. The Board process is reviewed periodically to ensure that it continues to remain fit for purpose. During the year, the Chair and the Company Secretary revised the Board protocol to further ensure that the quality and integrity of information provided to the Board is reliable and timely.

Principle Four: Opportunity and Risk

The Board oversees the development and implementation of the Group's strategy, including how the Group remains relevant within a highly competitive environment. The Group's key risks and mitigations are outlined in the Principal Risk and Uncertainties section of the Strategic Report on page 79. The Executives are responsible for the identification and management of risks across the Group. The day-to-day operational risks are managed in the respective business divisions and overseen by the Group's Risk Management Function. The Group's risk appetite is determined by the Executives, who receive regular updates on the consolidated risk profiles.

During the year, the Group consolidated the Virgin Media and O2 risk management reporting framework. The Board has delegated the oversight of the Risk Management Framework to the Audit Committee which receives quarterly updates on the priority risks based on materiality and primary risks ranked in order of the priority risks exposure (impact and likelihood) within the consolidated group risks, in addition to any emerging risks in the horizon. The Audit Committee reviewed the Executives response to the Group's financial, economic, and operational risks profiles and were satisfied that the Executives have appropriate strategies in place to mitigate any material risks to the Group's performance and long-term sustainability.

The Group's internal control framework incorporates preventative activities, covering such aspects as Group policy management, continuous monitoring and risk management, alongside the detective assurance activities of internal audit function. The control activities enable the Group to meet its objectives and to sustain and improve performance, whilst providing the required level of oversight for the Executives, Audit Committee and Board. The independent assurance activities include assessments of the internal controls over the financial reporting control framework at least annually which is undertaken by the internal audit team. The audit plan is reviewed and approved by the Audit Committee annually. The External Auditors have quarterly meetings with the Audit Committee to provide an update on the review of the processes and procedures.

Principle Five: Remuneration

The Board members are not remunerated by the Group. The Remuneration Committee has the delegated authority to make recommendations to the Board (i) to set and assess the Group's remuneration policy and practices that foster the retention and attraction of highly skilled talent, long-term succession planning, incentivise high performance to drive the achievement of the Group's Vision and long-term Strategy, in a way that represents a positive and entrepreneurial culture through short and long-term decision-making; (ii) approve certain senior level nominations and remuneration packages; and (iii) define policies for certain senior level appointments, and such other employee related matters as the Board may determine from time to time.

To align the success of the Leadership team with the sustainable success of the Group's business activities, part of the Executives and Leadership Team's remuneration are delivered in the form of short and long-term variable remuneration and based on financial and non-financial performance. The short-term variable remuneration is linked to achieving specific financial, customer satisfaction and sustainability objectives. The long-term variable remuneration is linked to the long-term value creation in the Group by measuring key financial objectives aligned to the 3-year strategy.

The remuneration of the workforce is determined by the Executives, ensuring that proposals are balanced, proportionate, and aligned with Group's commitment to build a diverse and inclusive workforce. The Group companies within the scope of the gender pay gap regulations comply with the obligation to publish their gender pay gap report. Insight from gender pay gap reports has informed the Group's diversity and inclusion policies put in place during the year. Details of the Executives Remuneration are disclosed in the notes the Financial Statements on page 129.

Principle Six: Stakeholder Relationship and Engagement

The Board is aware that the Group's stakeholders are important for the successful delivery of the Group's ambition and purpose. Given the complexity of the Group, the Executives have the delegated responsibility of the stakeholders in their respective business divisions and periodically report to the Board and Audit Committee on matters of strategic importance.

The Group's stakeholders' engagements are discussed below with further details on the Section 172 Statement on page 76.

Employees

The opinions of our employee are important to us, and we place great emphasis on receiving regular feedback through our engagement surveys. Our latest pulse survey had an 83% response rate and an engagement score of 79. This engagement score is calculated using 6 questions from our survey provider, Willis Towers Watson. These questions are externally benchmarked, as well as used as a comparison to our previous surveys. We have maintained the engagement score since 2021. The survey highlighted several key strengths within this question set alongside our Hot Topics – 86% of respondents feel proud to be associated with the company, 87% of the respondents stated that their performance has improved by conversations with their line managers and 84% of respondents confirmed that they get a personal sense of accomplishment from their work. The results of the survey are shared with the Executives and the Chief Human Resources Officer gives regular updates to the CEO on engagement across the business. There was also a positive response (84%) to the new family friendly policies, which allow people to take time away from work at moments that matter.

We have employee groups with key representatives across the Group whose role is to think holistically about the issues and concerns for employees in their business divisions. Through these groups we are able to get more regular insights into the sentiment in the business, address any concerns and ensure that follow up actions are adhered to. Further details of our employee strategy can be found in the Our Employees section on page 50.

Customers

Customer satisfaction is essential to our long-term success and putting our customers first is, and will always be, a foundational strategic priority for our organisation. Our large customer base has broad needs and expectations and as a

Group, we remain focused on meeting and exceeding as many of our customers' expectations given the continuing challenges with the economic outlook.

Our customers expect quality products and services at an affordable price, customer care and loyalty. We interact with our customers through customer segmentation on the types of product offerings at different lifecycle stages. We continually analyse and implement measures to improve our customers' experience. Customer insights from the NPS, Social Media community and focus groups enable us identify customers' pain point to make improvements where necessary. Management receives monthly updates on the NPS, which is tracked across the business and provides great insight on the decision making on the types of product and services offering.

Regulators

Our three main Regulators are the Office of Communications (**Ofcom**), the Information Commissioner's Office (**ICO**) and the Financial Conduct Authority (**FCA**). We actively engage with our regulators to foster a constructive relationship and support our business strategy

Ofcom

Making things better for our customers is at the heart of everything we do. As a major player in the industry we proactively engage with Ofcom and the wider industry on matters of concern to our customers. During the year we responded to several Ofcom consultations and discussions: (1) to Ofcom's mobile strategy consultation paper making a case for a proactive regulatory approach to the mobile markets; (2) potential release of mmWave Spectrum; and (3) improving the future availability of mobile. At our request, Ofcom amended our 2.6 GHz TDD spectrum licence to allow unrestricted use of our spectrum holding necessary to improve our services to customers.

ICO

As a group we use data to operate our business and to deliver better outcomes for our customers, our business, and society generally. As part of the Business integration, during the year, the Group established a single data protection office (DPO) headed by the Data Protection Officer. The DPO manages the relationship with the ICO and provides advice and support on data protection matters across the Group. In the last 12 months, the DPO has engaged positively with the ICO; our engagement has focussed on sharing Virgin Media O2's approach to data protection and demonstrating our commitment to upholding people's fundamental rights, including their data protection rights. During the year, the International Data Transfer Agreement (**IDTA**) gained parliamentary approval in March 2022. As a result, we have updated our processes and procedures including contractual clauses to ensure compliance with the regulations and set up a governance protocol for international transfers including an appropriate transfer risk assessment.

Financial Conduct Authority (FCA)

The Group has three regulated subsidiaries that are authorised to provide consumer credit and insurance services. Given the economic crisis the FCA's continuing focus is on helping customers, promoting competition and growth through higher conduct standards for the regulated firms. As a business, we have identified and delivered a range of measures to better support the impact of the cost of living for our customers. The FCA has published the Consumer Duty Regulations with the implementation deadlines in two phases (1) 31 July 2023 for products on sale at that point or thereafter, and (2) 31 July 2024 for products that are removed from sale before 31 July 2023. These regulations prioritise consumer outcomes and we have established our implementation plans which are underway to be delivered by the deadlines.

Suppliers

Oversight of supply chain sustainability management has been delegated to the Sustainability and Responsibility Business Council, a committee of the Executive Management Team. Engagement with strategic suppliers is managed through formal Vendor Management programmes with dedicated relationship leads and formal relationship reviews. It is important that our suppliers align with our code of conduct, which details our standards expected of suppliers with respect to environmental management, ethics and human rights. The Board continue to have zero tolerance towards modern slavery in the supply chain and receives updates on matters of concern to the suppliers. The Board approved the Group's Modern Slavery Report, which is published annually.

Routine and exceptional management reporting ensures appropriate stakeholder visibility at all relevant tiers of management both within Virgin Media O2 and its shareholder parents.

We are aware of the wider economic pressures on our supply chain and continue to maintain the priority of supply continuity and service quality. Examples of supplier engagement can be found in the 172 Statement on page [76](#). Further details of our responsible business plan can be found in the Sustainability Section on page [43](#).

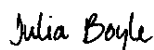
Communities

Our Better Connections Plan is our Group's sustainability framework which sets out our ambition to create a more connected future for our customers and the communities we serve. Our plan is centred on three pillars: (1) Carbon: to become net zero carbon operations, products and supply chain by 2040; (2) Circularity: to achieve zero waste operations and products and focusing our efforts on re-use and recycling of devices or donation to people in need; and (3) Communities: to eradicate data poverty and reduce digital exclusion by providing phones, data and affordable tariffs and services to people who need them.

Investors

It is important for us to engage proactively with all our investors providing effective and regular dialogue to ensure that feedback is clearly understood in order to support understanding of the Group or areas of concern and meet our obligations.

The Corporate Governance Statement was approved by the board on 27 April 2023 and signed on its behalf by:



J L Boyle

Director

Statement of Directors' Responsibilities in Respect of the Annual Report and the Consolidated Financial Statements

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group and parent Company financial statements in accordance with U.K.-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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable, relevant and reliable;
- c. state whether they have been prepared in accordance with international accounting standards in conformity with U.K.-adopted international accounting standards;
- d. assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- e. use the going concern basis of accounting unless they either intend to liquidate the Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 Group 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 comply with that law and those regulations.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VMED O2 UK HOLDINGS LIMITED

1 Our opinion is unmodified

We have audited the financial statements of VMED O2 UK Holdings Limited ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income (Loss), Consolidated Statements of Financial Position, and Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, Parent Company Statements of Financial Position, Parent Company Statements of Changes in Equity and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Board of directors on 29 July 2021. The period of total uninterrupted engagement is for the period ended 31 December 2021 and the financial year ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Impairment of goodwill

Goodwill: £12,847.9m (2021: £12,847.9m)
Risk vs 2021: increased

The risk - accounting treatment:

Group management used a 5-year forecast in compliance with IAS 36 to assess impairment annually for intangible assets with an indefinite life. This model contains a high degree of judgement and uncertainty in the estimation of the key assumptions used in the goodwill impairment test for the group.

Our response – our procedures included

Risk assessment: We considered the requirements of IAS 36 – Impairment to ensure that the assessment made by management is in line with the accounting standard. We evaluated how management's risk assessment process identified business risks relating to events and conditions that may cast significant doubt on the ability to continue as a going concern.

Challenge assessment: We evaluated whether management's assessment failed to identify events or conditions that may cast significant doubt on the carrying value of goodwill and whether the method used by management was appropriate. We made inquiries of management regarding the triggers they assessed as possible indicators of impairment. We inspected management's assessment of impairment triggers and considered whether further indicators should have been assessed based on our knowledge of the business, its operating environment, industry knowledge, current market conditions and other information obtained during the audit. We evaluated the valuation technique assumptions and data used by management to determine their accounting estimates (and range thereof) used for value in use. We evaluated whether judgements and decisions made by management when measuring recoverable amount indicated possible management bias, when viewed against other judgements used within the impairment assessment and those used in other areas of the financial statements. We used our own specialists to challenge significant assumptions and judgements relating to weighted average cost of capital (WACC) and terminal growth rate (TGR).

Benchmarking assumptions: We challenged the appropriateness of key assumptions in the cash flow projections, applying our sector knowledge and experience based on our historical knowledge of the Group and the markets in which it operates, together with market and other externally available information. We independently derived a reasonable range of appropriate discount rates with the assistance of our valuation experts and compared to those calculated by management and identified any differences between the calculations.

Mathematical accuracy: We tested the accuracy of management's calculations of recoverable amount for the cash generating unit (CGU) subject to impairment testing and considered whether the testing performed over the CGU was performed completely.

Assessing transparency: We considered the appropriateness of relevant disclosures.

Sensitivities: We evaluated the appropriateness of the sensitivities included in the disclosure and their impact on the overall impairment.

Our results

We considered the valuation of goodwill to be acceptable, with headroom available within the impairment calculations (2021: Acceptable).

External cost capitalisation

Property, Plant and Equipment Additions: £2,158.2m (2021: £1,190.6m)

Risk vs 2021: same

The risk - accounting treatment:

External costs are capitalised as property, plant and equipment amounting to £1,289.21m (2021: £574.31m). These costs relate to the capital projects undertaken by the Group but do not involve estimation.

The key risks in determining if construction, installation and other costs qualify for recognition as an asset are whether the costs are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by VMED O2 and whether the cost can be measured reliably.

Our response

Control operations: Test the design and implementation of key controls over external cost capitalisation across the various divisions.

Appropriateness: Review of the accounting policies against the relevant accounting framework.

Tests of details: Sample test across all capitalisation codes and agree to third party documentation and internal business cases.

These costs were assessed against the cost capitalisation policy in place for appropriateness.

Our results

We considered the capitalisation of external costs for 2022 to be acceptable (2021: acceptable).

Recoverability of parent Company investment in subsidiaries

Investments in subsidiaries: £20,559.7m (2021: £20,559.7m)

Risk vs 2021: same

The risk - accounting treatment:

The carrying amount of the parent Company investment in subsidiaries represent 99.95% (2021: 99.96%) of the Company's total assets.

Its recoverability is not considered a significant risk or subject to significant judgement. However, due to its materiality in the context of the financial statements, this is considered to be the area that had the greatest effect on the parent Company audit.

Our response

Tests of details: We compared the carrying amount of the parent Company's investment with the relevant subsidiary balance sheet to identify whether its net assets, being an approximation of their minimum recoverable amount, were in excess of its carrying amount and assessed whether that subsidiary group has historically been profit-making.

Our results

We found the carrying amounts of the investments in subsidiaries to be acceptable (2021: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £100m (2021: £62m), determined with reference to a benchmark of total revenue of £10,097m, which represents 1% (2021:1%). We consider total revenue to represent the most relevant benchmark for the purposes of our materiality assessment.

Materiality for the parent Company financial statements as a whole was set at £98m (2021: £61m), determined with reference to a benchmark of total assets of £20,568.2m, of which it represents 0.48% (2021: 0.3%).

Performance materiality was revised to 65% of materiality for the financial statements as a whole, which equates to £65m (2021: £46.1m) for the group and £63.7m (2021: £45.75m) for the parent Company.

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £5m (2021: £3m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 Going concern

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

Our procedures included:

- We assessed the appropriateness of the forecasts and projections undertaken at the Group level.

- We critically assessed assumptions in Group's base case and downside scenarios relevant to liquidity and covenant metrics, in particular by comparing to economic forecasts, approved budgets and our knowledge of the Group and the sector in which it operates.
- We also compared past budgets to actual results to assess the Directors' track record of budgeting accurately.

We considered whether the going concern disclosure in note 2 *Going concern* to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure in note 2 *Going concern* to be acceptable.

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

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (fraud risks) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of Directors and management as to the Group and Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes;
- Considering remuneration incentive schemes and performance targets for management/Directors;
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the group audit team any instances of fraud that could give rise to a material misstatement at Group level.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment.

We also identified a fraud risk related to inappropriate capitalisation of external and internal costs in response to possible pressures to meet profit targets. Further detail in respect of the inappropriate capitalization of external and internal costs is set out in the key audit matter disclosures in section 2 of this report.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual accounts;
- Evaluated the business purpose of significant unusual transactions; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group level.

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

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: data and privacy law reflecting the growing amount of personal data held and competition and markets regulation, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.

Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

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

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

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

6 We have nothing to report on the other information

The directors are responsible for the other information. Our opinion on the financial statements does not cover other information and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

7 We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 100, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

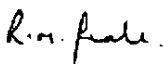
Auditor's responsibilities

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

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

9 The purpose of our audit work and to whom we owe our responsibilities

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.



Robert Seale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, E14 5GL, London, United Kingdom
27 April 2023

VMED O2 UK HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF PROFIT OR (LOSS)

	Note References	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
in millions			
Revenue.....	5 and 25	£ 10,360.0	£ 6,158.2
Cost of sales.....	25	(3,425.8)	(2,217.6)
Gross profit.....		6,934.2	3,940.6
Personnel expenses.....	8 and 22	(690.4)	(419.3)
Other expenses.....	15, 21 and 25	(2,493.0)	(1,394.3)
Depreciation and amortisation.....	10	(3,553.9)	(2,041.8)
Operating profit.....	6	196.9	85.2
Finance income.....	23	4,589.9	555.7
Finance costs.....	23	(4,023.1)	(765.4)
Net finance income (costs).....		566.8	(209.7)
Share of results of equity method investments.....	20	0.7	0.2
Other income (expense), net.....		(3.6)	1.0
Profit (loss) before income taxes.....		760.8	(123.3)
Income tax (expense) benefit.....	24	(7.2)	49.3
Net profit (loss).....		£ 753.6	£ (74.0)

The notes on pages 114 to 182 form part of the financial statements.

All results were derived from continuing operations.

VMED O2 UK HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Note References	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
in millions			
Net profit (loss).....		£ 753.6	£ (74.0)
Other comprehensive income (loss), net of taxes:			
<i>Items that have been or may be reclassified to the statement of profit or loss</i>			
Foreign currency translation adjustments		30.8	13.3
<i>Items that will not be reclassified to the statement of profit or loss</i>			
Pension-related adjustments and other.....	22	(170.5)	25.6
Other comprehensive (loss) income.....		(139.7)	38.9
Comprehensive income (loss).....		£ 613.9	£ (35.1)

The notes on pages 114 to 182 form part of the financial statements.

All results were derived from continuing operations.

VMED O2 UK HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note References	31 December	
		2022	2021
		in millions	
ASSETS			
Non-current assets:			
Intangible assets, net.....	10	£ 21,054.1	£ 22,036.7
Property, plant and equipment, net.....	10 and 15	9,474.3	9,757.9
Investments.....	20	9.6	8.9
Deferred tax assets.....	24	69.4	73.0
Related-party notes receivable.....	19 and 25	10,807.4	8,796.3
Derivative instruments.....	18 and 19	1,700.3	398.9
Retirement benefit asset.....	22	360.2	369.0
Trade receivables and other non-current assets.....	11, 23 and 25	383.7	363.2
Total non-current assets.....		43,859.0	41,803.9
Current assets:			
Trade receivables and other current assets.....	11, 23 and 25	2,317.9	2,160.0
Derivative instruments.....	18 and 19	362.7	95.6
Inventory.....	13	178.6	157.6
Related-party receivables.....	25	26.0	223.1
Cash and cash equivalents.....		46.0	48.3
Total current assets.....		2,931.2	2,684.6
Total assets.....		£ 46,790.2	£ 44,488.5

VMED O2 UK HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION — (Continued)

	Note References	31 December	
		2022	2021
		in millions	
LIABILITIES AND OWNER'S EQUITY			
Non-current liabilities:			
Non-current debt and lease obligations	14, 15, 19 and 25	£ 17,507.5	£ 16,211.0
Retirement benefit obligation	22	4.3	4.5
Non-current portion of provisions	16	154.5	171.4
Derivative instruments	18 and 19	421.9	734.5
Deferred tax liabilities	24	1.0	7.5
Trade payables and other non-current liabilities	12, 23 and 25	227.1	251.5
Total non-current liabilities		18,316.3	17,380.4
Current liabilities:			
Trade payables and other current liabilities	12, 23 and 25	3,763.1	3,720.4
Current tax payable	24	1.8	32.0
Derivative instruments	18 and 19	269.0	191.5
Provisions	16	37.5	31.1
Current portion of debt and lease obligations	14, 15 and 19	3,008.9	2,379.0
Total current liabilities		7,080.3	6,354.0
Total liabilities		25,396.6	23,734.4
Owner's equity:			
Ordinary shares	26	£ —	£ —
Additional paid-in capital (APIC)	26	20,773.8	20,773.8
Accumulated profit (loss)	26	720.6	(58.6)
Accumulated other comprehensive (loss) income	26	(100.8)	38.9
Total owner's equity		21,393.6	20,754.1
Total owner's equity and liabilities		£ 46,790.2	£ 44,488.5

The notes on pages 114 to 182 form part of the financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2023 by:

Mark Hardman

M Hardman

Director

Company Registration Number: 13047827

VMED O2 UK HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note References	Ordinary shares	APIC (a)	Accumulated profit (loss)	Accumulated other comprehensive income (loss)	Total owner's equity
in millions						
Balance at 1 January 2022.....		£ —	£ 20,773.8	£ (58.6)	£ 38.9	£ 20,754.1
Net profit.....		—	—	753.6	—	753.6
Other comprehensive loss...		—	—	—	(139.7)	(139.7)
Share-based compensation...	22	—	—	25.6	—	25.6
Balance at 31 December 2022.....		£ —	£ 20,773.8	£ 720.6	£ (100.8)	£ 21,393.6

	Note References	Ordinary shares	APIC (a)	Accumulated profit (loss)	Accumulated other comprehensive income (loss)	Total owner's equity
in millions						
Balance at 27 November 2020.....		£ —	£ —	£ —	£ —	£ —
Common control transfer....	3	—	20,773.8	(8.0)	—	20,765.8
Net loss.....		—	—	(74.0)	—	(74.0)
Other comprehensive income.....		—	—	—	38.9	38.9
Share-based compensation...	22	—	—	23.4	—	23.4
Balance at 31 December 2021.....		£ —	£ 20,773.8	£ (58.6)	£ 38.9	£ 20,754.1

The notes on pages 114 to 182 form part of the financial statements.

- (a) APIC includes share premium and the merger reserve (as described in note 26) resulting from the September 2021 Transactions (as defined in note 3). The total value recognised in APIC represents the value required to be recognised after purchase price accounting as a result of the JV Transaction (as defined in note 1).

VMED O2 UK HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note References	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
in millions			
Cash flows from operating activities:			
Net profit (loss)		£ 753.6	£ (74.0)
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:			
Share-based compensation expense.....	21	43.6	23.4
Depreciation and amortisation.....	10	3,553.9	2,041.8
Impairment, restructuring and other operating items, net	10, 16 and 20	61.8	37.4
Amortisation of debt premiums, deferred financing costs and non-cash interest.....	14	(8.6)	(5.5)
Realised and unrealised gains on derivative instruments, net	18 and 23	(2,188.2)	(379.1)
Foreign currency transaction losses, net.....	23	1,103.5	333.6
Losses on debt extinguishment, net.....	14 and 23	—	0.3
Gain on sale of investment	6	—	(38.0)
Deferred income tax expense (benefit).....	24	52.3	(2.2)
Interest paid		(827.7)	(368.5)
Income taxes paid		(2.8)	(6.9)
Changes in operating assets.....		(279.0)	(618.6)
Changes in operating liabilities		1,101.2	875.4
Net cash provided by operating activities		3,363.6	1,819.1
Cash flows from investing activities:			
Capital expenditures, net.....	10	(1,522.2)	(748.1)
Net advances to related parties	25	(2,106.0)	(625.1)
Cash acquired as a result of the JV Transaction		—	195.0
Other investing activities, net		67.1	—
Net cash used by investing activities		£ (3,561.1)	£ (1,178.2)

VMED O2 UK HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Note References	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
in millions			
Cash flows from financing activities:			
Repayments of third-party debt and lease obligations.....	14 and 15	£ (3,464.0)	£ (3,447.7)
Borrowings of third-party debt.....	14	3,338.5	2,903.4
Net repayments of related-party debt.....	25	(49.3)	—
Payment of financing costs and debt premiums.....	14	(13.6)	(27.6)
Net cash received related to derivative instruments.....	18	381.2	26.9
Other financing activities, net.....		(0.3)	(7.2)
Net cash provided (used) by financing activities.....		192.5	(552.2)
Effect of exchange rate changes on cash and cash equivalents.....		3.1	0.6
Net decrease in cash and cash equivalents and restricted cash.....		(1.9)	89.3
Cash and cash equivalents and restricted cash:			
Beginning of period.....		89.3	—
End of period.....		£ 87.4	£ 89.3
Details of end of period cash and cash equivalents and restricted cash:			
Cash and cash equivalents.....		£ 46.0	£ 48.3
Restricted cash included in trade receivables and other current assets and trade receivables and other non-current assets.....		41.4	41.0
Total cash and cash equivalents and restricted cash.....		£ 87.4	£ 89.3

The notes on pages 114 to 182 form part of the financial statements.

VMED O2 UK HOLDINGS LIMITED
Notes to Consolidated Financial Statements
31 December 2022

(1) Basis of Presentation

VMED O2 UK Holdings Limited (**VMED O2**) is a private company, incorporated, domiciled and registered in the United Kingdom (**U.K.**) The registered number is 13047827 and the registered address is 500 Brook Drive, Reading, RG2 6UU.

As described in the Strategic Report, the principal activity of VMED O2 is the provision of telecommunication services in the U.K.

In these notes, the terms “we,” “our,” “our Company”, “our Group” and “us” may refer, as the context requires, to VMED O2 or collectively to VMED O2 and its subsidiaries. As of 31 December 2022, the primary subsidiaries of VMED O2 include (i) Virgin Media Inc. and its subsidiaries (collectively, **Virgin Media**) and (ii) O2 Holdings Limited and its subsidiaries (collectively, **O2**).

VMED O2 is a wholly-owned subsidiary of VMED O2 UK Limited, which is a 50:50 joint venture (the **Joint Venture**) that was formed on 1 June 2021 between Liberty Global plc (through Liberty Global Europe 2 Limited) (**Liberty Global**) and Telefónica, SA (through Telefonica O2 Holdings Limited) (**Telefónica**) (the **JV Transaction**) (the **Shareholders**). Prior to the completion of the JV Transaction, (i) Virgin Media was a wholly-owned subsidiary of Liberty Global that provided fixed and mobile communications services in the U.K. and (ii) O2 was a wholly-owned subsidiary of Telefónica that provided mobile communications services in the U.K.

The consolidated financial statements of VMED O2 for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 27 April 2023 and were signed on the board's behalf by M Hardman.

(2) Accounting Policies

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

Basis of Accounting

The principal accounting policies adopted by VMED O2 are set out below and have all been applied consistently throughout the current period.

These consolidated financial statements were prepared on a going concern basis and under the historical cost basis in accordance with the Companies Act 2006 and UK-adopted international accounting standards (**UK-adopted IFRS**). The Company has elected to prepare its parent company financial statements in accordance with FRS 101, these are presented on pages 183 to 189.

The consolidated financial statements are presented in sterling and all values are rounded to the nearest million, except otherwise stated.

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of the Company, its subsidiaries and its share of jointly controlled entities as of 31 December 2022.

Subsidiaries are all entities over which we have control. We control an entity if we are exposed to variable returns from our involvement with the entity and we have the ability to affect those returns through our power over the respective entity. Such entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intra-group balances and transactions have been eliminated in preparing the consolidated financial statements. When control over an entity is lost, we derecognise the assets and liabilities of the entity, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

Joint arrangements are defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities required the unanimous consent of the parties sharing control. For additional information regarding our joint arrangements, see the relevant section below under *Joint Arrangements*.

Going Concern

The financial statements have been prepared on a going concern basis. The following paragraphs summarise the basis on which we have reached our conclusion.

After making suitable enquiries and obtaining the necessary assurances, we have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future.

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 VMED O2's 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 for reasonably possible downsides in trading performance, prepared for the Group as a whole, indicate the cash on hand, together with cash from operations and revolving credit facilities, is expected to be sufficient for the Group's cash requirements through to at least 12 months from the date of this report.

Taking into account these forecasts and projections, and after making enquiries, we have a reasonable expectation we have adequate support and resources to continue in operational existence for the foreseeable future. Consequently, we are confident we will have sufficient funds to continue to meet our liabilities as they fall due for at least 12 months from the date of approval of these financial statements, and consequently we have prepared the financial statements on a going concern basis.

Business Combinations under Common Control

Business combinations between entities that are under common control are accounted for at book value. The assets and liabilities acquired or transferred are recognised or derecognised at the carrying amounts previously recognised in the ultimate controlling parent company's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain or loss arising is recognised directly in equity.

On 16 September 2021, as part of certain joint venture reorganisation transactions, VMED O2 UK Limited made a contribution to VMED O2, comprising VMED O2 UK Limited's then ownership interests in (i) Virgin Media (ii) O2 and (iii) VMED O2 UK Financing 1 plc, in exchange for ordinary shares, issued at a premium.

These transactions have been accounted for as common control transfers, under the pooling interest method and, accordingly been reflected at carry over basis as of 1 June 2021, see note 3.

Foreign Currency Translation and Transactions

Transactions denominated in currencies other than our or our subsidiaries' functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our consolidated statements of financial position related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statements of profit or loss as unrealised (based on the applicable period end exchange rates) or realised upon settlement of the transactions.

Intangible Assets

Our primary intangible assets relate to goodwill, customer relationships, radio communications licences, and software costs.

Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortised, but carried at cost less any accumulated impairment losses. Goodwill is recognised as an asset denominated in the currency of the business acquired and is tested for impairment annually, or more frequently if there are certain events or changes indicating the possibility that the carrying amount may not be fully recoverable. The potential impairment loss is determined by assessing the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated from the acquisition date.

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

Customer relationships, arising from the Joint Venture formation, have been initially recorded at its fair value and amortised over its estimated useful life of 9 years on a straight line basis, and reviewed for indications of impairment on an ongoing basis as discussed above.

License fees paid to the Government, which permit telecommunications activities to be operated for defined periods, are capitalised at costs less impairment losses and are amortised from the date of commercial launch of the services over the initial 20 year term of the license on a straight line basis.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that are expected to generate economic benefits beyond one year, are recognised as intangible assets. Capitalised internal-use software costs include only external cost of sales of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of between 1 to 10 years. Costs associated with maintaining computer software are recognised as an expense as incurred.

Subsequent expenditures related to intangible assets are capitalised only when the expenditures increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated brands, are expensed as incurred.

Property, Plant and Equipment

Property, plant and equipment are measured at initial cost less accumulated depreciation and any accumulated impairment losses. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. We capitalise costs associated with the construction of new fixed-line and mobile transmission and distribution facilities and the installation of new fixed-line services. Capitalised construction and installation costs include materials, labour and other directly attributable costs. Installation activities that are capitalised include (i) the initial connection (or drop) from our fixed-line system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting and disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of each major component of an item of property, plant and equipment. Assets in the course of construction are carried at cost, less any recognised impairment losses if required. Depreciation of these assets commences when the assets are ready for their intended use. Assets held under leases are amortised on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. The useful lives of fixed-line and mobile distribution systems that are undergoing a rebuild are adjusted such that property, plant and equipment to be retired will be fully depreciated by the time the rebuild is completed. Useful lives used to depreciate our property, plant and equipment are reviewed at each reporting date and are adjusted if appropriate. The useful lives assigned to property, plant and equipment are:

- Land and buildings — 2 to 50 years
- Plant and machinery — 2 to 30 years

- Furniture, tools and other items — 3 to 11 years

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will be achieved and when the cost can be measured reliably. All other expenditures for repairs and maintenance are expensed as incurred. Gains and losses due to disposals are included in impairment, restructuring and other operating items, net.

Provisions

A provision is recognised when a present legal or constructive obligation as a result of a past event exists, it is probable (more likely than not) that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate reflecting, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced to the parties concerned. For additional information on our restructuring provisions, see note 16.

A provision for asset retirement obligations is recognised related to dismantling and removing items at leased property and restoring the site on which these items are located after termination of the lease agreement.

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, we recognise an impairment loss on the assets associated with the respective contract.

Leases

On the lease commencement date, we recognise (i) right-of-use (ROU) assets representing our right to use an underlying asset and (ii) lease liabilities representing our obligation to make lease payments over the lease term. Lease and non-lease components in a contract are generally accounted for separately.

We initially measure lease liabilities at the present value of the remaining lease payments over the lease term. Options to extend or terminate the lease are included only when it is reasonably certain that we will exercise that option. As most of our leases do not provide enough information to determine an implicit interest rate, we generally use a portfolio level incremental borrowing rate in our present value calculation. We initially measure ROU assets at the value of the lease liability, plus any initial cost of sales and prepaid lease payments, less any lease incentives received.

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

We use the "low value" asset lease recognition exemption for office equipment for all leases less than £5,000 and the short-term lease recognition exemption for all leases with a term of 12 months or less. Therefore, lease payments in such cases are recognised as an expense on a straight-line basis over the lease term.

We determine the lease term as the non-cancellable term of the contract, together with any period covered by an extension (or termination) option whose exercise is discretionary, if there is reasonable certainty that it will be exercised (or it will not be exercised). In our assessment, we consider all available information by asset class in the industry and evaluate all relevant factors (technology, regulation, competition, business model) that create an economic incentive to exercise or not a renewal or cancellation option. In particular, we take into consideration the time horizon of the strategic planning of its operations. After the commencement date, we reassess the lease term if there is a significant event or change in circumstances that is within our control that may affect our ability to exercise (or not to exercise) an option to extend or terminate (for example, a change in business strategy).

In some instances, we act as lessor, notably in respect of agreements with B2B customers for use of various network assets. For arrangements which meet the criteria to be recognised as a finance lease, we derecognise the asset and recognize a receivable at an amount equal to the net investment in the lease, recognising revenue arising from the lease component when control of the network asset is transferred to the customer.

Non-Derivative Financial Instruments

Cash and cash equivalents, current trade and other receivables, 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.

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

We derecognise 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.

We initially recognise 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.

We derecognise a financial liability when its contractual obligations are discharged, cancelled or expired.

For information concerning the fair values of our debt and derivatives, see notes 14 and 18, respectively. For information concerning how we arrive at our fair value measurements, see note 19.

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 interest income or expense. 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.

Derivative Instruments

All derivative instruments, whether designated as hedging relationships or not, are recorded in the statements of financial position at fair value. If the derivative instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognised in earnings. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognised in earnings. If the derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded in other comprehensive income or loss and accumulated in other reserves, and subsequently reclassified into our consolidated statements of profit or loss when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognised in earnings. Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instruments expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying

amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. We do not currently apply hedge accounting to our derivative instruments.

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity in our consolidated statements of cash flows.

For information regarding our derivative instruments, see note 18.

Inventories

Inventories comprise mainly handsets and are stated at the lower of cost and net realisable value on a first-in, first-out basis, after provisions for obsolescence. Cost comprises costs of purchase and costs incurred in bringing inventory to its current location and condition.

Trade Receivables

Our trade receivables 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 our current estimate of lifetime expected credit losses. We use 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. For additional information regarding our trade receivable and our allowance for expected credit losses of trade receivables, see note 11.

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

Cash and Cash Equivalents and Restricted Cash

Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value.

Restricted cash consists of cash held in restricted accounts, including cash held in escrow related to our pension plans. All other cash that is restricted to a specific use is classified as current or non-current based on the expected timing of the disbursement.

Our significant non-cash investing and financing activities, if any, would be disclosed in our consolidated statements of owner's equity and in notes 10, 14, 15 and 18.

Employee Benefit Plans

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

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

Revenue Recognition

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

Sale of Multiple Products and Services. We sell broadband internet, video, fixed-line telephony and mobile services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages is allocated proportionally to the individual products or services based on the relative standalone selling price for each respective product or service.

Mobile Revenue. Consideration from mobile contracts is allocated to the airtime service component and the handset component based on the relative standalone selling prices of each component. When we offer handsets and airtime services in separate contracts entered into at the same time, we account for these contracts as a single contract with revenue allocated as described above. Revenue is recognised as each performance obligation is complete – on transfer of the asset for the handset, and over the term of service for airtime.

Revenue from prepaid customers is deferred prior to the commencement of services and recognised as the services are rendered or usage rights expire. Some of our mobile handset contracts that permit the customer to take control of the handset upfront and pay for the handset in instalments over a contractual period may contain a significant financing component. For contracts with terms of one year or more, we recognise any significant financing component as revenue over the contractual period using the effective interest method. We do not record the effect of a significant financing component if the contractual period is less than one year.

Other hardware sales (e.g. smartphones, tablets) follow the same recognition policies as handset sales. Other mobile service revenue includes revenue earned for subscription fees (including those earned from our mobile virtual network operator (MVNO) partners), inbound roaming (earned from foreign mobile operators whose customers roam onto our mobile network), outbound roaming (earned from customers roaming outside their domestic coverage area) and interconnect revenue (earned from other Telecommunication operators whose customers terminate calls on our network). Subscription fees are recognised over the life of the contract. Roaming and Interconnect revenue is recognised over time on usage by the customer.

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

We defer upfront installation and certain non-recurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortised into revenue on a straight line basis, generally over the longer of the term of the arrangement or the expected period of performance.

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

Other Revenue. Other revenue consists of linked sales to the core business discussed above e.g. insurance sales, mobile and accessories. This revenue is recognised on the provision of both goods and services, with revenue recognition on delivery of each separate performance obligation.

Contract Costs. Incremental costs to obtain a contract with a customer, such as incremental sales commissions, are generally recognised as assets and amortised over the applicable period benefited, which generally is the contract life. If, however, the amortisation period is less than one year, we expense such costs in the period incurred.

If we transfer goods or services to a customer but do not have an unconditional right to payment, we record a contract asset. Contract assets typically arise from the uniform recognition of introductory promotional discounts over the contract period and accrued revenue for handset sales.

Contract Liabilities. We record contract liabilities when we receive payment prior to transferring goods or services to a customer. We primarily recognise contract liabilities for (i) installation and other upfront services which do not represent a separate performance obligation and (ii) other services that are invoiced prior to when services are provided

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

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

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

Contract Life and Timing of Recognition. A large portion of our revenue is derived from customers who are not subject to contracts. Revenue from customers not subject to contracts is recognised on a month-to-month basis as the services are provided. Revenue from customers who are subject to contracts is generally recognised over the term of such contracts, which is typically 12 months for our residential service contracts, one to three years for our mobile service contracts and one to five years for our B2B service contracts.

For additional information regarding our revenue recognition and related costs, see note 23. For a disaggregation of our revenue by major category, see note 5.

Share-based Compensation

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

For additional information regarding our share-based compensation, see note 21.

Critical Accounting Policies, Estimates and Judgements

In connection with the preparation of the consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are critical in the preparation of the consolidated financial statements because of the judgement necessary to account for these matters and the significant estimates involved, which are susceptible to change:

- Impairment of property, plant and equipment and intangible assets (including goodwill);
- Costs associated with construction and installation activities;
- Fair value measurements;
- Joint arrangements; and
- Income tax accounting.

(a) Impairment of Property, Plant and Equipment and Intangible Assets (including goodwill)

Carrying Value. The aggregate carrying value of our property, plant and equipment and intangible assets that was held for use comprised 65.2% and 71.5% of our total assets at 31 December 2022 and 31 December 2021, respectively.

When circumstances warrant, we review the carrying amounts of our property, plant and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) an expectation of a sale or disposal of a non-current asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, non-current assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognised. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and (c) estimated replacement cost. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell.

We evaluate goodwill for impairment at least annually and whenever facts and circumstances indicate that the carrying amount of goodwill may not be recoverable. If the recoverable amount is less than carrying value, any excess would be charged to operations as an impairment loss. The recoverable amount is the higher of fair value less costs of disposal and value in use.

The determination of our CGU is judgmental, and involves an identification of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGU we use to evaluate goodwill for impairment is our sole reportable segment reflecting our mobile, broadband internet, video and fixed-line telephony business delivered across our fixed-line and mobile networks in the U.K.

An impairment loss will be recognised when the recoverable amount, being the higher of the CGU's value-in-use and fair value less costs of disposal, of a CGU is less than the carrying amount at the date of testing. When required, considerable management judgement is necessary to estimate the recoverable amount of our sole CGU and underlying non-current and indefinite-lived assets. We typically determine value in use using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates of, amongst other items, subscriber growth and retention rates, rates charged per product, expected gross margin and Adjusted EBITDA margin and expected property, plant and equipment additions. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Future cash flows used in the value-in-use calculation are based on five-year financial forecasts in the

strategic plan, as approved by senior management and the board. The process of preparing the strategic plan takes into account current market conditions and challenges, the macroeconomic, competitive, regulatory and technological environment, the CGU's competitive position and future growth opportunities.

Our determination of the discount rate is based on a weighted average cost of capital (WACC) approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows.

If, amongst other factors, the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other non-current assets. Any such impairment charges could be significant.

(b) Costs Associated with Construction and Installation Activities

We capitalise costs associated with the construction of new fixed-line and mobile transmission and distribution facilities and the installation of new fixed-line services. Installation activities that are capitalised include (i) the initial connection (or drop) from our fixed-line system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as broadband internet, video or fixed-line telephony services. The costs of other customer-facing activities, such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labour and other costs to be capitalised with respect to construction and installation activities involves significant judgement and estimate. In addition to direct external and internal labour and materials, we also capitalise other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalisation of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalisable activity. We continuously monitor the appropriateness of our capitalisation policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services and changes in the manner that installations or construction activities are performed.

(c) Fair Value Measurements

IFRS provides guidance with respect to the recurring and non-recurring fair value measurements and for a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Recurring Valuations. We performed recurring fair value measurements with respect to our derivative instruments and our fair value method investments, which are carried at fair value. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. We use quoted market prices when available and, when not available, we use a combination of an income approach (discounted cash flows) and a market approach (market multiples of similar businesses) to determine the fair value of our fair value method investments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments, see notes 18 and 19.

Changes in the fair values of our derivative instruments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, we recognised net gains of £2,188.2 million and £379.1 million, respectively, attributable to changes in the fair values of these items.

As further described in note 19, actual amounts received or paid upon the settlement of our derivative instruments may differ materially from the recorded fair values at 31 December 2022.

Non-recurring Valuations. Our non-recurring valuations are primarily associated with the application of acquisition accounting which require fair value determinations as of the applicable valuation date. Accounting for the Joint Venture formation has also required a non recurring valuation. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of non-current assets, replacement or reproduction costs of property, plant and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, amongst other items, the amount of depreciation and amortisation, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain. All of our non-current assets are subject to impairment assessments. For additional information, see note 19. For information regarding our non-current assets, see note 10.

(d) Joint Arrangements

We participate in a number of joint arrangements where control of the arrangement is shared with one or more other parties. Judgement is required to classify joint arrangements in a separate legal entity as either a joint operation or as a joint venture. This judgement will depend on management's assessment of the legal form and substance of the arrangement taking into account relevant facts and circumstances such as whether the owners have rights to substantially all the economic outputs and, in substance, settle the liabilities of the entity.

The classification can have a material impact on our consolidated financial statements. We account for an interest in a joint operation by recognising the assets and liabilities and the related revenue, expenses and share of commitments in proportion to our contribution to and participation in the joint operation.

Our investment and share of results of joint ventures are accounted for under the equity method where the share of results of joint ventures are shown within single line items in the consolidated statements of financial position and the consolidated statements of profit or loss, respectively.

We have determined our interests in CTIL, which is principally engaged in maintaining and managing the non-radio (passive) assets supporting the mobile wireless network of Vodafone Limited (**Vodafone**) and Telefónica UK Limited (a subsidiary of VMED O2), to be classified as a joint operation. As a result, the assets, liabilities, related revenue, expenses and share of commitments have been recognised in proportion to our contribution to and participation in the joint operation within our consolidated financial statements.

We have determined our interests in Tesco Mobile Limited (**Tesco Mobile**) to be classified as a joint venture. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in our share of net assets of the joint venture since the acquisition date. The statement of comprehensive income (loss) reflects our share of the results of operations of the joint venture.

(e) Income Tax Accounting

We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilising tax losses and tax credit carryforwards, using enacted or substantially enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items.

Net deferred tax assets are recognised to the extent that the realisation of them is considered probable. Recognising deferred tax assets requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. The actual amount of deferred income tax benefits realised in future periods will likely differ from the net deferred tax assets reflected in our 31 December 2022 consolidated statement of financial position due to, amongst other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any such factors could have a material effect on our current and deferred tax positions as reported in our consolidated financial statements. A

high degree of judgement is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we have a presence are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognise the financial statement effects of a tax position when it is considered probable that the position will be sustained upon examination. The determination of whether the tax position meets the probable threshold requires a facts-based judgment using all information available. Where we have concluded that the probable threshold is not met, the amount of tax benefit recognised in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns.

(3) Joint Venture Formation

The Joint Venture was consummated on 1 June 2021, at which point VMED O2 UK Limited controlled 100% of the voting interests in both Virgin Media and O2, combining Virgin Media's fibre-rich broadband network with O2's mobile operations.

We have accounted for the Joint Venture in accordance with IFRS 3 — *Business Combinations*, using the acquisition method of accounting as at 1 June 2021. The identifiable net assets of both Virgin Media and O2 were assessed for their respective fair values in accordance with purchase price allocation accounting and the excess of VMED O2's business enterprise value over the fair value of identifiable net assets was allocated to goodwill. The following table sets forth selected financial information related to the assets, liabilities and equity of the VMED O2 contributed businesses, as of 1 June 2021 (in millions):

Enterprise value (a)	£ 39,122.3
Fair value (b):	
Borrowings	(17,296.3)
Lease liabilities	(978.9)
Cash and cash equivalents	154.1
Other assets and liabilities (c)	(227.4)
Equity balance as of 1 June 2021	£ 20,773.8

- (a) Represents the estimated enterprise value as of 1 June 2021 of the Joint Venture. For additional information regarding certain fair value inputs used in the enterprise valuation, see note 19.
- (b) The amounts represent estimated fair values as of 1 June 2021. For additional information regarding certain fair value inputs used in the enterprise valuation, see note 19.
- (c) Other assets and liabilities primarily consist of net pension assets and derivative assets and liabilities.

Common Control Transfer

On 16 September 2021, as part of certain reorganisation transactions, VMED O2 UK Limited made a contribution to VMED O2 comprising VMED O2 UK Limited's then ownership interests in (i) Virgin Media and (ii) certain other entities, including the parent of O2, in exchange for two additional shares issued at a premium (the **September 2021 Transactions**). We have accounted for the September 2021 Transactions as common control transfers under the pooling of interest method and, accordingly, have reflected these transactions at carry-over basis as of 1 June 2021.

As a result of the September 2021 Transactions, the reporting entity associated with the annual reporting provisions of the credit facilities agreement and bond indentures governing our outstanding indebtedness is VMED O2 and, accordingly,

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the financial position, profit or loss and cash flows of VMED O2 UK Limited are not included in these consolidated financial statements.

(4) Recent Pronouncements

New Accounting Standards, Not Yet Effective

At the date of preparation of these consolidated financial statements, the following accounting standards and amendments to existing standards had been published, but their application is not mandatory:

Standards and amendments	Title	Mandatory application: annual periods beginning on or after
Amendments to International Accounting Standard (IAS) 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 8	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
Amendments to IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	Optional

Based on assessments made to date, we do not expect the adoption of these new pronouncements to have a significant impact on our consolidated financial statements.

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(5) Segment Reporting

We have one reportable segment that provides mobile, broadband internet, video and fixed-line telephony services in the U.K. Our revenue by major category is set forth below:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	in millions	
Mobile (a).....	£ 5,913.7	£ 3,514.0
Handset (a).....	1,614.6	1,051.7
Fixed.....	3,953.6	2,372.2
Consumer fixed (b).....	3,398.7	2,009.1
Subscription (c).....	3,329.7	1,961.1
Other (d).....	69.0	48.0
B2B fixed (e).....	554.9	363.1
Other (f).....	492.7	272.0
Total.....	£ 10,360.0	£ 6,158.2

- (a) Mobile revenue includes amounts received from residential and B2B customers for ongoing services and, amongst other items, revenue from sales of mobile handsets and interconnect revenue.
- (b) Consumer fixed revenue includes subscription and other revenues for ongoing services and the recognition of deferred installation revenue over the associated contract period.
- (c) Consumer fixed subscription revenue includes revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our fixed-line and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period. Additionally, we include revenue from certain small or home office (SoHo) subscribers who pay a premium price to receive expanded service levels that are the same or similar to the mass marketed products offered to our residential subscribers.
- (d) Consumer fixed other revenue includes, among other items, channel carriage fees, late fees and revenue from sale of equipment.
- (e) B2B fixed revenue includes (i) revenue from business broadband internet and fixed-line telephony services offered to medium to large enterprises and, on a wholesale basis, to other operators and (ii) revenue from long-term leases of portions of our network.
- (f) Other revenue includes revenue from the Smart Metering and Implementation Programme, the provision of information and communication technology services and associated connectivity to O2 business customers and other services. Beginning in December 2022 those other services include services provided to nexfibre.

Remaining Performance Obligations

The total future revenue from the remaining terms of our contracts with customers for performance obligations not yet delivered to those customers was estimated to be £7,272.0 million and £5,850.0 million as of 31 December 2022 and 2021, respectively. Future revenue is expected to be substantially recognised within 3 years.

No information has been provided about remaining performance obligations at 31 December 2022 or 2021 that was part of a contract with an original expected duration of less than one year.

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Notes to Consolidated Financial Statements — (Continued)
31 December 2022

(6) Group Operating Profit

The details of certain charges (credits) included in group operating profit are set forth below:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	in millions	
Depreciation of property, plant and equipment (note 10).....	£ 2,321.5	£ 1,303.4
Depreciation of ROU assets (note 15).....	£ 201.3	£ 125.0
Amortisation of intangible assets (note 10).....	£ 1,232.4	£ 738.4
Gain on disposal of property, plant and equipment.....	£ (4.3)	£ (6.3)
Cost of inventories recognised within cost of sales.....	£ 1,820.4	£ 1,178.4
Net impairment losses on financial and contract assets.....	£ 187.1	£ 106.8
Gain on sale of investment.....	£ —	£ (38.0)

On 4 March 2021, the Company disposed of its investment in UPC Broadband Ireland Limited, resulting in a gain on sale of investment of £38.0 million.

(7) Auditor's Remuneration

We paid the following amounts to the Group auditor in respect of the audit of the consolidated financial statements and for other services provided to the Group.

Fees paid to the auditor for audit and other services to the Company are not disclosed in the individual accounts as the Group accounts are required to disclose such fees on a consolidated basis. Fees paid to the auditor for services to the Company itself are not disclosed in the company financial statements, as the consolidated financial statements disclose such fees on a consolidated basis.

Fees payable to the Company's auditor and their associates for other services represent fees payable for services in relation to other statutory filings or engagements that are required to be carried out by the Group's auditor.

	31 December	
	2022	2021
	in millions	
Audit services:		
Audit of the parent Company and consolidated financial statements.....	£ 4.5	£ 0.2
Fees payable to the Company's auditor and their associates for other services:		
Statutory audit services — statutory accounts of the Company's subsidiaries.....	0.5	0.3
Total.....	£ 5.0	£ 0.5

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(8) Staff Costs and Directors' Emoluments

Staff Costs

The total staff costs for the indicated periods are set forth below:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	in millions	
Wages and salaries	£ 892.1	£ - 515.8
Social security costs	94.1	53.4
Pension costs — defined contribution plan	67.1	31.0
Share-based payments	43.6	23.4
Total	£ 1,096.9	£ 623.6

For further information on compensation of key management personnel, see note 9.

Average Staff Numbers

The average monthly number of employees for the indicated periods is set forth below. For the period 27 November 2020 to 31 December 2021, average staff numbers relate to the post Joint Venture formation, 1 June 2021 to 31 December 2021.

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
Sales and marketing	5,680	5,481
Operations	10,139	10,832
Administration	1,235	1,621
Average number of employees	17,054	17,934

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Directors' Emoluments

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	in thousands	
Directors' remuneration	£ 778.2	£ 881.0
Amounts paid under long-term incentive plans	88.3	452.8
Total	£ 866.5	£ 1,333.8
Company contributions paid to pension schemes	£ 8.0	£ 53.5
Highest paid Director:		
Remuneration (including amounts paid under long-term incentive plans)	£ 463.6	£ 485.2
Company contributions paid to pension schemes	4.0	22.4
Total	£ 467.6	£ 507.6
	31 December	
	2022	2021
Number of Directors accruing benefits under pension plans	2	6

There were no other transactions with Directors during the year.

(9) Key Management Personnel Compensation

Key management personnel comprise the board of directors and key senior management of our Company and our main subsidiaries, including employees of both Liberty Global and Telefónica, which are remunerated through our Shareholders. Their compensation for the indicated periods is as follows:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	in millions	
Salaries and short-term benefits (a)	£ 12.2	£ 11.9
Share-based compensation (b)	7.2	2.6
Total	£ 19.4	£ 14.5

- (a) Salaries and short-term benefits include salaries, bonus, directors' fees and certain other cash and non-cash benefits
- (b) Share-based compensation include charges for awards associated with ordinary shares of Liberty Global and Telefónica. In addition to the amounts in the table above, a payable of £4.0 million related to the JV long term incentive plan is due to key management with vesting expected during 2025. See note 21 for further information.

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(10) Intangible Assets and Property, Plant and Equipment

Intangible Assets

Changes in the carrying amounts of our goodwill and intangible assets subject to amortisation during the year ended 31 December 2022 and the period from 1 June 2021 to 31 December 2021 are as follows:

	Goodwill	Customer relationships	Service concession arrangements and licences	Computer software	Intangible assets in progress	Total
	in millions					
Cost:						
27 November 2020.....	£ —	£ —	£ —	£ —	£ —	£ —
Common control transfer (see note 3).....	12,847.9	7,713.0	1,461.7	524.5	67.7	22,614.8
Additions.....	—	—	—	73.2	86.1	159.3
Retirements, disposals and other.....	—	—	—	(6.5)	—	(6.5)
Assets transferred into service.....	—	—	—	63.4	(63.4)	—
31 December 2021.....	12,847.9	7,713.0	1,461.7	654.6	90.4	22,767.6
Additions.....	—	—	—	—	249.8	249.8
Retirements, disposals and other.....	—	—	—	(1.9)	—	(1.9)
Assets transferred into service.....	—	—	—	235.1	(235.1)	—
31 December 2022.....	£ 12,847.9	£ 7,713.0	£ 1,461.7	£ 887.8	£ 105.1	£ 23,015.5
Accumulated amortisation:						
1 June 2021.....	£ —	£ —	£ —	£ —	£ —	£ —
Amortisation.....	—	(499.9)	(78.3)	(160.2)	—	(738.4)
Retirements, disposals and other.....	—	—	—	7.5	—	7.5
31 December 2021.....	—	(499.9)	(78.3)	(152.7)	—	(730.9)
Amortisation.....	—	(857.0)	(92.5)	(282.9)	—	(1,232.4)
Retirements, disposals and other.....	—	—	—	1.9	—	1.9
31 December 2022.....	£ —	£ (1,356.9)	£ (170.8)	£ (433.7)	£ —	£ (1,961.4)
Intangible assets, net:						
31 December 2022.....	£ 12,847.9	£ 6,356.1	£ 1,290.9	£ 454.1	£ 105.1	£ 21,054.1
31 December 2021.....	£ 12,847.9	£ 7,213.1	£ 1,383.4	£ 501.9	£ 90.4	£ 22,036.7

Goodwill is not amortised, but is instead tested for impairment at least annually for our sole CGU. An impairment loss will be recognised when the recoverable amount of a CGU is less than the carrying amount at the date of testing.

The determination of our CGU is judgmental, and involves an identification of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management considered that Virgin Media O2 as a whole is a single CGU as it meets the requirement noted above due to significant fixed-mobile convergence and interlinked business units that align with management's ongoing monitoring of the business. For further details, please refer to the Accounting Policies section.

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The determination of recoverable amount, being the higher of the CGU's value-in-use and fair value less costs of disposal, is inherently judgmental and requires management to determine certain estimates, including management's expectations of future revenue and net cash flows, discount rates and terminal growth rates.

Future cash flows used in the value-in-use calculation are based on five-year financial forecasts included as a part of the business' ten-year plan. A longer time horizon of 10 years has been used for capital intensive projects such as our full fibre upgrade plan. Given the capital-intensive nature in the initial years, using a five-year period for the goodwill impairment analysis provides an imbalanced view of the net present value and the longer time horizon more accurately reflects the cash flows in the long run.

The process of preparing the business plan takes into account past experience, current market conditions and challenges, the macroeconomic, competitive, regulatory and technological environment, the CGU's competitive position and future growth opportunities. Management consider EBITDA margin, WACC, terminal growth rate (TGR), capital intensity ratio and terminal value tax rate to be key assumptions.

The average EBITDA margin growth assumed in the business plan over the projected period is 4.1%. This is based on past experience, future pricing strategy and consequent customer behaviour, procurement requirements and benchmarking performed against comparable companies in the sector.

Future cash flow forecasts are discounted using the post-tax WACC, determined by the weighted average cost of equity and debt according to our financing structure, and benchmarked against externally available data. The post-tax discount rate used in the value-in-use calculation as at 31 December 2022 and 31 December 2021 was 7.3% and 6.8%, respectively. The pre-tax discount rate at 31 December 2022 and 31 December 2021 was 8.3% and 7.7%, respectively.

The terminal growth rate reflects our long-term growth prospects, the growth and maturity of the industry we operate in, and new technology developments. This is benchmarked against externally available data and analysts' estimates. The terminal growth rate used in the value-in-use calculation as at 31 December 2022 and 31 December 2021 was 1.0%.

The capital intensity ratio used in determining the terminal value free cash flow is based on the strategic plan and reflects that planned network upgrades will be stepped down over time towards a normalised level that is based upon our future capital requirements. The capital intensity ratio applied to the cash flow projections as at 31 December 2022 and 31 December 2021 was 16.0%.

The effective tax rate used in determining the post-tax free cash flow as at 31 December 2022 and 31 December 2021 was 24.3% and 24.1%, respectively. It is based on our current forecast corporation tax rates and the utilisation of available unused tax losses. This is sensitive to future changes in corporation tax rates and forecast of the utilisation of unused losses.

As at 31 December 2022 and 31 December 2021, the value-in-use exceeds the carrying value by approximately £0.3 billion and £1.5 billion, respectively. The recoverable amount exceeds the carrying value by less than 1%. The year-on-year reduction in headroom is, amongst other factors, predominantly driven by:

- (a) Adverse economic and business conditions, political challenges and industry trends;
- (b) Fluctuation in currency exchange rates and interest rates;
- (c) Inflationary pressures impacting consumer disposable income and spending levels; and
- (d) Certain events that are outside of our control, such as the ongoing invasion of Ukraine by Russia, which continues to impact energy prices.

Any of the following changes in assumptions in isolation will cause the recoverable amount to equal the carrying amount:

- (a) A reduction in EBITDA margin by 0.44%, a reasonable possible change in EBITDA margin is expected to be 1%
- (b) An increase in the discount rate from the current assumption by 0.05%, a reasonable possible change in discount rate is expected to be 0.5%
- (c) A reduction in the terminal growth rate from the current assumption by 0.06%, a reasonable possible change in discount rate is expected to be 0.5%

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31 December 2022

- (d) An increase in the capital intensity ratio by 0.28%, a reasonable possible change in capital intensity ratio is expected to be 1%
- (e) An increase in the terminal value tax rate by 0.79%, a reasonable possible change in terminal value tax rate is expected to be 0.7%

Property, Plant and Equipment, Net

Changes in the carrying amounts of our property, plant and equipment, net, during the year ended 31 December 2022 and period from 1 June 2021 to 31 December 2021 are as follows:

	Plant and machinery	Land and buildings	Furniture, tools and other items	Property, plant and equipment in progress	Total
	in millions				
Cost:					
27 November 2020.....	£ —	£ —	£ —	£ —	£ —
Common control transfer (see note 3).....	£ 7,701.4	£ 982.9	£ 855.7	£ 349.3	£ 9,889.3
Additions.....	551.7	72.1	39.3	527.5	1,190.6
Retirements, disposals and other.....	(47.6)	(11.9)	(0.4)	—	(59.9)
Assets transferred into service.....	120.7	9.4	74.7	(204.8)	—
31 December 2021.....	8,326.2	1,052.5	969.3	672.0	11,020.0
Additions.....	59.0	41.6	—	2,057.6	2,158.2
Retirements, disposals and other.....	(180.2)	(34.6)	(19.7)	(50.3)	(284.8)
Assets transferred into service.....	1,319.8	40.5	457.0	(1,817.3)	—
31 December 2022.....	£ 9,524.8	£ 1,100.0	£ 1,406.6	£ 862.0	£ 12,893.4
Accumulated depreciation:					
1 June 2021.....	£ —	£ —	£ —	£ —	£ —
Depreciation.....	(1,035.5)	(122.9)	(145.0)	—	(1,303.4)
Retirements, disposals and other.....	36.2	4.7	0.4	—	41.3
31 December 2021.....	(999.3)	(118.2)	(144.6)	—	(1,262.1)
Depreciation.....	(1,834.3)	(188.2)	(299.0)	—	(2,321.5)
Retirements, disposals and other.....	142.6	3.2	18.7	—	164.5
31 December 2022.....	£ (2,691.0)	£ (303.2)	£ (424.9)	£ —	£ (3,419.1)
Property, plant and equipment, net:					
31 December 2022.....	£ 6,833.8	£ 796.8	£ 981.7	£ 862.0	£ 9,474.3
31 December 2021.....	£ 7,326.9	£ 934.3	£ 824.7	£ 672.0	£ 9,757.9

During the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, we recorded non-cash increases to our property, plant and equipment related to vendor financing arrangements of £759.9 million and £361.2 million, respectively, which exclude related VAT of £145.6 million and £65.5 million, respectively, that were also financed under these arrangements.

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(11) Trade Receivables and Other Assets

The details of our trade receivables and other non-current and current assets are set forth below:

		31 December	
		2022	2021
		in millions	
Trade receivables and other non-current assets:			
Trade receivables	£	128.3	£ 76.2
Contract assets		95.8	116.3
Prepayments		16.7	10.6
Restricted cash		41.4	40.8
Other		101.5	119.3
Total	£	383.7	£ 363.2
Trade receivables and other current assets:			
Trade receivables	£	1,142.0	£ 1,207.9
Contract assets		207.0	194.3
Prepayments		266.1	260.6
Unbilled revenue		199.3	161.5
Other		503.5	335.7
Total	£	2,317.9	£ 2,160.0

The detailed ageing of our trade receivables and the related allowance for expected credit losses is set forth below:

		31 December 2022		31 December 2021	
		Trade receivables, gross	Allowance for expected credit losses	Trade receivables, gross	Allowance for expected credit losses
		in millions			
Not past due	£	1,133.6	£ (5.5)	£ 1,218.7	£ (31.4)
1 - 90 days		126.4	(26.6)	75.2	(10.4)
90 - 360 days		82.0	(55.8)	28.4	(14.4)
Over 360 days		30.3	(14.1)	33.4	(15.4)
Total trade receivables	£	1,372.3	£ (102.0)	£ 1,355.7	£ (71.6)

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The development of our allowance for expected credit losses of trade receivables for the indicated periods is set forth below (in millions):

Allowance at 27 November 2020.....	£	—
Increase in allowance for expected credit losses.....		(101.9)
Write-off of receivables.....		30.3
Allowance at 31 December 2021.....		(71.6)
Increase in allowance for expected credit losses.....		(159.4)
Write-off of receivables.....		129.0
Allowance at 31 December 2022.....	£	(102.0)

When a trade receivable is determined to be uncollectible, it is written off against the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is included within other expenses in our consolidated statements of profit or loss.

The allowance for expected credit losses is based upon our assessment of probable loss related to uncollectible trade receivables. We use 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 receipt of payment or the likelihood of collection is considered to be remote.

Contract Costs

Our aggregate assets associated with incremental costs to obtain and fulfil our contracts were £143.8 million and £73.5 million at 31 December 2022 and 2021, respectively. The non-current and current portions of our assets related to contract costs are included within trade receivables and other non-current assets and trade receivables and other current assets, respectively, in our consolidated statements of financial position. We amortised £102.0 million and £61.2 million during the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, respectively, to operating costs and expenses related to these assets.

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(12) Trade Payables and Other Liabilities

Trade payables are non-interest bearing and generally repayable on terms of up to 60 days. The details of our trade payables and other non-current and current liabilities are set forth below:

	31 December	
	2022	2021
	in millions	
Trade payables and other non-current liabilities:		
Contract liabilities (note 11)	£ 139.6	£ 164.4
Other	87.5	87.1
Total	£ 227.1	£ 251.5
Trade payables and other current liabilities:		
Trade payables	£ 1,378.6	£ 1,312.7
Contract liabilities (note 11)	554.5	592.2
Other taxes payable	548.3	553.9
Accrued capital expenditures	423.9	415.6
Accrued expenses	410.5	426.4
Other	447.3	419.6
Total	£ 3,763.1	£ 3,720.4

During the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, we recognised revenue of £545.2 million and £nil, respectively, that was included in our contract liability balances at 31 December 2021 and 27 November 2020. Contract liabilities were acquired on JV formation on 1 June 2021.

(13) Inventory

Our inventory primarily consists of mobile devices and is presented net of provisions for obsolescence. As of 31 December 2022 and 2021, our inventory was £178.6 million and £157.6 million, respectively. There is no material difference between the carrying value of inventories and their replacement cost.

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(14) Debt

The pound sterling equivalents of the components of our third-party debt are as follows:

	31 December 2022		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	31 December	
			2022	2021
			in millions	
VMED O2 Credit Facilities (c).....	6.23 %	£ 2,028.0	£ 6,921.1	£ 5,954.2
VMED O2 Senior Secured Notes.....	4.51 %	—	8,453.1	7,964.8
VMED O2 Senior Notes.....	4.54 %	—	1,207.2	1,104.0
Vendor financing (d).....	5.20 %	—	2,442.7	2,104.7
CTIL Loan (e).....	6.02 %	90.0	160.0	—
Other.....	1.00 %	—	199.9	206.1
Total third-party debt before deferred financing costs, discounts, premiums and accrued interest (f).....	5.19 %	£ 2,118.0	£ 19,384.0	£ 17,333.8

The following table provides a reconciliation of total third-party debt before deferred financing costs, discounts, premiums and accrued interest to total debt including interest and lease obligations:

	31 December	
	2022	2021
	in millions	
Total third-party debt before deferred financing costs, discounts, premiums and accrued interest.....	£ 19,384.0	£ 17,333.8
Deferred financing costs, discounts and premiums, net.....	40.0	67.0
Total carrying amount of third-party debt.....	19,424.0	17,400.8
Lease obligations (note 15).....	839.3	927.2
Total third-party debt and lease obligations.....	20,263.3	18,328.0
Accrued interest.....	227.9	189.8
Related-party debt (note 25).....	25.2	72.2
Total debt including interest and lease obligations.....	£ 20,516.4	£ 18,590.0
Non-current debt and lease obligations.....	£ 17,507.5	£ 16,211.0
Current portion of debt and lease obligations.....	£ 3,008.9	£ 2,379.0

- (a) Represents the weighted average interest rate in effect at 31 December 2022 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of deferred financing costs, the weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 4.67% at 31 December 2022. For information regarding our derivative instruments, see note 18.
- (b) Unused borrowing capacity under the VMED O2 Credit Facilities comprises (i) £1,378.0 million equivalent under the Revolving Facility and (ii) £650.0 million under Term Loan X (previously defined as Term loan A, as defined and described under *Financing Transactions* below). Unused borrowing capacity represents the maximum availability under the VMED O2 Credit Facilities at 31 December 2022 without regard to covenant compliance calculations or

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other conditions precedent to borrowing. At 31 December 2022, based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests £2,028.0 million of unused borrowing capacity was available to be borrowed and there were no restrictions on our ability to make loans or distributions from this availability to other VMED O2 subsidiaries and ultimately to VMED O2 UK Limited.

Upon completion of the relevant 31 December 2022 compliance reporting requirements, and based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests, we expect £2,028.0 million of unused borrowing capacity will continue to be available, with no restrictions to loan or distribute. Our above expectations do not consider any actual or potential changes to our borrowing levels or any amounts loaned or distributed subsequent to 31 December 2022, or the impact of additional amounts that may be available to borrow, loan or distribute under certain defined baskets within the VMED O2 Credit Facilities.

The CTIL Loan is a revolving loan facility with maximum borrowing capacity equivalent to £500.0 million (as defined and described below). At 31 December 2022, our proportional share of the unused borrowing capacity of the CTIL Loan was £90.0 million.

- (c) As of 31 December 2022 and 2021, principal amounts include £41.0 million and £17.8 million, respectively, of borrowings pursuant to excess cash facilities under the VMED O2 Credit Facilities. These borrowings are owed to certain non-consolidated special purpose financing entities that have issued notes to finance the purchase of receivables due from certain of our subsidiaries to certain other third parties for amounts that we and our subsidiaries have vendor financed. To the extent the proceeds from these notes exceed the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund these excess cash facilities under our senior credit facilities.
- (d) Represents amounts owed to various creditors pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property, plant and equipment additions and operating expenses. These arrangements extend our repayment terms beyond a vendor's ordinary due dates (e.g., extension beyond a vendor's customary payment terms) and as such are classified outside of accounts payable as debt in our consolidated statements of financial position. These obligations are generally due within one year and include VAT that was also financed under these arrangements. For purposes of our consolidated statements of cash flows, operating-related expenses financed by an intermediary are treated as constructive operating cash outflows and constructive financing cash inflows when the intermediary settles the liability with the vendor as there is no actual cash outflow until we pay the financing intermediary. During the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, the constructive cash outflows included in cash flows from operating activities and the corresponding constructive cash inflows included in cash flows from financing activities related to these operating expenses were £1,765.8 million and £882.6 million, respectively. Repayments of vendor financing obligations at the time we pay the financial intermediary are included in repayments of third-party debt and lease obligations in our consolidated statements of cash flows.
- (e) Represents our proportional share of the third-party debt of CTIL. We have determined our interest in CTIL, which is principally engaged in maintaining and managing the non-radio (passive) assets supporting the mobile wireless network of Vodafone and Telefónica UK Limited, to be classified as a joint operation. As a result, the assets, liabilities, revenue, expenses and share of commitments have been recognised in proportion to VMED O2's contribution to the joint operation within our consolidated financial statements.
- (f) As of 31 December 2022 and 2021, our debt had an estimated fair value of £17.5 billion and £17.4 billion, respectively. The estimated fair values of our debt instruments are generally determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 19.

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General Information

Credit Facilities. We have entered into a senior secured credit facility agreement with certain financial and other institutions and senior credit facility agreements with certain non-consolidated special purpose financing entities (as described under VMED O2 Credit Facilities below) (the “**credit facilities**”). Certain of our credit facilities provide for adjustments to our borrowing rates based on the achievement, or otherwise, of certain sustainability-linked metrics. Our credit facilities contain certain covenants, the more notable of which are as follows:

- Our credit facilities contain certain consolidated net leverage ratios, as specified in the relevant credit facility, which are required to be complied with (i) on an incurrence basis and (ii) in respect of our senior secured credit facilities, when the associated revolving credit facilities have been drawn beyond a specified percentage of the total available revolving credit commitments on a maintenance basis;
- Subject to certain customary and agreed exceptions, our credit facilities contain certain restrictions which, among other things, restrict the ability of certain of our subsidiaries to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over their assets and (iv) make certain restricted payments to their direct and indirect parent companies through dividends, loans or other distributions;
- Our credit facilities require that certain of our subsidiaries (i) guarantee the payment of all sums payable under the relevant credit facility and (ii) in respect of our senior secured credit facilities, grant first-ranking security over substantially all of their assets to secure the payment of all sums payable thereunder;
- In addition to certain mandatory prepayment events, the instructing group of lenders under our senior secured credit facilities, under certain circumstances, may cancel the lenders’ commitments thereunder and declare the loan(s) thereunder due and payable after the applicable notice period following the occurrence of a change of control (as specified in the senior secured credit facilities);
- In addition to certain mandatory prepayment events, the individual lender under each of our senior credit facilities, under certain circumstances, may cancel its commitments thereunder and declare the loan(s) thereunder due and payable at a price of 101% after the applicable notice period following the occurrence of a change of control (as specified in the relevant senior credit facility);
- Our credit facilities contain certain customary events of default, the occurrence of which, subject to certain exceptions, materiality qualifications and cure rights, would allow the instructing group of lenders to (i) cancel the total commitments, (ii) declare that all or part of the loans be payable on demand and (iii) accelerate all outstanding loans and terminate their commitments thereunder;
- Our credit facilities require that we observe certain affirmative and negative undertakings and covenants, which are subject to certain materiality qualifications and other customary and agreed exceptions;
- In addition to customary default provisions, our senior secured credit facilities include cross-default provisions with respect to the other indebtedness of certain of our subsidiaries, subject to agreed minimum thresholds and other customary and agreed exceptions; and
- Our senior credit facilities provide that any failure to pay principal at its stated maturity (after the expiration of any applicable grace period) of, or any acceleration with respect to, other indebtedness of the borrower or certain subsidiaries over agreed minimum thresholds (as specified under the applicable senior credit facility), is an event of default under the respective senior credit facility.

SPE Notes. From time to time, we create special purpose financing entities (SPEs). These SPEs are created for the primary purpose of facilitating the offering of senior secured notes, which we collectively refer to as “**SPE Notes**”.

The SPEs use the proceeds from the issuance of the SPE Notes to fund term loan facilities under the senior secured credit facilities, each a “**Funded Facility**” and collectively, the “**Funded Facilities**.” Each SPE is dependent on payments

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from the relevant borrowing entity under the applicable Funded Facility in order to service its payment obligations under each respective SPE Note. The SPEs are consolidated by VMED O2. As a result, the amounts outstanding under the Funded Facilities of the SPEs are eliminated in the consolidated financial statements of VMED O2.

Pursuant to the respective indentures for the SPE Notes (the **SPE Indentures**) and the respective accession agreements for the Funded Facilities, the call provisions, maturity dates and applicable interest rates for each Funded Facility are the same as those of the related SPE Notes. Each SPE, as lender under the relevant Funded Facility, is treated the same as the other lenders under the senior secured credit facilities, with benefits, rights and protections similar to those afforded to the other lenders. Through the covenants in the applicable SPE Indenture and the applicable security interests over the relevant SPE's rights under the applicable Funded Facility granted to secure the relevant SPE's obligations under the relevant SPE Notes, the holders of the SPE Notes are provided indirectly with the benefits, rights, protections and covenants granted to the SPE as lender under the applicable Funded Facility. The SPEs are prohibited from incurring any additional indebtedness, subject to certain exceptions under the SPE Indentures.

The SPE Notes are non-callable prior to their respective call date (as specified under the applicable SPE Indenture). If, however, at any time prior to the applicable call date, all or a portion of the loans under the related Funded Facility are voluntarily prepaid (a **SPE Early Redemption Event**), then the SPE will be required to redeem an aggregate principal amount of its respective SPE Notes equal to the aggregate principal amount of the loans prepaid under the relevant Funded Facility. In general, the redemption price payable will equal 100% of the principal amount of the applicable SPE Notes to be redeemed and a "make-whole" premium, which is the present value of all remaining scheduled interest payments to the applicable call date using the discount rate as of the redemption date plus a premium (as specified in the applicable SPE Indenture). Upon the occurrence of a **SPE Early Redemption Event** on or after the applicable call date, the SPE will redeem an aggregate principal amount of its respective SPE Notes equal to the principal amount prepaid under the related Funded Facility at a redemption price (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable SPE Indenture), if any, to the applicable redemption date.

Senior and Senior Secured Notes. Virgin Media Finance plc, VMED O2 UK Financing I plc (**VMED O2 Financing I**) and Virgin Media Secured Finance plc (**Virgin Media Secured Finance**), each a wholly-owned subsidiary of VMED O2, have issued certain senior and senior secured notes, respectively. In general, our senior and senior secured notes (i) are senior obligations of the issuer of such notes that rank equally with all of the existing and future senior debt of such issuer and are senior to all existing and future subordinated debt of such issuer, (ii) contain, in most instances, certain guarantees from certain of our subsidiaries (as specified in the applicable indenture) and (iii) with respect to our senior secured notes, are secured by certain pledges or liens over substantially all of the assets of certain of our subsidiaries. In addition, the indentures governing our senior and senior secured notes contain certain covenants, the more notable of which are as follows:

- Our notes provide that any failure to pay principal at its stated maturity (after the expiration of any applicable grace period) of, or any acceleration with respect to, other indebtedness of the issuer or certain subsidiaries over agreed minimum thresholds (as specified under the applicable indenture), is an event of default under the respective notes;
- Subject to certain materiality qualifications and other customary and agreed exceptions, our notes contain (i) certain customary incurrence-based covenants and (ii) certain restrictions that, amongst other things, restrict our ability to (a) incur or guarantee certain financial indebtedness, (b) make certain disposals and acquisitions, (c) create certain security interests over our assets and (d) make certain restricted payments to our direct and indirect parent companies through dividends, loans or other distributions;
- If certain of our subsidiaries (as specified in the applicable indenture) sell certain assets, the issuer must, subject to certain materiality qualifications and other customary and agreed exceptions, offer to repurchase the applicable notes at par, or if a change of control (as specified in the applicable indenture) occurs, the issuer must offer to repurchase all of the relevant notes at a redemption price of 101%; and
- Our senior secured notes contain certain early redemption provisions including the ability to, during each 12-month period commencing on the issue date for such notes until the applicable call date (**Call Date**), redeem up to 10% of the original principal amount of the notes at a redemption price equal to 103% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.

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VMED O2 Notes

The details of the outstanding VMED O2 Notes as of 31 December 2022 are summarised in the following table:

VMED O2 Notes	Maturity	Interest rate	Original issue amount	Outstanding principal amount		Carrying value (a)
				Borrowing currency	Pound sterling equivalent	
				in millions		
Senior Notes:						
2030 Dollar Senior Notes.....	15 July 2030	5.000%	\$ 925.0	\$ 925.0	£ 764.6	£ 763.4
2030 Euro Senior Notes	15 July 2030	3.750%	€ 500.0	€ 500.0	442.6	443.2
Total Senior Notes					1,207.2	1,206.6
Senior Secured Notes:						
2027 Sterling Senior Secured Notes	15 April 2027	5.000%	£ 675.0	£ 675.0	675.0	696.5
2029 4.00% Sterling Senior Secured Notes (b)	31 January 2029	4.000%	£ 600.0	£ 600.0	600.0	596.7
2029 Dollar Senior Secured Notes	15 May 2029	5.500%	\$ 1,425.0	\$ 1,425.0	1,177.8	1,247.5
2029 5.25% Sterling Senior Secured Notes	15 May 2029	5.250%	£ 340.0	£ 340.0	340.0	356.8
2030 4.25% Sterling Senior Secured Notes	15 January 2030	4.250%	£ 635.0	£ 635.0	635.0	635.9
2030 Dollar Senior Secured Notes	15 August 2030	4.500%	\$ 915.0	\$ 915.0	756.3	757.6
2030 4.125% Sterling Senior Secured Notes	15 August 2030	4.125%	£ 480.0	£ 480.0	480.0	478.8
2031 Euro Senior Secured Notes (b).....	31 January 2031	3.250%	€ 950.0	€ 950.0	841.0	848.1
2031 4.25% Dollar Senior Secured Notes (b)	31 January 2031	4.250%	\$ 1,350.0	\$ 1,350.0	1,115.8	1,091.2
2031 4.75% Dollar Senior Secured Notes (b)(c) ..	15 July 2031	4.750%	\$ 1,400.0	\$ 1,400.0	1,157.2	1,153.8
2031 Sterling Senior Secured Notes (b)(c)	15 July 2031	4.500%	£ 675.0	£ 675.0	675.0	671.8
Total Senior Secured Notes					8,453.1	8,534.7
Total					£ 9,660.3	£ 9,741.3

- (a) Amounts are net of deferred financing costs, discounts, premiums and accrued interest, including amounts recorded in connection with acquisition accounting for the Joint Venture, where applicable.
- (b) Respective Senior Secured Notes are SPE Notes that have been issued by VMED O2 Financing I.
- (c) Respective Senior Secured Notes are VMED O2 Green Bonds that have been issued by VMED O2 Financing I.

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The VMED O2 Notes are non-callable prior to the applicable Call Dates, as presented in the table below. At any time prior to the respective Call Date, the Company may redeem some or all of the applicable notes by paying a “make-whole” premium, which is the present value of all remaining scheduled interest payments to the applicable Call Date using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

VMED O2 Notes	Call Date
2030 Dollar Senior Notes	15 July 2025
2030 Euro Senior Notes	15 July 2025
2027 Sterling Senior Secured Notes	15 April 2022
2029 4.00% Sterling Senior Secured Notes	31 January 2024
2029 Dollar Senior Secured Notes	15 May 2024
2029 5.25% Sterling Senior Secured Notes	15 May 2024
2030 4.25% Sterling Senior Secured Notes	15 October 2024
2030 Dollar Senior Secured Notes	15 August 2025
2030 4.125% Sterling Senior Secured Notes	15 August 2025
2031 Euro Senior Secured Notes	31 January 2026
2031 4.25% Dollar Senior Secured Notes	31 January 2026
2031 4.75% Dollar Senior Secured Notes	15 July 2026
2031 Sterling Senior Secured Notes	15 July 2026

VMED O2 may redeem some or all of the VMED O2 Senior Notes and the VMED O2 Senior Secured Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable indenture), if any, to the applicable redemption date, as set forth below:

	Redemption Price					
	2030 Dollar Senior Notes	2030 Euro Senior Notes	2027 Sterling Senior Secured Notes	2029 4.00% Sterling Senior Secured Notes	2029 Dollar Senior Secured Notes	2029 5.25% Sterling Senior Secured Notes
12-month period commencing...	15 July	15 July	15 April	31 January	15 May	15 May
2023	N/A	N/A	101.250%	N/A	N/A	N/A
2024	N/A	N/A	100.625%	102.000%	102.750%	102.625%
2025	102.500%	101.875%	100.000%	101.000%	101.375%	101.313%
2026	101.250%	100.938%	100.000%	100.000%	100.000%	100.000%
2027	100.625%	100.469%	N/A	100.000%	100.000%	100.000%
2028 and thereafter	100.000%	100.000%	N/A	100.000%	100.000%	100.000%

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Redemption Price							
	2030 4.25% Sterling Senior Secured Notes	2030 Dollar Senior Secured Notes	2030 4.125% Sterling Senior Secured Notes	2031 Euro Senior Secured Notes	2031 4.25% Dollar Senior Secured Notes	2031 4.75% Dollar Senior Secured Notes	2031 Sterling Senior Secured Notes
12-month period commencing..	15 October	15 August	15 August	31 January	31 January	15 July	15 July
2024	102.125%	N/A	N/A	N/A	N/A	N/A	N/A
2025	101.063%	102.250%	102.063%	N/A	N/A	N/A	N/A
2026	100.531%	101.125%	101.031%	101.625%	102.125%	102.375%	102.250%
2027	100.000%	100.563%	100.516%	100.813%	101.063%	101.188%	101.125%
2028 and thereafter	100.000%	100.000%	100.000%	100.406%	100.530%	100.594%	100.563%

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VMED O2 Credit Facilities

The VMED O2 Credit Facilities are the senior and senior secured credit facilities of certain subsidiaries of VMED O2. The details of the borrowings under the VMED O2 Credit Facilities as of 31 December 2022 are summarised in the following table:

VMED O2 Credit Facilities	Maturity	Interest rate	Facility amount (in borrowing currency)	Outstanding principal amount	Unused borrowing capacity	Carrying value (a)
in millions						
Senior Secured Facilities:						
L (b).....	15 January 2027	SONIA+3.25%	£ 400.0	£ 400.0	£ —	£ 396.9
M (b).....	15 November 2027	SONIA+3.25%	£ 500.0	500.0	—	496.0
N (c).....	31 January 2028	LIBOR+2.50%	\$ 3,300.0	2,727.6	—	2,716.9
O (d).....	31 January 2029	EURIBOR+2.50%	€ 750.0	664.0	—	661.3
P.....	31 January 2026	SONIA+2.75%	£ —	—	—	—
Q (c).....	31 January 2029	LIBOR+3.25%	\$ 1,300.0	1,074.5	—	1,075.1
R (d).....	31 January 2029	EURIBOR+3.25%	€ 750.0	664.0	—	664.9
S (g).....	31 January 2029	4.00%	£ 600.0	600.0	—	596.7
T (g).....	31 January 2031	3.25%	€ 950.0	841.0	—	848.1
U (g).....	31 January 2031	4.25%	\$ 1,350.0	1,115.8	—	1,091.2
V (g).....	15 July 2031	4.50%	£ 675.0	675.0	—	671.8
W (g).....	15 July 2031	4.75%	\$ 1,400.0	1,157.2	—	1,153.8
X (b).....	30 September 2027	SONIA+3.25%	£ 850.0	850.0	650.0	829.4
Revolving Facility (e).....	15 January 2026	SONIA+2.75%	£ 1,378.0	—	1,378.0	—
Elimination of Facilities S, T, U, V and W in consolidation (g).....				(4,389.0)	—	(4,361.6)
Total Senior Secured Facilities				6,880.1	2,028.0	6,840.5
Senior Facilities:						
Financing Facility III (f) ..	15 July 2028	4.875%	£ 900.0	28.9	—	27.5
Financing Facility IV (f) ..	15 July 2028	5.000%	\$ 500.0	12.1	—	12.1
Total Senior Facilities				41.0	—	39.6
Total				£ 6,921.1	£ 2,028.0	£ 6,880.1

- (a) Amounts are net of deferred financing costs and discounts, where applicable.
- (b) Facility L, Facility M and Facility X are each subject to a SONIA floor of 0.0%.
- (c) Facility N and Facility Q are each subject to a USD LIBOR floor of 0.0%.
- (d) Facility O and Facility R are each subject to a EURIBOR floor of 0.0%.
- (e) The Revolving Facility has a fee on unused commitments of 1.1% per year.
- (f) Amounts represent borrowings that are owed to certain non-consolidated special purpose financing entities that have issued notes to finance the purchase of receivables due from certain of our subsidiaries to certain other third parties for amounts that we and our subsidiaries have vendor financed. To the extent the proceeds from these notes exceed

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the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund these excess cash facilities under our senior credit facilities.

- (g) The amounts outstanding under Facilities S through W are eliminated in our consolidated financial statements.

Financing Transactions

Below we provide summary descriptions of certain financing transactions completed during 2022. In general, a portion of our financing transactions may include non-cash borrowings and repayments. During the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, our non-cash borrowings and repayments aggregated £376.0 million and nil, respectively.

In January 2022, we utilised the Revolving Facility twice, in an aggregate amount of £400.0 million, to meet working capital requirements. These utilisations were subsequently repaid in full in March 2022.

In January 2022, CTIL entered into a £500.0 million revolving loan facility (the **CTIL Loan**). The CTIL Loan was issued at par, matures on 6 January 2027 and bears interest at a rate of Sterling Overnight Index Average (SONIA) + 2.0%, subject to a SONIA floor of 0.0%. The first drawdown of the CTIL Loan was used to redeem, in full the £460.0 million outstanding principal amount of CTIL's shareholder loans. Subsequent to the first drawdown, CTIL continued to drawdown and repay the CTIL Loan. We consolidate our portion of CTIL as a joint operation and as such, we have reflected 50% of the outstanding CTIL Loan in our consolidated financial statements.

In August 2022, we entered into a £1,500.0 million term loan facility (**Term Loan X**), which comprises four tranches, (Facilities X1, X2, X3 and X4) comprising £1,124.0 million of new money and £376.0 million of rolling commitments from our existing Term Loan P facility. Term Loan X matures on 30 September 2027 and bears interest at a rate of SONIA + 3.25% (subject to adjustment based on the achievement or otherwise of certain Environmental, Social and Governance (ESG) metrics). On 21 December 2022, Term Loan X was partially drawn down. Facility X1, comprising £474.0 million of new money, was issued at 99% of par and used to partially fund the fourth quarter dividend. Facility X4, comprising £376.0 million of rolling commitments, was utilized as part of the non-cash repayment of Term Loan P. The remaining proceeds from the loan are expected to primarily be used for general corporate purposes.

Maturities of Debt

Maturities of our debt as of 31 December 2022 are presented below:

	Third-party debt (a)	Related-party debt in millions	Total
Year ending 31 December:			
2023.....	£ 2,583.8	£ —	£ 2,583.8
2024.....	45.1	—	45.1
2025.....	27.9	25.2	53.1
2026.....	15.6	—	15.6
2027.....	2,589.8	—	2,589.8
Thereafter.....	14,121.8	—	14,121.8
Total debt maturities (b).....	19,384.0	25.2	19,409.2
Accrued interest.....	227.9	—	227.9
Deferred financing costs, discounts and premiums, net.....	40.0	—	40.0
Total debt.....	£ 19,651.9	£ 25.2	£ 19,677.1
Non-current portion.....	£ 16,839.5	£ 25.2	£ 16,864.7
Current portion.....	£ 2,812.4	£ —	£ 2,812.4

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- (a) Amounts include SPE Notes issued by the SPEs which, as described above, are consolidated by VMED O2.
- (b) Amounts include vendor financing obligations of £2,442.7 million, as set forth below (in millions):

Year ending 31 December:	
2023.....	£ 2,349.5
2024.....	45.1
2025.....	27.9
2026.....	15.4
2027.....	4.8
Total vendor financing maturities (1)	£ 2,442.7
Non-current portion	£ 93.2
Current portion.....	£ 2,349.5

- (1) Virgin Media Vendor Financing Notes III Designated Activity Company and Virgin Media Vendor Financing Notes IV Designated Activity Company (together, the **2020 VM Financing Companies**) have issued an aggregate £1,313.3 million equivalent of notes maturing in July 2028. The net proceeds from these notes are used by the 2020 VM Financing Companies to purchase from various third parties certain vendor financed receivables owed by certain of our subsidiaries. To the extent the proceeds from these notes exceed the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund excess cash facilities under our senior credit facilities. The 2020 VM Financing Companies can request the excess cash facilities be repaid by certain of our subsidiaries as additional vendor financed receivables become available for purchase.

(15) Leases

General

We enter into leases for network equipment, real estate and vehicles. We provide residual value guarantees on certain of our vehicle leases.

ROU Assets

A summary of the changes in our ROU assets for the year ended 31 December 2022 and the period from 27 November 2020 to 31 December 2021 is set forth below:

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	Land and buildings	Plant and machinery in millions	Total
Cost:			
27 November 2020	£ —	£ —	£ —
Common control transfer (see note 3)	794.9	175.4	970.3
Additions	48.0	15.9	63.9
Retirements and disposals	(13.4)	(15.9)	(29.3)
31 December 2021	829.5	175.4	1,004.9
Additions	41.6	59.0	100.6
Retirements and disposals	(13.3)	(24.1)	(37.4)
31 December 2022	£ 857.8	£ 210.3	£ 1,068.1
Accumulated depreciation:			
1 June 2021	£ —	£ —	£ —
Depreciation	(89.0)	(36.0)	(125.0)
Retirements and disposals	5.3	3.6	8.9
31 December 2021	(83.7)	(32.4)	(116.1)
Depreciation	(142.9)	(58.4)	(201.3)
Retirements and disposals	6.3	7.4	13.7
31 December 2022	£ (220.3)	£ (83.4)	£ (303.7)
ROU Assets, net:			
31 December 2022	£ 637.5	£ 126.9	£ 764.4
31 December 2021	£ 745.8	£ 143.0	£ 888.8

Our ROU assets are included in property, plant and equipment, net, in our consolidated statements of financial position. At 31 December 2022 and 31 December 2021, the weighted average remaining lease term of our ROU assets was 8.5 years and 7.2 years respectively. The weighted average discount rate for 31 December 2022 and 31 December 2021 was 5.0% and 4.5% respectively. During the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, we recorded non-cash additions to our ROU assets associated with leases of £100.6 million and £63.9 million, respectively.

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Lease Liabilities

Maturities of our lease liabilities are presented below:

	31 December	
	2022	2021
	<i>in millions</i>	
Not later than one year.....	£ 230.5	£ 219.1
Later than one year and not later than five years.....	489.5	534.9
Later than five years.....	390.1	459.1
Total payments.....	1,110.1	1,213.1
Less: present value discount.....	(270.8)	(285.9)
Present value of lease payments.....	£ 839.3	£ 927.2
Non-current portion (a).....	£ 642.8	£ 743.6
Current portion (a).....	£ 196.5	£ 183.6

- (a) The non-current and current portions of our lease liabilities are included within non-current debt and lease obligations and current portion of debt and lease obligations, respectively, in our consolidated statements of financial position.

Lease Expense

A summary of our aggregate lease expense is set forth below:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	<i>in millions</i>	
Depreciation:		
Land and buildings.....	£ 142.9	£ 89.0
Plant and machinery.....	58.4	36.0
Total depreciation.....	201.3	125.0
Interest expense.....	37.1	23.8
Total lease expense.....	£ 238.4	£ 148.8

Expenses relating to leases of low-value assets and short-term leases for which no ROU asset or lease liability has been recognised were not material.

Cash Flows from Leases

Our total cash outflows from leases recorded during the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021 were £206.8 million and £117.8 million, respectively.

Leases as a Lessor

We have entered into a number of lease-out arrangements in respect of agreements with B2B customers for use of various network assets. For these arrangements, we have derecognised the asset, recognising revenue arising from the lease component when control of the network asset is transferred to the customer. During the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, we recognised net gains of £72.2 million and £53.7 million, respectively, and interest income of £1.2 million and £0.8 million, respectively, related to these arrangements.

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The non-current and current portions of our lease receivables are included within trade receivables and other non-current assets and trade receivables and other current assets, respectively, in our consolidated statements of financial position. Maturities of our lease receivables are presented below:

	31 December	
	2022	2021
	in millions	
Not later than one year	£ 136.0	£ 88.7
Later than one year and not later than five years.....	28.0	39.5
Total undiscounted lease receivables	164.0	128.2
Less: unearned finance income	(3.2)	(2.8)
Net investment in leases	£ 160.8	£ 125.4

(16) Provisions

A summary of the changes in our provisions during the indicated periods is set forth below:

	Restructuring (a)	Asset retirement obligations (b)	Other	Total
	in millions			
Balance at 27 November 2020.....	£ —	£ —	£ —	£ —
Balance acquired from Joint Venture on 1 June 2021	4.3	179.4	21.7	205.4
Additions to property, plant and equipment.....	—	2.8	—	2.8
Net charges (credits) included in other expenses in the consolidated statements of profit or loss	41.5	(6.9)	(16.8)	17.8
Cash payments.....	(23.5)	—	—	(23.5)
Balance at 31 December 2021	22.3	175.3	4.9	202.5
Disposals of property, plant and equipment and other....	—	(29.1)	—	(29.1)
Additions to property, plant and equipment.....	—	—	—	—
Net charges (credits) included in other expenses in the consolidated statements of profit or loss	49.3	(1.0)	0.4	48.7
Cash payments.....	(28.2)	(0.8)	—	(29.0)
Reclassifications.....	(2.4)	1.3	—	(1.1)
Balance at 31 December 2022	£ 41.0	£ 145.7	£ 5.3	£ 192.0

- (a) Restructuring provisions include the full cost of planned business restructuring programmes entered into during the year and as a result of the JV Transaction, most of which are expected to be completed within the next 12 months.

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- (b) VMED O2 has certain legal obligations relating to the restoration of leased property to its original condition at the end of the lease term. The provision is based on assumptions covering the discount rate, expected lease renewals and the expected cost of restoring the sites. The payment dates of these asset retirement costs are uncertain, but are currently as at 31 December 2022 and 31 December 2021, anticipated to be over the next 27 years and 31 years, respectively. The provision recognised represents the best estimate of the expenditure required to settle the present obligation at 31 December 2022. Such cost estimations, expressed at current price levels at the date of the estimate are discounted at 31 December 2022 and 31 December 2021 using rates in the range of 1.89% to 4.04% and 1.12% to 3.05%, respectively, per annum. The initial discounted cost amount has been capitalised as part of property, plant and equipment and depreciated over the life of the assets.

(17) Financial Risk Management

Overview

We have exposure to the following risks that arise from our financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Our exposure to each of these risks, the policies and procedures that we use to manage these risks and our approach to capital management are discussed below.

Credit Risk

Credit risk is the risk that we would experience financial loss if our customers or the counterparties to our financial instruments and cash investments were to default on their obligations to us.

We manage the credit risks associated with our trade receivables by performing credit verifications, following established dunning procedures and engaging collection agencies. We also manage this risk by disconnecting services to customers whose accounts are delinquent. Concentration of credit risk with respect to trade receivables is limited due to the large number of customers. For information regarding the ageing of our trade receivables, see note 11.

We are exposed to the risk that the counterparties to our derivative instruments, cash holdings and undrawn debt facilities will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments and undrawn debt facilities is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under the derivative instruments. Most of our cash currently is invested in either (i) AAA credit rated money market funds, including funds that invest in government obligations, or (ii) overnight deposits with banks having a minimum credit rating of A by Standard & Poor's or an equivalent rating by Moody's Investor Service. To date, neither the access to nor the value of our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions.

At 31 December 2022, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £1,456.6 million, (ii) aggregate undrawn debt facilities of £2,118.0 million and (iii) cash and cash equivalents and restricted cash of £87.4 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such

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termination. However, in the event of an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and or liquidity.

Although we actively monitor the creditworthiness of our key vendors, the financial failure of a key vendor could disrupt our operations and have an adverse impact on our revenue and cash flows.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting our financial obligations. In addition to cash and cash equivalents, our primary sources of liquidity are cash provided by operations and access to the available borrowing capacity of our various debt facilities. For information regarding our borrowing availability, see note 14.

The ongoing cash needs of VMED O2 include corporate general and administrative expenses and fees associated with the JV Service Agreements (as defined in note 27). From time to time, we may also require cash in connection with (i) the repayment of outstanding debt and related-party obligations (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions), (ii) the funding of dividends or distributions to our immediate parent VMED O2 UK Limited, to in turn fund dividends or distributions by VMED O2 UK Limited pursuant to the Shareholders Agreement, (iii) the satisfaction of contingent liabilities or (iv) acquisitions and other investment opportunities.

Our most significant financial obligations relate to our debt obligations, as described in note 14. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Our sources of liquidity at the parent level include (i) our cash and cash equivalents and (ii) subject to the restrictions noted above, proceeds in the form of distributions or loans from our subsidiaries. For information regarding limitations imposed by our subsidiaries' debt instruments, see note 14. It is the intention of the Shareholders that the Joint Venture, and by extension VMED O2, will be a self-funding company capable of financing its activities on a stand-alone basis without recourse to either Shareholder.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our current sources of liquidity will be sufficient to fund our currently anticipated working capital needs, capital expenditures and other liquidity requirements during the next 12 months, although no

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assurance can be given that this will be the case. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. Our ability to access debt financing on favourable terms, or at all, could be adversely impacted by (i) the financial failure of any of our counterparties which could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavourable impact on our cash flows and liquidity.

We use budgeting and cash flow forecasting tools to ensure that we will have sufficient resources to timely meet our liquidity requirements. We also maintain a liquidity reserve to provide for unanticipated cash outflows.

The following table shows the timing of expected cash payments or receipts based on the contractually agreed upon terms for our financial liabilities as of 31 December 2022:

	Payments (receipts) due during:						Total
	2023	2024	2025	2026	2027	Thereafter	
	in millions						
Debt:							
Principal – third-party	£ 2,583.8	£ 45.1	£ 27.9	£ 15.6	£ 2,589.8	£ 14,121.8	£ 19,384.0
Principal – related-party	—	—	25.2	—	—	—	25.2
Interest (a)	1,169.6	1,002.1	953.5	932.8	874.8	1,409.5	6,342.3
Leases (a)	230.5	171.3	135.5	103.9	78.8	390.1	1,110.1
Projected derivative cash payments (receipts), net (b)	94.1	227.6	155.9	173.0	258.6	423.8	1,333.0
Total	£ 4,078.0	£ 1,446.1	£ 1,298.0	£ 1,225.3	£ 3,802.0	£ 16,345.2	£ 28,194.6

- (a) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of 31 December 2022. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. Amounts presented for leases include both principal and interest.
- (b) The pound sterling equivalents of our net projected cash flows associated with our derivative instruments are based on interest rate projections and exchange rates as of 31 December 2022. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts required in future periods. For additional information regarding our derivative instruments, see note 18.

Market Risk

Interest Rate Risk

We are exposed to changes in interest rates primarily as a result of our borrowing activities, which include fixed-rate and variable-rate borrowings by our subsidiaries. Our primary exposure to variable-rate debt is through our SONIA-indexed, LIBOR-indexed and EURIBOR-indexed VMED O2 Credit Facilities.

In general, we enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. Accordingly, we have entered into various derivative transactions to manage exposure to increases in interest rates. We use interest rate derivative contracts to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. We also use interest rate cap agreements and swaptions to lock in a maximum interest rate if variable rates rise, but also allow our Company to benefit from declines in market rates. Under our current guidelines, we use various interest rate derivative instruments to mitigate interest rate risk, generally for the full term of the underlying variable-rate debt. In this regard, we use judgement to determine the appropriate

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composition and maturity dates of our portfolios of interest rate derivative instruments, taking into account the relative costs and benefits of different maturity profiles in light of current and expected future market conditions, liquidity issues and other factors. For additional information concerning the impacts of these interest rate derivative instruments, see note 18.

In July 2017, the U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it intended to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Additionally, the European Money Markets Institute (the authority that administers EURIBOR) announced that measures would need to be undertaken by the end of 2021 to reform EURIBOR to ensure compliance with the E.U. Benchmarks Regulation. In November 2020, ICE Benchmark Administration (the entity that administers LIBOR) announced its intention to continue publishing USD LIBOR rates until 30 June 2023, with the exception of the one-week and two-month rates which, along with all GBP LIBOR rates, it ceased to publish after 31 December 2021. Furthermore, in November 2022, the FCA proposed that certain tenors of USD LIBOR would continue to be published on a synthetic basis until the end of September 2024.

While this extension allows additional runway on existing contracts using USD LIBOR rates, companies are still encouraged to transition away from using USD LIBOR as soon as practicable and should not enter into new contracts that use USD LIBOR after 2021. The methodology for EURIBOR has been reformed and EURIBOR has been granted regulatory approval to continue to be used.

In October 2020, the International Swaps and Derivatives Association (the **ISDA**) launched the Fallback Supplement, which, as of 25 January 2021, amended the standard definitions for interest rate derivatives to incorporate fallbacks for derivatives linked to certain key interbank offered rates (**IBORs**). The ISDA also launched the Fallback Protocol, a protocol that enables market participants to incorporate these revisions into their legacy non-cleared derivatives with other counterparties that choose to adhere to the protocol. The fallbacks for a particular currency apply following a permanent cessation of the IBOR in that currency, or in the case of a LIBOR setting, that LIBOR setting becoming permanently unrepresentative, and are adjusted versions of the risk-free rates identified in each currency.

Our credit agreements contain provisions that contemplate alternative calculations of the base rate applicable to our LIBOR-indexed and EURIBOR-indexed debt to the extent LIBOR or EURIBOR (as applicable) are not available. We do not anticipate the alternative calculations to be materially different from what would have been calculated under LIBOR or EURIBOR (as applicable). Additionally, no mandatory prepayment or redemption provisions would be triggered under our credit agreements in the event that either the LIBOR rate or the EURIBOR rate is not available. Further, in December 2021, we amended our loan documents such that the reference rate for our sterling denominated loans would be determined based upon SONIA plus a credit adjustment spread once GBP LIBOR was no longer published and, through the Fallback Protocol, this will also be the new reference rate for our GBP LIBOR-indexed derivative instruments.

Publication of GBP LIBOR and the one week and two-month USD LIBOR rates ceased on 31 December 2021 as planned. Currently there is no consensus amongst loan borrowers and investors as to which rates should replace USD LIBOR. It is possible, however, that any new reference rate that applies to our USD LIBOR-indexed debt could be different to any new reference rate that applies to our USD LIBOR-indexed derivative instruments. We plan to continue to manage this difference and any resulting increased variable-rate exposure through modifications to our debt and derivative instruments, however, future market conditions may not allow immediate implementation of desired modifications and the Company may incur significant associated costs.

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The following table shows the pound sterling total amounts of unreformed contracts and those with appropriate fallback language as of 31 December 2022 and 2021. Financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	GBP-LIBOR		USD-LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
	in millions			
As of 31 December 2022:				
Financial liabilities:				
Term Loans – GBP denominated	N/A	N/A	N/A	N/A
Term Loans – USD denominated.....	N/A	N/A	3,802.0	—
Vendor financing	N/A	N/A	—	—
Interest Rate Derivatives – receivable (net).....	N/A	N/A	—	6,529.4
As of 31 December 2021:				
Financial liabilities:				
Term Loans – GBP denominated	—	1,266.7	N/A	N/A
Term Loans – USD denominated.....	N/A	N/A	3,389.4	—
Vendor financing	—	2,090.2	2.7	—
Interest Rate Derivatives – receivable (net).....	—	6,333.0	5,836.7	—

Weighted Average Variable Interest Rate. At 31 December 2022, the outstanding principal amount of our variable-rate indebtedness aggregated £7.3 billion and the weighted average interest rate (including margin) on such variable-rate indebtedness was approximately 6.3%, excluding the effects of interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Assuming no change in the amount outstanding, and without giving effect to any interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, a hypothetical 50 basis point (0.50%) increase (decrease) in our weighted average variable interest rate would increase (decrease) our annual consolidated interest expense and cash outflows by £36.5 million. As discussed above and in note 18, we use interest rate derivative contracts to manage our exposure to increases in variable interest rates. In this regard, increases in the fair value of these contracts generally would be expected to offset most of the economic impact of increases in the variable interest rates applicable to our indebtedness to the extent and during the period that principal amounts are matched with interest rate derivative contracts.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk with respect to our consolidated debt in situations where our debt is denominated in U.S. dollars and euros. Although we generally match the denomination of our and our subsidiaries' borrowings with our functional currency, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in our functional currency (unmatched debt). In these cases, our policy is to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At 31 December 2022, substantially all of our debt was either directly or synthetically matched to our functional currency. For additional information concerning the terms of our derivative instruments, see note 18.

Currently, the U.K. is facing various macro-economic pressures, including financial and political challenges, that have impacted the broader U.K. economy, valuation of the local currency, interest rates and inflationary pressures. In addition to the exposure that results from the mismatch of our borrowings and our functional currency, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our functional currency (non-

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functional currency risk), such as equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) and certain services provided by our Shareholders. Changes in exchange rates with respect to amounts recorded in our consolidated statements of financial position related to these items will result in unrealised (based upon period-end exchange rates) or realised foreign currency transaction gains and losses upon settlement of the transactions. Moreover, to the extent that our revenue, costs and expenses are denominated in currencies other than our functional currency, we will experience fluctuations in our revenue, costs and expenses solely as a result of changes in foreign currency exchange rates. Generally, we will consider hedging non-functional currency risks when the risks arise from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts and the payments or receipts are not otherwise hedged. In this regard, we have entered into foreign currency forward and option contracts to hedge certain of these risks. For additional information concerning our foreign currency forward and option contracts, see note 18.

Capital Management

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase the Adjusted EBITDA and to achieve adequate returns on our property, plant and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based leverage covenants contained in our various debt instruments. For additional information regarding our debt obligations, see note 14.

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(18) Derivative Instruments

In general, we enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements, particularly with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the United States (U.S.) dollar (\$) and the euro (€). We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of most of our derivative instruments are recorded in finance income or costs in our consolidated statements of profit or loss.

The following table provides details of the fair values of our derivative instrument assets and liabilities:

	31 December 2022			31 December 2021		
	Non-current	Current	Total	Non-current	Current	Total
in millions						
Assets:						
Cross-currency derivative contracts (a) ..	£ 872.8	£ 180.7	£ 1,053.5	£ 270.4	£ 13.7	£ 284.1
Interest rate derivative contracts (a)	827.5	177.5	1,005.0	128.5	81.4	209.9
Foreign currency forward and option contracts	—	4.5	4.5	—	0.5	0.5
Total	£ 1,700.3	£ 362.7	£ 2,063.0	£ 398.9	£ 95.6	£ 494.5
Liabilities:						
Cross-currency derivative contracts (a) ..	£ 82.9	£ 80.0	£ 162.9	£ 560.4	£ 87.9	£ 648.3
Interest rate derivative contracts (a)	339.0	187.9	526.9	174.1	101.2	275.3
Foreign currency forward and option contracts	—	1.1	1.1	—	2.4	2.4
Total	£ 421.9	£ 269.0	£ 690.9	£ 734.5	£ 191.5	£ 926.0

- (a) We consider credit risk relating to our and our counterparties' non-performance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net losses of £112.9 million and £85.8 million during the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, respectively. These amounts are included in finance costs in our consolidated statements of profit or loss. For additional information regarding our fair value measurements, see note 19.

The details of our realised and unrealised gains on derivative instruments, net, are set forth below:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
in millions		
Cross-currency and interest rate derivative contracts:		
Third-party	£ 2,190.2	£ 80.6
Related-party	—	300.8
Foreign currency forward and option contracts	(2.0)	(2.3)
Total	£ 2,188.2	£ 379.1

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The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. The following table sets forth the classification of the net cash inflows (outflows) of our derivative instruments:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	in millions	
Operating activities.....	£ 3.4	£ (21.1)
Financing activities.....	381.2	26.9
Total.....	£ 384.6	£ 5.8

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions, however notwithstanding, given the size of our derivative portfolio, the default of certain counterparties could have a significant impact on our consolidated statements of profit or loss. Collateral is generally not posted by either party under the terms of our derivative instruments. At 31 December 2022 and 31 December 2021, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of £1.5 billion and £31.5 million respectively.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in the event of an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

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Details of our Derivative Instruments

Cross-currency Derivative Contracts

We generally match the denomination of our borrowings with the functional currency of the supporting operations or, when it is more cost effective, we provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At 31 December 2022, substantially all of our debt was either directly or synthetically matched to the functional currency of the borrowing entity. The following table sets forth the total notional amounts and the related weighted average remaining contractual lives of our cross-currency swap contracts:

31 December 2022			31 December 2021		
Notional amount due from counterparty	Notional amount due to counterparty	Weighted average remaining life	Notional amount due from counterparty	Notional amount due to counterparty	Weighted average remaining life
in millions	in millions	in years	in millions	in millions	in years
\$ 14,624.0	£ 11,500.4 (a)	4.4	\$ 14,624.0	£ 11,111.5 (a)	5.4
€ 3,100.0	£ 2,795.5	6.0	€ 3,100.0	£ 2,795.5	7.0
£ 1,005.5	\$ 1,445.0 (b)	2.1	£ 1,005.5	\$ 1,445.0 (b)	3.1
\$ 500.0	£ 394.2	2.5	£ 394.2	\$ 500.0	3.5
\$ 166.6	€ 150.0	5.5	\$ 166.6	€ 150.0	6.5

- (a) Includes certain derivative instruments that are “forward-starting,” such that the initial exchange occurs at a date subsequent to the year end date. These instruments are typically entered into in order to extend existing hedges without the need to amend existing contracts.
- (b) These derivative instruments do not involve the exchange of notional amounts at the inception and maturity of the instruments. Accordingly, the only cash flows associated with these derivative instruments are coupon-related payments and receipts.

Interest Rate Swap Contracts

The following table sets forth the total pound sterling equivalents of the notional amounts and the related weighted average remaining contractual lives of our interest rate swap contracts:

	Pay fixed rate (a)		Receive fixed rate	
	Notional amount	Weighted average remaining life	Notional amount	Weighted average remaining life
	in millions	in years	in millions	in years
31 December 2022	£ 12,764.3	3.0	£ 3,530.8	2.5
31 December 2021	£ 13,768.7	4.1	£ 3,530.8	3.5

- (a) Includes forward-starting derivative instruments.

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Interest Rate Swap Options

From time to time, we enter into interest rate swap options (**swaptions**), which give us the right, but not the obligation, to enter into certain interest rate swap contracts at set dates in the future. Such contracts typically have a life of no more than three years. At the transaction date, the strike rate of each of these contracts was above the corresponding market rate. As of 31 December 2022, the option expiration period on each of our swaptions had expired.

Basis Swaps

Our basis swaps involve the exchange of attributes used to calculate our floating interest rates, including (i) the benchmark rate, (ii) the underlying currency and (iii) the borrowing period. We typically enter into these swaps to optimise our interest rate profile based on our current evaluations of yield curves, our risk management policies and other factors. At 31 December 2022 and 31 December 2021, the total pound sterling equivalent of the notional amounts due from the counterparty was £5.1 billion and £8.1 billion, respectively. The related weighted average remaining contractual life of our basis swap contracts in 31 December 2022 and 31 December 2021 was 0.2 years and 0.5 years, respectively.

Interest Rate Caps and Floors

From time to time, we enter into interest rate cap and floor agreements. Purchased interest rate caps lock in a maximum interest rate if variable rates rise, but also allow our Company to benefit from declines in market rates. Purchased interest rate floors protect us from interest rates falling below a certain level, generally to match a floating rate floor on a debt instrument. At 31 December 2022, the pound sterling equivalent notional amounts of our purchased interest rate caps and floors were £1.6 billion and £7.3 billion, respectively. At 31 December 2021, the pound sterling equivalent notional amounts of our purchased interest rate caps and floors were £1.5 billion and £9.3 billion, respectively.

Impact of Derivative Instruments on Borrowing Costs

Excluding forward-starting instruments and swaptions, the impact of the derivative instruments that mitigate our foreign currency and interest rate risk, as described above, was a decrease of 76 basis points and increase of 73 basis points to our borrowing costs at 31 December 2022 and 31 December 2021, respectively.

Foreign Currency Forwards and Options

We enter into foreign currency forward and option contracts with respect to non-functional currency exposure. As of 31 December 2022 and 31 December 2021, the total of the notional amounts of our foreign currency forward and option contracts was £321.9 million and £289.5 million, respectively.

(19) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these instruments as of 31 December 2022 are unlikely to represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities.

In order to manage our interest rate and foreign currency exchange risk, we have entered into various derivative instruments, as further described in note 18. The recurring fair value measurements of these instruments are determined using discounted cash flow models. With the exception of the inputs for certain swaptions, most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these instruments. This observable data mostly includes currency rates, interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We use a Monte Carlo based approach to incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own non-performance risk and the non-performance risk of our counterparties. The inputs used for our credit risk valuations, including our and our counterparties' credit spreads, represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect these parameters to have a significant impact on the valuations of these instruments, we have determined that these valuations (other than the valuations of the aforementioned swaptions) fall under

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Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 18.

Fair value measurements are also used in connection with non-recurring valuations performed in connection with acquisition accounting, impairment assessments and the accounting for the JV Transaction. These non-recurring valuations primarily include the enterprise value of our Company in connection with the closing of the JV Transaction, intangible assets subject to amortisation, including customer relationships and mobile spectrum licenses, property, plant and equipment and the implied value of goodwill. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our non-recurring valuations, except for third-party debt, as further described below, use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy.

Upon formation of the JV Transaction, the assets and liabilities of Virgin Media and O2 have been recorded at their fair value, as further described in note 3. The following list sets forth the primary non-recurring valuations performed related to certain of our assets and liabilities upon closing of the JV Transaction:

- *Enterprise Value.* The valuation of our Company (our only reporting unit) is based on discounted cash flow and market approach analyses. With the exception of certain inputs of our weighted average cost of capital and discount rate calculations, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The market approach is performed using comparable trading entity enterprise values, EBITDA multiples and transaction multiples from comparable transactions. The discount rate used is the WACC, determined by the average cost of equity and debt according to the finance structure established for our CGU. We used a pre-tax discount rate of 6.9% in connection with the enterprise value of our Company;
- *Customer Relationships.* The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer relationship, contributory asset charges and other factors. The discount rate used is the WACC, determined by the average cost of equity and debt according to the finance structure established for our CGU. We used a pre-tax discount rate of 6.9% in connection with the valuation of our customer relationships;
- *Mobile Spectrum Licenses.* The valuation of our mobile spectrum licenses is primarily based upon a market approach, which assumes the prices companies would pay for similar assets in market transactions;
- *Tangible Assets.* The valuation of our tangible assets is typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence; and
- *Third-party Debt.* The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy).

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The fair values of our financial assets and liabilities, together with the carrying amounts shown in our consolidated statements of financial position are as follows:

Category under IFRS 9 (a)	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
in millions				
Assets carried at fair value:				
Derivative financial instruments	II	£ 2,063.0	£ 2,063.0	£ 494.5
Assets carried at cost or amortised cost:				
Trade receivables and unbilled revenue	I	£ 1,341.3	£ 1,341.3	£ 1,369.4
Loans receivable – related-party (note 25)	I	10,807.4	10,807.4	8,796.3
Inventory	I	178.6	178.6	157.6
Restricted cash	I	41.4	41.4	41.0
Other current and non-current financial assets	I	565.9	565.9	728.8
Cash and cash equivalents	I	46.0	46.0	48.3
Total		£ 12,980.6	£ 12,980.6	£ 11,141.4
Liabilities carried at fair value:				
Derivative financial instruments	II	£ 690.9	£ 690.9	£ 926.0
Liabilities carried at cost or amortised cost:				
Debt obligations	I	£ 19,424.0	£ 17,465.4	£ 17,333.8
Loans payable – related-party (note 25)	I	25.2	25.2	72.2
Accrued liabilities	I	1,494.3	1,494.3	1,226.7
Trade payables and other liabilities	I	1,397.1	1,397.1	1,334.2
Lease obligations	I	839.3	839.3	927.2
Total		£ 23,179.9	£ 21,221.3	£ 20,894.1

- (a) Category I refers to financial assets and liabilities measured at amortised cost, category II refers to financial assets and liabilities measured at fair value through other comprehensive income or loss and category III refers to financial assets and liabilities measured at fair value through profit or loss.

On 1 June 2021, the date of the JV Transaction, all financial assets and liabilities were stated at their respective fair values, as further described above.

(20) Investments

Name	Country of incorporation principal place of business	Proportion of ownership interest held as at 31 December 2022
Tesco Mobile Limited	United Kingdom	50%

As part of the Joint Venture transaction on 1 June 2021, we acquired a 50% interest in Tesco Mobile, a MVNO, which is accounted for using the equity method in our consolidated financial statements. The carrying amount of our equity method investment in Tesco Mobile was £9.6 million and £8.9 million as of 31 December 2022 and 2021, respectively. During the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, we recognised comprehensive income of £0.7 million and £0.2 million, respectively, related to this investment.

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(21) Share-based Compensation

Our share-based compensation expense relates to (i) charges for share-based incentive awards associated with ordinary shares of Liberty Global and Telefónica held by certain employees of our subsidiaries and (ii) charges for incentive awards associated with the performance of the JV, under the JV's long term incentive plan, held by certain employees of our subsidiaries.

All the outstanding share-based incentive awards from Liberty Global and Telefónica will vest by the end of 2024. Share-based compensation expense allocated to our Company by Liberty Global and Telefónica is reflected as an increase to consolidated equity, offset by any amounts recharged to us, and is included within other expenses in our consolidated statements of profit or loss.

All the outstanding incentive awards for the JV's long term incentive plan will vest by the end of 2025. The associated expense is included within other expenses in our consolidated statements of profit or loss.

(22) Employee Benefit Plans

VMED O2 maintains the following defined benefit and defined contribution plans for its employees:

Defined Benefit Plans:

- The defined benefit section of the Telefónica U.K. Pension Plan;
- The National Transcommunications Limited Pension Plan (NTL);
- The NTL 1999 Pension Scheme (NTL 99);
- Unfunded pension promises to former Telefónica U.K. employees; and
- Unfunded pension promises to former NTL employees, known as the Annual Compensation Payments (ACP) Plan.

Defined Contribution Plans:

- The Telefónica U.K. Pension Scheme;
- The Virgin Media Pension Plan; and
- The defined contribution section of the Telefónica U.K. Pension Plan.

As of the 1 June 2021 formation of VMED O2, all of the defined benefit plans are closed to new entrants and further benefit accrual. The Telefónica U.K. Pension Scheme and the Virgin Media Pension Plan remains open to new entrants and further contributions and the employer contributions are recognised as part of our staffing costs.

Defined Benefit Plans

A valuation of our defined benefit plans was undertaken as of 31 December 2022 by suitably qualified independent actuaries. Our defined benefit plan assets are currently invested in a diversified range of debt securities, equity securities, hedge funds, insurance contracts and certain other assets, which are aligned to the liability characteristics of the respective plans.

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The amounts included in our consolidated statements of financial position as of 31 December 2022 and 2021 arising from obligations related to our defined benefit plans are as follows:

	31 December 2022		31 December 2021	
	Funded	Unfunded	Funded	Unfunded
in millions				
Fair value of plan assets.....	£ 1,824.4	£ —	£ 2,720.1	£ —
Projected benefit obligation.....	(1,464.2)	(4.3)	(2,351.1)	(4.5)
Net asset (liability).....	£ 360.2	£ (4.3)	£ 369.0	£ (4.5)

Changes in the fair value of the plan assets associated with our various funded defined benefit plans for the indicated periods are set forth below (in millions):

Balance at 27 November 2020.....	£ —
Balance acquired from Joint Venture on 1 June 2021	2,481.8
Return on assets (excluding interest income)	131.2
Employer contributions.....	118.0
Benefits paid	(37.7)
Interest income.....	28.2
Administration costs	(1.4)
Balance at 31 December 2021	2,720.1
Return on assets (excluding interest income)	(1,079.5)
Employer contributions.....	213.4
Benefits paid	(76.0)
Interest income.....	49.7
Administration costs	(3.3)
Balance at 31 December 2022	£ 1,824.4

We expect to contribute £1.0 million to our defined benefit plans during the year ended 31 December 2023, with these payments relating to the expected administration costs of the NTL and NTL 99 Plans.

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Changes in the present value of the projected benefit obligations associated with our various funded and unfunded defined benefit plans during the indicated periods are set forth below:

	Funded	Unfunded
	in millions	in millions
Balance at 27 November 2020	£ —	£ —
Balance acquired from Joint Venture on 1 June 2021	(2,264.5)	(4.3)
Actuarial loss on financial assumptions	(51.6)	(0.1)
Benefits paid	37.7	—
Actuarial loss on demographic assumptions	(33.7)	—
Interest cost	(24.5)	—
Actuarial loss on expectation adjustments	(14.5)	(0.1)
Balance at 31 December 2021	(2,351.1)	(4.5)
Reclassification of ACP from provisions	—	(1.1)
Current service costs	—	—
Past service cost	—	—
Actuarial loss on financial assumptions	1,008.2	1.8
Benefits paid	76.0	0.3
Employee contributions	—	—
Actuarial loss on demographic assumptions	(0.8)	—
Interest cost	(41.8)	(0.1)
Actuarial loss on experience adjustments	(154.7)	(0.7)
Balance at 31 December 2022	£ (1,464.2)	£ (4.3)

All census data from the most recent triennial valuations has been reflected within the calculation of projected benefit obligations disclosed above.

Our defined benefit plans assets as of 31 December 2022 comprise the following:

	L1		L2		L3		Total
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	
	in millions						
Cash and cash equivalents	£ 404.8	£ 37.5	£ (492.8)	£ —	£ —	£ —	£ (50.5)
Derivatives	—	—	(6.5)	—	—	—	(6.5)
Bonds	184.8	—	1,022.3	207.3	—	—	1,414.4
Equity	—	—	13.1	—	—	—	13.1
Private debt and equity	—	—	—	324.2	—	—	324.2
Insurance policies	—	—	—	128.5	—	—	128.5
Property	—	—	1.2	—	—	—	1.2
Total	£ 589.6	£ 37.5	£ 537.3	£ 660.0	£ —	£ —	£ 1,824.4

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Valuation of L3 assets

The techniques used to determine the L3 asset values listed above are detailed for Bonds, Private debt and equity, and Insurance policies respectively.

Bonds and Private debt and equity are valued using market valuations where possible. Where market valuations are not possible, assets are valued using one of the following methodologies depending on the nature of the underlying asset:

- Floating rate assets are priced at par unless the asset is impaired;
- Fixed rate assets are priced using a matrix pricing model;
- Where assets are deemed to be distressed, a decision will be made on whether the continued use of the model price is appropriate or the asset should be priced on an expected recovery basis;
- Certain debt instruments are valued using broker quotes where such quotes are available from reputable financial information providers and assessed accordingly; or
- Earnings and multiples analysis or discounted cash flow models are used for certain private debt and equity assets. Discounting inputs used can include risk free curves, credit spreads and asset premium spreads. Spreads are derived from observable baskets of assets, using credit spread matrices for corporate spreads according to currency, rating and maturity. Some filtering and calibration of the matrices is made for comparable assets.

Insurance policies are valued using the same methodology as the associated liability based on the census data included in the most recent triennial valuation, adjusted for movements in actuarial assumptions and inflation experience.

The details of the gain (loss) related to our defined benefit plans and recognised in the consolidated statements of comprehensive income (loss) for the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021, respectively, are set forth below:

	2022		2021	
	Funded	Unfunded	Funded	Unfunded
	in millions			
Return on plan assets in excess of interest income.....	£ (1,079.5)	£ —	£ 131.2	£ —
Actuarial loss on demographic assumptions	(0.8)	—	(33.7)	—
Actuarial gain (loss) on financial assumptions.....	1,008.2	1.8	(51.6)	(0.1)
Actuarial loss on experience adjustments	(154.7)	(0.7)	(14.5)	(0.1)
Total gain (loss) in other comprehensive income (loss)	£ (226.8)	£ 1.1	£ 31.4	£ (0.2)

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The main assumptions, shown as a range, as adopted under IAS 19, *Employee Benefits* for our defined benefit plans (funded and unfunded) as of 31 December 2022 are as follows:

	Telefónica U.K. and Unfunded Pension Plan	NTL and Unfunded ACP	NTL 99
Life expectancy (male currently age 60/40) (in years).....	87.6 / 89.0	87.5 / 89.0	87.0 / 88.5
Life expectancy (female currently age 60/40) (in years)	89.5 / 90.9	89.6 / 91.0	89.2 / 90.7
Discount rate	4.8%	4.9%	4.8%
Inflation assumptions:			
RPI	3.2%	3.3%	3.2%
CPI	2.7%	2.8%	2.7%
Mortality base table	95% / 105% (M/F) S3NA	92% / 98% (M/F) S3PA	98% / 103% (M/F) S3PA
Mortality future improvements	CMI 2021 projections with long term rate of improvement of 1.25% per annum, w2021 of 0%, and an initial addition of 0.25% for each of the plans		

At 31 December 2022, the weighted average duration of the defined benefit obligation of our Telefónica U.K. funded and unfunded Pension Plan, NTL funded and unfunded ACP, and NTL 99 funded plans were 18, 12, and 17 years, respectively.

A reduction in the discount rate and an increase in the inflation rate will result in an increase in the assessed value of liabilities as a higher value is placed on benefits expected to be paid in the future. A rise in the discount rate and an increase in the inflation rate will result in the opposite effect of similar magnitude. There is also uncertainty around the future life expectancy of the U.K. population. The value of current and future pension benefits will depend on how long these pensions are assumed to be in payment.

Any sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. In presenting sensitivity analysis the change in present value of defined benefit obligations has been calculated using the projected unit credit method as of 31 December 2022, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. The rate of inflation assumption sensitivity factors in the impact of changes to all assumptions relating to inflation including associated pension increase assumption. The following sensitivity analysis table summarises how a reasonably possible change in particular assumptions would, in isolation, result in an increase to the defined benefit obligation as of 31 December 2022 (in millions):

Decrease discount rate by 0.25%.....	£	58.0
Increase inflation rate by 0.25%.....	£	49.4
Increase life expectancy by 1 year.....	£	38.3

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As of 31 December 2022, the expected future benefit payments from the plans are:

	Funded	Unfunded
	in millions	
Year ending 31 December:		
2023	£ 75.5	£ 0.2
2024	78.1	0.2
2025	80.3	0.2
2026	82.5	0.2
2027	85.0	0.2
Thereafter	2,831.9	8.5
Total	£ 3,233.3	£ 9.5

Other Pension Plans

We also operate defined contribution plans. The assets of these defined contributions arrangements are held separately from those of the Company in independently administered funds. The expense related to defined contribution plans is equal to the contributions payable for the corresponding period. The expense included in our consolidated statements of comprehensive income for the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021 was £67.1 million and £31.0 million, respectively.

(23) Finance Income and Costs

A summary of the finance income and costs that are included in our net finance income (costs) is set forth below:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	in millions	
Finance income:		
Interest income	£ 350.1	£ 176.6
Realised and unrealised gains on derivative instruments	3,452.6	379.1
Foreign currency transaction gains	787.2	—
Total finance income	4,589.9	555.7
Finance costs:		
Interest expense	(868.0)	(431.5)
Foreign currency transaction losses	(1,890.7)	(333.6)
Realised and unrealised losses on derivative instruments	(1,264.4)	—
Losses on debt extinguishment	—	(0.3)
Total finance costs	(4,023.1)	(765.4)
Net finance income (costs)	£ 566.8	£ (209.7)

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(24) Income Taxes

VMED O2 files its primary income tax return in the U.K. and our subsidiaries file income tax returns in the U.K. and the U.S. The major components of our income tax (expense) benefit are as follows:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	in millions	
Current tax (expense) benefit:		
Current year	£ (21.5)	£ 17.7
Adjustments for previous years	15.4	10.4
Recognition of previously unrecognised tax benefits	51.2	19.0
Total current year benefit	45.1	47.1
Deferred tax (expense) benefit:		
Origination and reversal of temporary differences and tax losses	(7.7)	26.5
Adjustments for previous years	16.9	(13.6)
Change in U.K. statutory tax rate	(61.5)	(10.7)
Total deferred tax (expense) benefit	(52.3)	2.2
Total income tax (expense) benefit	£ (7.2)	£ 49.3

For the period from 1 June 2021 to 31 December 2021, £55.2 million of deferred tax benefit was directly recorded to other comprehensive income.

Income tax (expense) benefit attributable to our profit (loss) before income taxes differs from the amount computed using the U.K. corporate income tax rate as a result of the following factors:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	in millions	
Profit (loss) before income taxes	£ 760.8	£ (123.3)
Computed "expected" tax (expense) benefit (a)	£ (144.6)	£ 23.4
Group relief claimed for nil consideration (b)	62.4	18.1
Fixed asset differences (c)	78.3	15.3
Impact of changes in tax rates on deferred tax assets and liabilities	(61.5)	(10.7)
Adjustment relating to prior years	32.3	(3.2)
Expenses not deductible for tax purposes	(15.1)	5.2
Foreign taxes	32.6	0.6
Other	8.4	0.6
Total income tax (expense) benefit	£ (7.2)	£ 49.3

- (a) The statutory or "expected" tax rate is the U.K. rate of 19.0%. In March 2021, legislation was introduced to increase the U.K. corporate income tax rate from 19.0% to 25.0% from 1 April 2023. This rate change was substantively enacted on 24 May 2021 and enacted on 10 June 2021 (**Finance Bill 2021**). The effect of the increased tax rate on

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our deferred tax balances is reflected in our statement of financial position at 31 December 2022 and 2021. Where appropriate, movements in deferred tax have been calculated at 25.0%.

- (b) Group relief for no consideration relates to group relief claimed from VMED O2 UK Limited.
- (c) Fixed asset differences include the impact of the U.K. “super-deduction” enacted in Finance Bill 2021, which provides a permanent tax benefit for the cost of qualifying capital expenditures as well as accelerating tax allowances.

The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and liabilities are presented in the tables below:

	1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2022
	in millions			
Property, plant and equipment	£ 1,549.0	£ 92.9	£ —	£ 1,641.9
Intangible assets	(1,757.5)	167.0	—	(1,590.5)
Tax losses	210.1	7.7	—	217.8
Pensions	(88.8)	(51.0)	53.1	(86.7)
Other	152.7	(268.9)	2.1	(114.1)
Deferred tax asset (liability)	£ 65.5	£ (52.3)	£ 55.2	£ 68.4

	27 November 2020	Transferred on 1 June 2021	Recognised in profit or loss	Recognised in other comprehensive loss	31 December 2021
	in millions				
Property, plant and equipment	£ —	£ 1,610.9	£ (61.9)	£ —	£ 1,549.0
Intangible assets	—	(1,841.1)	83.6	—	(1,757.5)
Tax losses	—	211.0	(0.9)	—	210.1
Pensions	—	(48.7)	(32.4)	(7.7)	(88.8)
Other	—	138.0	13.8	0.9	152.7
Deferred tax asset (liability)	£ —	£ 70.1	£ 2.2	£ (6.8)	£ 65.5

Our recognised deferred tax balances as of 31 December 2022 and 2021 are set forth below:

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	31 December 2022		31 December 2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	in millions			
Property, plant and equipment	£ 1,641.9	£ —	£ 1,549.0	£ —
Intangible assets	—	(1,590.5)	—	(1,757.5)
Tax losses	217.8	—	210.1	—
Pensions	—	(86.7)	—	(88.8)
Other	86.2	(200.3)	160.2	(7.5)
Deferred tax asset (liability)	1,945.9	(1,877.5)	1,919.3	(1,853.8)
Offset between deferred tax assets and liabilities	(1,876.5)	1,876.5	(1,846.3)	1,846.3
Net deferred tax asset (liability)	£ 69.4	£ (1.0)	£ 73.0	£ (7.5)

Where there is right and ability to offset deferred tax balances, this position is presented net in our consolidated statements of financial position.

The amount of our gross deductible temporary differences and tax loss carry forwards for which no deferred tax asset is recognised are as follows:

	31 December	
	2022	2021
	in millions	
Capital losses	£ 12,101.6	£ 12,102.8
Tax losses	29.4	32.1
Deductible temporary differences	325.4	179.7
Total	£ 12,456.4	£ 12,314.6

These deductible temporary differences and tax loss carry forwards are not subject to expiration. The use of the items above is highly restricted and they may only be offset against certain limited types of gains or profits. It is not regarded as probable that such gains or profits will arise.

We have taxable temporary differences on certain investments in subsidiaries. No additional income taxes have been provided for unremitted earnings, or any additional temporary differences associated with investments in subsidiaries, because the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these temporary differences.

In the normal course of business, our income tax filings are subject to review by U.K. and U.S. taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in these tax jurisdictions. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. As of 31 December 2022 and 2021, we recorded provisions for uncertain tax positions of £20.5 million and £63.1 million, respectively. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

On 16 August 2022, the Inflation Reduction Act was signed into law in the U.S. Although this legislation does not increase the U.S. corporate income tax rate, it includes, among other provisions, a new 15.0% corporate alternative minimum tax on "adjusted financial statement income" that is effective for tax years beginning after 31 December 2022. We

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currently believe these rules are not likely to be applicable to our Company, although we will continue to monitor additional guidance as it is issued to assess the impact to our tax position.

(25) Related Party Transactions (Restated)

All related-party transactions relate to regular trading activities of our Company and are on an arm's length basis. Our related-party transactions consist of the following:

	Year ended 31 December 2022	Period from 27 November 2020 to 31 December 2021
	Actual	Restated
	in millions	
Credits (charges) included in:		
Revenue.....	£ 291.1	£ 148.0
Cost of sales.....	(2.7)	(0.6)
Other operating.....	21.3	—
Other expenses.....	(323.2)	(182.9)
Share-based compensation expense.....	(25.6)	(23.4)
Included in operating profit.....	(39.1)	(58.9)
Interest income.....	333.7	167.1
Interest expense.....	(10.5)	(14.8)
Realised (losses) on derivative instruments.....	—	(46.8) ¹
Included in net profit.....	£ 284.1	£ 46.6
Property, plant and equipment transfers, net.....	£ 3.6	£ 0.6

¹During 2022, the Group discovered that a realised gain on derivative instruments with the parent entity had been erroneously included in the Group disclosure. As a consequence, realised gains on derivative instruments were overstated. The error has been corrected by restating the realised gains on derivative instruments (2021: £300.8 million) to realised losses on derivative instruments (2021: £46.8 million). No other balances or transactions were impacted.

Revenue. Amounts primarily consist of our charges to the Tesco Mobile Limited (**Tesco Mobile**) joint venture, and to a lesser extent, charges to nexfibre and insurance and roaming charges to Telefónica.

Cost of sales. Amounts primarily consist of interconnect, roaming, lease and access fees and other services provided to us by certain subsidiaries of Liberty Global and Telefónica.

Other operating. Amounts consist of pass-through construction costs to nexfibre, and to a lesser extent, gain on disposal of assets to nexfibre.

Other expenses. Amounts primarily consist of support function staffing, network and technology services provided to us by certain subsidiaries of Liberty Global and Telefónica, as well as brand and licensing fees payable to Telefónica for use of the "O2", "O2 Refresh" and "Priority" brands.

Share-based compensation expense. Amounts relate to charges for share-based incentive awards held by certain employees of our subsidiaries associated with ordinary shares of Liberty Global and Telefónica. Share-based compensation expense is included in other expenses in our consolidated statements of profit or loss.

Interest expense. Amounts represent interest expense on non-current related-party debt, as further described below.

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Interest income. Amounts primarily represent interest accrued on the VMED O2 UK Limited Receivable (as defined below).

Charges for JV Services - Framework Services Agreements. Pursuant to the framework services agreements (collectively, the **JV Service Agreements**) entered into in connection with the closing of the JV Transaction, Liberty Global and Telefónica charge VMED O2 UK Limited fees, which our parent passes through, for certain services provided to us by the respective subsidiaries of the Shareholders (collectively, the **JV Services**). The JV Services are provided to us on a transitional or ongoing basis. Pursuant to the terms of the JV Service Agreements, both the ongoing services and transitional services are provided for specified terms from the 1 June 2021 formation of the Joint Venture. Ongoing services are predominantly for six-year terms whereas transitional services will be provided for terms up to 24 months, subject to our ability to terminate based on specified notice periods. The JV Services provided by the respective subsidiaries of the Shareholders consist primarily of (i) technology and other services, (ii) capital-related expenditures for assets that we use or otherwise benefit us, (iii) brand name and procurement fees and (iv) certain corporate services. The fees that Liberty Global and Telefónica charge us for the JV Services, as set forth in the table above, include both fixed and usage-based fees.

Property, plant and equipment transfers, net. Amounts primarily represent net transfers with certain Liberty Global subsidiaries and associates.

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The following table provides details of our related-party balances:

	31 December	
	2022	2021
	in millions	
Assets:		
Non-current receivables (a)	£ 10,807.4	£ 8,796.3
Trade receivables (b)	75.3	24.0
Other current receivables (c)	26.0	223.1
Total	£ 10,908.7	£ 9,043.4
Liabilities:		
Lease obligations (d)	£ 105.8	£ 104.3
Related-party debt (e)	25.2	72.2
Accounts payable (f)	188.4	148.2
Accrued and other liabilities (f)	71.0	65.8
Total	£ 390.4	£ 390.5

- (a) Amounts represent interest-bearing loan receivables due from VMED O2 UK Limited (the **VMED O2 UK Limited Receivable**), which bear interest at a rate of 4.75%.
- (b) Amounts primarily relate to trade receivables arising from our charges to Tesco Mobile, as well as accrued income owed from nexfibre.
- (c) Amounts primarily relate to non-interest bearing receivables due from VMED O2 UK Limited and from certain Liberty Global and Telefónica subsidiaries.
- (d) Amounts represent lease obligations with certain Liberty Global subsidiaries and associates.
- (e) Amounts represent an interest-bearing loan due to VMED O2 UK Limited, which bears interest at a rate of 4.36% and matures on 18 December 2025.
- (f) Amounts represent both non-interest and interest-bearing payables, accrued capital expenditures and other accrued liabilities related to transactions with VMED O2 UK Limited and certain Liberty Global and Telefónica subsidiaries and associates, which are periodically cash settled.

(26) Capital and Reserves

Share Capital

	31 December	
	2022	2021
Called up, allotted and fully paid:		
Ordinary shares of £1 each.....	3	3

The balance classified as share capital represents the nominal value on issue of the company's equity share capital, comprising £3 ordinary shares.

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APIC

APIC includes share premium (£28,700.0 million) adjusted for group reconstruction relief (£7,926.2 million), resulting from the September 2021 Transactions (see note 3). Whereby, VMED O2 UK Limited made a contribution to VMED O2 UK Holdings Limited comprising VMED O2 UK Limited's then ownership interests in (i) Virgin Media and (ii) certain other entities, including O2 Holdings Limited (the parent company of O2), in return for two £1 ordinary shares of VMED O2 UK Holdings Limited, issued at a premium of £14,350.0 million each.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income includes the pension reserve and translation reserve. The translation reserve is used to record cumulative translation differences on the net assets of foreign operations. The cumulative translation differences will be recycled to the consolidated statements of profit or loss upon disposal of the foreign operations.

Accumulated Profit (Loss)

Accumulated profit records the Company's retained profit or loss.

(27) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our Company to make cash payments in future periods with respect to programming contracts, purchases of customer premise and other equipment and services, network and connectivity commitments and other items. The following table sets forth the pound sterling equivalents of such commitments as of 31 December 2022. The commitments included in this table do not reflect any liabilities that are included in our 31 December 2022 consolidated statement of financial position.

	Payments due during						Total
	2023	2024	2025	2026	2027	Thereafter	
	in millions						
Programming commitments (a).....	£ 619.7	£ 537.8	£ 396.1	£ 387.5	£ 366.5	£ 179.9	£ 2,487.5
Purchase commitments (b).....	981.3	136.9	78.5	52.9	51.9	32.7	1,334.2
Network and connectivity commitments (c).....	790.5	72.9	50.8	21.3	18.0	177.4	1,130.9
JV Service Agreements (d).....	197.9	201.4	205.6	209.9	89.3	—	904.1
Other commitments.....	120.2	33.4	28.6	26.4	21.3	14.2	244.1
Total.....	<u>£ 2,709.6</u>	<u>£ 982.4</u>	<u>£ 759.6</u>	<u>£ 698.0</u>	<u>£ 547.0</u>	<u>£ 404.2</u>	<u>£ 6,100.8</u>

- (a) Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. Programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect this will continue to be the case in future periods.
- (b) Purchase commitments include unconditional and legally binding obligations related to (i) the purchase of customer premise and other equipment and (ii) certain service-related commitments, including call centre, information technology and maintenance services.

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- (c) Network and connectivity commitments include (i) service commitments associated with the nexfibre construction programme (see below for further details), (ii) commitments associated with VMED O2's full fibre upgrade and (iii) commitments associated with our MVNO agreements. The amounts reflected in the above table with respect to certain of our MVNO commitments represent fixed minimum amounts payable under these agreements and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods. Following notice given to cancel the MVNO agreement with Vodafone, by the end of 2022 all Virgin Mobile traffic had been successfully moved to run over the O2 network. Migration of Virgin Mobile customer plans to O2 will begin in March 2023.
- (d) Pursuant to the JV Service Agreements entered into in connection with the closing of the JV Transaction, Liberty Global and Telefónica charge VMED O2 UK Limited fees, which our parent passes through, for JV Services. The JV Services are provided to us on a transitional or ongoing basis. Pursuant to the terms of the JV Service Agreements, both the ongoing services and transitional services are provided for specified terms from the 1 June 2021 formation of VMED O2 UK Limited. Ongoing services are predominantly for six-year terms whereas transitional services will be provided for terms up to 24 months, subject to our ability to terminate based on specified notice periods. The JV Services provided by the respective subsidiaries of the Shareholders consist primarily of (i) technology and other services, (ii) capital-related expenditures for assets that we use or otherwise benefit us, (iii) brand name and procurement fees and (iv) certain corporate services. The amounts set forth in the table above represent fixed minimum charges from Liberty Global and Telefónica pursuant to the JV Service Agreements. In addition to the fixed minimum charges, the JV Service Agreements provide for certain JV Services to be charged to us based upon usage of the services received. The fixed minimum charges set forth in the table above exclude fees for the usage-based services as these fees will vary from period to period. Accordingly, we expect to incur charges in addition to those set forth in the table above for usage-based services.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments, see note 18.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our Company making any material payments and we do not believe that they will result in material payments in the future.

Legal and Regulatory Proceedings and Other Contingencies

Disclosure Requests. O2 has been addressing a request for disclosure made by governmental authorities related to possible violations of anti-bribery laws and regulations. O2 continues to co-operate with the governmental authorities investigating this matter, which is still ongoing. It is not possible at this time to predict the full scope or duration of this matter or its eventual outcome.

Phones 4u. Legal proceedings have been issued in the High Court against O2 by the Administrators of Phones 4u. O2 has vigorously denied the allegations and filed its amended defence to this claim in October 2021. Hearings at the High Court commenced 16 May 2022 and have since concluded. The judgement is yet to be delivered with no firm expectation on timing. No provision has been made in relation to this matter.

Other Regulatory Matters. Mobile, broadband internet, video and fixed-line telephony businesses are subject to significant regulation and supervision by various regulatory bodies in the U.K. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property, plant and equipment additions. In addition, regulation may also restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

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In addition to the foregoing items, we may have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and employment, property, withholding and other tax issues and (iii) disputes over interconnection, programming, copyright and channel carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavourable outcomes.

Shareholders' Announcement of Fibre Joint Venture

On 29 July 2022, Liberty Global and Telefónica announced an agreement with investment firm InfraVia Capital Partners to form a new fibre joint venture to build a wholesale FTTH network in the U.K., the transaction completed in December 2022 under the brand name nexfibre. nexfibre will roll out fibre to 5 million greenfield homes not currently served by VMED O2's network by 2026, with the option to expand to an additional 2 million greenfield homes. VMED O2 will commit to being an anchor tenant of the new network, extending its total fibre footprint to up to 23 million homes, as well as providing its well-established network expansion expertise, systems and relationships to nexfibre, including construction, IT, technology and corporate services.

VMED O2 UK HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
31 December 2022

(28) Principal Subsidiary Undertakings

Investments in which the Group held at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows. All companies are registered in England and Wales, unless otherwise noted.

Direct Shareholdings

Name of company	Company number		Holdings	Proportion held	Nature of business
Virgin Media Inc.	N/A	(a)	Common Stock	100%	Holding
VMED O2 UK Financing I plc	12800739	(b)	Ordinary	100%	Finance

Indirect Shareholdings

Name of company	Company number		Holdings	Proportion held	Nature of business
Cornerstone Telecommunications Infrastructure Limited.....	8087551	(d)	Ordinary	50%	Telecoms
Digital Mobile Spectrum Limited.....	8247385	(e)	Ordinary	25%	Other Telecoms Activities
giffgaff Limited.....	4196996	(f)	Ordinary	100%	Telecoms
Internet Matters Limited.....	8822801	(g)		25%	Web Portal
Matchco Limited.....	3405630	(c)	Ordinary	76%	In Liquidation
NTL CableComms Group LLC.....	N/A	(a)	Ordinary	100%	Dormant
ntl Pension Trustees II Limited.....	11258264		Ordinary	100%	Dormant
ntl Pension Trustees Limited.....	3771014		Ordinary	100%	Dormant
Telefonica Europe People Services Limited.....	486438	(h)	Ordinary	100%	In Liquidation
Telefonica UK Limited.....	1743099	(f)	Ordinary	100%	Telecoms
Telefonica UK Pension Trustee Limited.....	4267552	(f)	Ordinary	100%	Corporate Trustee
Tesco Mobile Limited.....	4780736	(i)	Ordinary	50%	Telecoms
Virgin Media Bristol LLC.....	N/A	(a)	Ordinary	100%	Finance
Virgin Media Finance Holdings Inc.....	N/A	(a)	Ordinary	100%	Holding
Virgin Media Finance PLC.....	5061787		Ordinary	100%	Finance
Virgin Media Group LLC.....	N/A	(a)	Ordinary	100%	Holding
Virgin Media Intermediary Purchaser Limited.....	13047371		Ordinary	100%	Finance
Virgin Media Investment Holdings Limited.....	3173552		Ordinary	100%	Finance
Virgin Media Limited.....	2591237		Ordinary	100%	Telecoms
Virgin Media Mobile Finance Limited.....	9058868		Ordinary	100%	Finance
Virgin Media Secured Finance PLC.....	7108352		Ordinary	100%	Finance
Virgin Media Senior Investments Limited.....	10362628		Ordinary	100%	Finance
Virgin Media SFA Finance Limited.....	7176280		Ordinary	100%	Finance
Virgin Media Wholesale Limited.....	2514287		Ordinary	100%	Telecoms
Virgin Mobile Telecoms Limited.....	3707664		Ordinary	100%	Telecoms
VMED O2 UK Financing II plc.....	12804417	(b)	Ordinary	100%	Holding
VMED O2 UK Holdco 4 Limited.....	12809596	(b)	Ordinary	100%	Holding and Finance

VMED O2 UK HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
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Indirect Shareholdings — Guaranteed under Section 394(C) of the Companies Act 2006

Name of company	Company number	Holdings	Proportion held	Nature of business
Birmingham Cable Limited.....	2244565	Ordinary	100%	Dormant
CableTel Herts and Beds Limited	1785533	Ordinary	100%	Dormant
CableTel Northern Ireland Limited	NI029131 (j)	Ordinary	100%	Dormant
CableTel Surrey and Hampshire Limited	2740651	Ordinary	100%	Dormant
Cellular Radio Limited	1612599 (f)	Ordinary	100%	Dormant
DX Communications Limited	SC133682 (k)	Ordinary	100%	Dormant
Eurobell (Holdings) Limited	2904215	Ordinary	100%	Dormant
Flextech Limited	2688411	Ordinary	100%	Dormant
ntl (B) Limited	2735732	Ordinary	100%	Dormant
ntl (BCM Plan) Pension Trustees Limited	4342230	Ordinary	100%	Dormant
ntl (South East) Limited	1870928	Ordinary	100%	Dormant
ntl (V)	2719474	Ordinary	100%	Dormant
ntl Business Limited	3076222	Ordinary	100%	Dormant
ntl CableComms Group Limited	3024703	Ordinary	100%	Dormant
ntl Midlands Limited	2357645	Ordinary	100%	Dormant
ntl Rectangle Limited	4329656	Ordinary	100%	Dormant
ntl South Central Limited	2387692	Ordinary	100%	Dormant
ntl Telecom Services Limited	2937788	Ordinary	100%	Dormant
ntl Trustees Limited	2702219	Ordinary	100%	Dormant
O2 Communications Limited	4271548 (f)	Ordinary	100%	Non-trading
O2 Redwood Limited	2383186 (f)	Ordinary	100%	Dormant
Telefonica Cybersecurity Tech UK Limited	12490724 (f)	Ordinary	100%	Dormant
Telewest Communications (Scotland) Limited	SC080891 (l)	Ordinary	100%	Dormant
Telewest Communications Cable Limited	2883742	Ordinary	100%	Dormant
Telewest Communications Networks Limited	3071086	Ordinary	100%	Dormant
Telewest Limited	3291383	Ordinary	100%	Dormant
The Mobile Phone Store Limited	2837875 (f)	Ordinary	100%	Dormant
Theseus No.1 Limited	2994027	Ordinary	100%	Dormant
Theseus No.2 Limited	2994061	Ordinary	100%	Dormant
Virgin Media National Networks Limited	5174655	Ordinary	100%	Dormant
Virgin Media O2 Employee Medical Trust Limited	5993968	Ordinary	100%	Dormant
Virgin Media PCHC Limited	1733724	Ordinary	100%	Dormant
Virgin WiFi Limited	4414701	Ordinary	100%	Dormant
VM Transfers (No 4) Limited	2369824	Ordinary	100%	Dormant
VMED O2 Secretaries Limited	4272689 (f)	Ordinary	100%	Dormant
Yorkshire Cable Communications Limited	2490136	Ordinary	100%	Dormant

VMED O2 UK HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
31 December 2022

Shareholdings — Guaranteed under Section 479(C) of the Companies Act 2006

Name of company	Company number	Holdings	Proportion held	Nature of business
Bitbuzz UK Limited	8178308	Ordinary	100%	Telecoms
General Cable Limited	4925679	Ordinary	100%	Holding
ntl Communications Services Limited	3403985	Ordinary	100%	Dormant
ntl Glasgow	SC075177 (i)	Ordinary	100%	Telecoms
ntl Glasgow Holdings Limited	4170072	Ordinary	100%	Dormant
ntl Kirklees	2495460	Ordinary	100%	Telecoms
ntl Kirklees Holdings Limited	4169826	Ordinary	100%	Dormant
Virgin Media Business Limited	1785381	Ordinary	100%	Telecoms
Virgin Media Investments Limited	7108297	Ordinary	100%	Finance
Virgin Media Operations Limited	11118162	Ordinary	100%	Holding
Virgin Media Payments Limited	6024812	Ordinary	100%	Collections
VMED O2 UK Holdco 1 Limited	12800546 (b)	Ordinary	100%	Holding
VMED O2 UK Holdco 3 Limited	12807077 (b)	Ordinary	100%	Holding
O2 Cedar Limited	4678681 (f)	Ordinary	100%	Non-trading
O2 Holdings Limited	2604354 (f)	Ordinary	100%	Holding
O2 Networks Limited	2604351 (f)	Ordinary	100%	Holding
O2 Unify Limited	7999361 (f)	Ordinary	100%	IT Consultancy
Statiq Limited	8702435 (f)	Ordinary	100%	Data Processing
Virgin Media Communications Limited	3521915	Ordinary	100%	Dormant
Virgin Media Finco 2 Limited	12581419	Ordinary	100%	Finance
Virgin Media Finco Limited	8045612	Ordinary	100%	Finance
Virgin Media Secretaries Limited	2857052	Ordinary	100%	Guarantor
Virgin Media Trade Receivables Intermediary Financing Limited	12552094	Ordinary	100%	Finance
VMED O2 UK Holdco 1 Limited	12800546 (b)	Ordinary	100%	Holding
VMED O2 UK Holdco 3 Limited	12807077 (b)	Ordinary	100%	Holding
Weve Limited	8178832 (f)	Telefonica A	100%	Advertising

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

- (a) 1550 Wewatta Street, Suite 1000, Denver, CO 80202
- (b) Griffin House, 161 Hammersmith Road, London W6 8BS
- (c) 1 More London Place, London, SE1 2A
- (d) Hive 2, 1530 Arlington Business Park, Theale, Berkshire, RG7 4SA
- (e) 24 - 25 The Shard, 32 London Bridge Street, London SE1 9SG
- (f) 260 Bath Road, Slough, Berkshire, SL1 4DX
- (g) One London Wall, 6th Floor, London EC2Y 5EB
- (h) 13-18 City Quay, Dublin, Dublin 2, D02 ED70
- (i) Shire Park, Welwyn Garden City, Hertfordshire, AL7 1GA
- (j) Unit 3, Blackstaff Road, Kennedy Way Industrial Estate, Belfast, BT11 9AP
- (k) The Ca'D'Ore, 45 Gordon Street, Glasgow, G1 3PE
- (l) 1 South Gyle Crescent Lane, Edinburgh, EH12 9EG

VMED O2 UK HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
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The Company has issued a guarantee under Section 394(C) of the Companies Act 2006 for the year ended 31 December 2022 in respect of the wholly owned dormant subsidiaries listed above in section “*Indirect Shareholdings — Guaranteed under Section 394(C) of the Companies Act 2006*”. The Company guarantees all outstanding liabilities to which the subsidiary company is subject to at 31 December 2022, until they are satisfied in full and the guarantee is enforceable against the Company by any person to whom the subsidiary company is liable in respect of those liabilities. These dormant subsidiaries have taken advantage of the exemption from preparing individual accounts for the period ended 31 December 2022 by virtue of Section 394(A) of the Companies Act 2006.

The guarantee under Section 394(C) of the Companies Act 2006 is in respect of the above subsidiaries, the majority of which are 100% owned, either directly or indirectly.

The Company has issued a guarantee under Section 479(C) of the Companies Act 2006 for the year ended 31 December 2022 in respect of the subsidiaries listed above in section “*Indirect Shareholdings — Guaranteed under Section 479(C) of the Companies Act 2006*”. The Company guarantees all outstanding liabilities to which the subsidiary company is subject to at 31 December 2022, until they are satisfied in full and the guarantee is enforceable against the company by any person to whom the subsidiary company is liable in respect of those liabilities. These active subsidiaries have taken advantage of the exemption from audit of individual accounts for the year ended 31 December 2022 by virtue of Section 479(A) of the Companies Act 2006.

The guarantee under Section 479(C) of the Companies Act 2006 is in respect of the above subsidiaries, the majority of which are 100% owned, either directly or indirectly.

(29) Parent Undertaking and Controlling Party

The Company’s immediate and ultimate parent undertaking is VMED O2 UK Limited.

(30) Subsequent Events

In March 2023, we entered into a \$750.0 million sustainability linked term loan facility (**Term Loan Y**). Term Loan Y matures on 31 March 2031 and bears interest at a rate of the Secured Overnight Financing Rate (**SOFR**) plus 3.25% (subject to adjustment based on the achievement or otherwise of certain ESG metrics). The proceeds from Term Loan Y were used to repay £220 million of the outstanding principal amount under Term Loan X. The remaining proceeds were used for general corporate purposes (including the repayment of the existing debt).

In March 2023, we also made a further draw down of £325.0m of Term Loan X. This was used for general corporate purposes.

The certain ESG metrics linked to carbon emissions were re-baselined at the time of financing Term Loan Y. Changes were made in order to improve (i) accuracy of electricity consumption estimation for masts operating on third party sites and this was backdated to 2020 and (ii) the residual electricity grid mix emissions factor is now used for non-renewable electricity consumption.

VMED O2 UK HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
31 December 2022

(31) Alternative Performance Measures

VMED O2 use various non-IFRS financial measures to evaluate growth trends, assess operational performance and monitor cash performance. We consider that these measures enable investors to understand the ongoing operations of the business. They are used by management to monitor financial performance as it is considered to aid comparability of the financial performance from year to year.

These APMs should not be viewed as a complete picture of VMED O2's financial performance which is presented in the reported results. The exclusion of certain items may result in a more favourable view when costs such as depreciation and amortisation, costs to capture, restructuring and other operating expenses are excluded. These measures may not be comparable when reviewing similar measures reported by other companies.

Adjusted EBITDA

Adjusted EBITDA is the primary measure used by our chief operating decision maker to evaluate operating performance and is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources and (ii) evaluate the effectiveness of our management for the purposes of annual and other incentive compensation plans. Adjusted EBITDA is defined as profit (loss) from continuing operations before net income tax (expense) benefit, other non-operating income or expenses, share of results of investments accounted for by the equity method, net finance income (costs), depreciation and amortisation, share-based compensation, impairment, restructuring and other operating items and CTC operating expenses. Share-based compensation for the purposes of calculating Adjusted EBITDA also includes awards granted to VMED O2 employees that are settled with Liberty Global or Telefónica shares. CTC generally include incremental, third-party operating costs that are directly associated with integration activities, restructuring activities and certain other costs associated with aligning our business processes to derive synergies. See the "Financial Review" section for a reconciliation to the closest equivalent statutory measure, operating profit.

	Year ended 31 December	
	2022	
	in millions	
Operating profit.....	£	196.9
Restructuring and other operating expenses.....		62.6
Share-based compensation expense		43.6
Depreciation and amortisation.....		3,553.9
Costs to capture (CTC).....		74.6
Adjusted EBITDA.....	£	3,931.6

Transaction Adjusted Revenue and Transaction Adjusted EBITDA

Transaction Adjusted Revenue and Transaction Adjusted EBITDA are defined as revenue and Adjusted EBITDA normalised for certain adjustments, which have been made to more accurately represent the performance of the underlying operations. These adjustments reflect the fair value measurement required, in connection with the completion of the joint venture, whereby the opening balance sheet of the combined business was reported at its estimated fair value, resulting in the adjustment of certain deferred revenue, primarily installation, and deferred commission and install cost balances, which would have otherwise been released and recognised as revenue and operating costs respectively. We believe this is a key metric to understand VMED O2's growth, as it allows for a more meaningful comparison of trends from period to period.

VMED O2 UK HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
31 December 2022

See the “Financial Review” section for a reconciliation to the closest equivalent statutory measures, revenue and operating income respectively.

	Year ended 31 December
	2022
	in millions
Revenue	£ 10,360.0
Deferred revenue - Transaction Adjustments	21.9
Transaction Adjusted Revenue	£ 10,381.9

	Year ended 31 December
	2022
	in millions
Adjusted EBITDA (see above for reconciliation to nearest statutory measure)	£ 3,931.6
Deferred revenue - Transaction Adjustments	21.9
Deferred commissions and install cost - Transaction Adjustments	(48.1)
Transaction Adjusted EBITDA	£ 3,905.4

Adjusted Free Cash Flow

Adjusted Free Cash Flow is defined as the net cash provided by our operating activities, plus expenses financed by an intermediary, less (i) capital expenditures, as reported in our consolidated statements of cash flows, (ii) principal payments on amounts financed by vendors and intermediaries and (iii) principal payments on certain finance leases.

We believe that our presentation of Adjusted Free Cash Flow, which is a non-GAAP measure, provides useful information to our investors because this measure can be used to gauge our ability to service debt and fund new investment opportunities. Adjusted Free Cash Flow should not be understood to represent our ability to fund discretionary amounts, as we have various mandatory and contractual obligations, including debt repayments, which are not deducted to arrive at this amount. Investors should view Adjusted Free Cash Flow as a supplement to, and not a substitute for, IFRS measures of liquidity included in our consolidated statements of cash flows.

	Year ended 31 December
	2022
	in millions
Net cash provided by operating activities	£ 2,953.5
Capital expenditures, net	(1,522.2)
Expenses financed by an intermediary	1,765.8
Principal payments on amounts funded by vendors and intermediaries	(2,333.6)
Principal payments on leases	(197.5)
Adjusted Free Cash Flow	£ 666.0

VMED O2 UK HOLDINGS LIMITED
COMPANY STATEMENTS OF FINANCIAL POSITION

	Note	31 December	
	References	2022	2021
		in millions	
ASSETS			
Non-current assets:			
Investments in subsidiaries.....	5	£ 20,559.7	£ 20,559.7
Trade receivables and other non-current assets.....	6	8.5	8.2
Total assets.....		£ 20,568.2	£ 20,567.9
OWNER'S EQUITY			
Owner's equity:			
Share premium.....	7	£ 20,559.7	£ 20,559.7
Accumulated profit.....	7	8.5	8.2
Total owner's equity.....		£ 20,568.2	£ 20,567.9

The notes on pages 185 to 189 for part of the financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2023 by:

Mark Hardman

M Hardman

Director

Company Registration Number: 13047827

VMED O2 UK HOLDINGS LIMITED
COMPANY STATEMENTS OF CHANGES IN EQUITY

	Note References	Ordinary shares	Share premium	Accumulated profit (loss)	Total owner's equity
in millions					
Balance at 1 January 2022		£ —	£ 20,559.7	£ 8.2	£ 20,567.9
Net profit	3	—	—	0.3	0.3
Balance at 31 December 2022		£ —	£ 20,559.7	£ 8.5	£ 20,568.2

	Note References	Ordinary shares	Share premium	Accumulated profit (loss)	Total owner's equity
in millions					
Balance at 27 November 2020		£ —	£ —	£ —	£ —
Shares issued	7	—	20,559.7	—	20,559.7
Net profit	3	—	—	8.2	8.2
Balance at 31 December 2021		£ —	£ 20,559.7	£ 8.2	£ 20,567.9

The notes on pages 185 to 189 for part of the financial statements.

VMED O2 UK HOLDINGS LIMITED
Notes to Company Financial Statements
31 December 2022

(1) Company Information

VMED O2 UK Holdings Limited (**VMED O2** or the **Company**) is a private company incorporated, domiciled and registered in the United Kingdom (**U.K.**) (registration number 13047827). The registered address of VMED O2 is 500 Brook Drive, Reading, RG2 6UU.

(2) Summary of Significant Accounting Policies

Accounting Policies

A summary of our principal accounting policies is set forth below. All accounting policies have been applied consistently, unless otherwise noted.

Basis of Accounting

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006 and the 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.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures, where required equivalent disclosures are included within the consolidated financial statements:

- Cash flow statements and related notes;
- 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 International Accounting Standards;
- Disclosures in respect of 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 include equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following:

- Certain disclosures required by IFRS 13 fair value measurement; the disclosures required by IFRS 7 financial instruments.

No profit or loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Going Concern

The financial statements have been approved on the basis that the Company remains a going concern. The following section summarises the basis on which the Directors have reached their conclusion.

After making suitable enquiries and obtaining the necessary assurances that sufficient resources will be made available to meet any liabilities as they fall due, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although at the

VMED O2 UK HOLDINGS LIMITED
Notes to Company Financial Statements — (Continued)
31 December 2022

date of approval of these financial statements they have no reason to believe that it will not do so as continued operations are key to the wider Group.

Forecasts and projections, which take into account reasonably possible downsides in trading performance, have not been prepared at a Group level. They have been prepared for VMED O2 UK Limited, as the ultimate parent company of the Joint Venture, and its fellow subsidiaries (which includes this Company). These forecasts and projections indicate that cash on hand, together with cash from operations and revolving credit facilities, is expected to be sufficient for the Company's cash requirements through to at least 12 months from the date of approval of these financial statements.

Taking into account these forecasts and projections and after making enquiries, the Directors have a reasonable expectation the Company has adequate support and resources to continue in operational existence for the foreseeable future. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

Investment 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.

Trade Receivables

Our trade receivables 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 our current estimate of lifetime expected credit losses. We use 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.

Estimates and Judgements

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.

VMED O2 UK HOLDINGS LIMITED
Notes to Company Financial Statements — (Continued)
31 December 2022

Fair Value Measurement of Financial Instruments

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

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

(3) Profit Attributable to Members of the Company

The Company's net profit for the year ended 31 December 2022 and period from 27 November 2020 to 31 December 2021 was £0.3 million and £8.2 million, respectively.

(4) Auditor's and Directors' Remuneration

Fees paid to the auditor for services to the Company itself are not disclosed in the company financial statements, as the consolidated financial statements disclose such fees on a consolidated basis.

The Directors received no remuneration for qualifying services as directors of the Company. All Directors' remuneration is paid and disclosed in the consolidated financial statements.

(5) Investments in Subsidiaries

The details of our investments for the indicated periods are as follows (in millions):

27 November 2020	£ —
Additions	21,038.5
Disposals	(478.8)
31 December 2021	20,559.7
31 December 2022	£ 20,559.7

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 28 of the consolidated financial statements.

On 16 September 2021, the Company acquired 100% of the ordinary share capital of (i) Virgin Media for £12,715.0 million, (ii) VMED O2 UK Holdco I Limited for £7,844.7 million and (iii) VMED O2 Financing I for £50,000.

On 4 March 2021, as part of a wider group restructure, the Company disposed of its investment in UPC Broadband Ireland Limited for a consideration of £516.8 million, resulting in a gain on disposal of £38.0 million.

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.

VMED O2 UK HOLDINGS LIMITED
Notes to Company Financial Statements — (Continued)
31 December 2022

(6) Trade Receivables and Other Non-Current Assets

The details of our trade receivables and other non-current assets are set forth below:

	31 December	
	2022	2021
	in millions	
Amounts owed by Group undertakings.....	£ 8.2	£ 8.2
Other receivables.....	0.3	—
Total.....	£ 8.5	£ 8.2

Amounts owed by Group undertakings falling due after one year include notes receivable with carrying values of £7.9 million and £7.9 million at 31 December 2022 and 2021, respectively. These notes are denominated in pound sterling, bear interest at a rate of 4.21% and mature on 9 March 2028.

(7) Capital and Reserves

Share Capital

	31 December	
	2022	2021
Called up, allotted and fully paid:		
Ordinary shares of £1 each.....	3	3

The balance classified as share capital represents the nominal value on issue of the company's equity share capital, comprising £3 ordinary shares.

On 16 September 2021, the Company issued two ordinary shares with a nominal value of £2 for consideration of £20,559,746,000.

Share premium account

Includes any premiums received on issue of share capital, less group reconstruction relief where appropriate. Any transaction costs associated with the issuing of shares are deducted from share premium.

Accumulated Profit

Accumulated profit records the Company's retained profit or loss.

(8) Guarantees

Fellow Group undertakings are party to a senior secured credit facility with a syndicate of banks. As of 31 December 2022, this comprised term facilities that amounted to £6,851.0 million and revolving credit facilities of £1,387.0 million, which were undrawn as of 31 December 2022. 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 as of 31 December 2022 amounted to £8,544.0 million. Borrowings under the notes are secured against the assets of certain members of the Group.

VMED O2 UK HOLDINGS LIMITED
Notes to Company Financial Statements — (Continued)
31 December 2022

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 of 31 December 2022 amounted to £1,207.0 million.

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

(9) Principal Subsidiary Undertakings

For information regarding the Company's direct and indirect subsidiaries, see note 28 to the consolidated financial statements.

(10) Parent Undertaking and Controlling Party

The Company's immediate and ultimate parent undertaking is VMED O2 UK Limited.