Registered Number: 2604354

O2 Holdings Limited

Annual Report and Financial Statements for the year ended 31 December 2014

Contents

O2 Holdings Limited
Company information

Registered No. 2604354

Directors

Robert Harwood
Enrique Medina Malo
Robert McBreen

Secretary

O2 Secretaries Limited

Registered office

260 Bath Road
Slough
Berkshire
SL1 4DX
UK

Auditor

Ernst & Young LLP
Apex Plaza
Forbury Road,
Reading
RG1 1YE

Strategy

O2 Holdings Limited is an intermediate holding company within the Telefonica Group. The Company's strategy is integral to that of its principal subsidiaries which aim to excel in traditional and fixed mobile businesses through customer experience leadership and innovative value propositions, whilst playing a wider role in the digital and online world.

In accordance with Section 400 of the Companies Act 2006 the Company is exempt from producing consolidated financial statements by virtue of being a wholly owned subsidiary of mmO2 plc (now known as mmo2 Limited) as at 31 December 2014, which consolidates the Company and its subsidiary undertakings. The Directors have accordingly decided to prepare individual financial statements. .

Reference to "Group" means Telefonica Europe plc and its subsidiaries of which the Company is a part.

Performance and Development

Financial performance of the Company for the year ended 31 December 2014:

The operating loss for the Company in the year to 31 December 2014 is £548 million (year ended 31 December 2013: £37 million). This has arisen primarily as a result of charge for impairment of investments in subsidiary companies during the current year.

The Company has generated a profit before tax of £55 million in 2014 in comparison to a profit before tax of £932 million in the prior year. This has been driven by the net financial income, largely attributable to dividends received of £648 million (year ended 31 December 2013: £1,035 million), offset by the impairment charge referred to above.

Financial position of the Company as at 31 December 2014:

The net assets of the Company as at 31 December 2014 were £3,044 million compared to £4,003 million at 31 December 2013. The decrease is largely attributable to a dividend payment of £1,044 million to the parent company, partly offset by total comprehensive income for the year.

Given that the Company operates as a holding company, the performance of the Company is integral to the performance of its principal trading subsidiaries and the Directors are of the opinion that analysis using key performance indicators is not necessary for understanding the Company's business itself.

Detail about the operating performance of the Company's main subsidiary, Telefonica UK Limited, can be obtained from that company's statutory accounts and from the financial results releases of the Company's ultimate shareholder, Telefonica S.A.

Risks and uncertainties

The Directors have satisfied themselves that it is not essential for the Company to have a separate risk management system since the Company's risks and uncertainties are integral to the principal risks and uncertainties of its key subsidiaries as listed in note 18. These risks include:

<u>Regulatory Intervention</u>: New or more onerous regulatory obligations imposed by the National Regulatory Authorities and the European Commission on wholesale and retail pricing and the exercise of commercial freedom, which could negatively affect the Company's profitability.

<u>Competition:</u> Ongoing risks from new or existing competitors that could challenge The Company's strategy and business model.

Risks and uncertainties (continued)

Managed Services/Outsourcing: The Company relies on outsourcing for the delivery of various services. Failure to manage outsourced services could result in reduced control over the quality and consistency of services.

Breach of Data Security: A failure to maintain sufficient information security processes could lead to a data protection breach, resulting in loss of customer confidence, fines and damage to brand reputation.

Network Infrastructure: Inadequate resilience in critical systems could negatively affect service delivery to customers in the event of a lengthy outage.

Pension: The Group's pension arrangements are an important part of the reward package and a key element in the attraction and retention of employees. The pension funding position is highly sensitive to assumptions for discount rates, inflation and life expectancy. Therefore any variation from these assumed values has the potential to introduce volatility to the Company's results.

The key subsidiaries have a series of controls in place to mitigate these risks, both within their internal operations and in the wider external market.

The key subsidiaries employee teams of professional regulators to engage with the associated Regulatory Authorities on all aspects of their Businesses to ensure that the impact on the subsidiaries profitability is not negatively impacted.

The key subsidiaries monitor products, prices and customer preferences so that they can compete with new products and services introduced by competitors and offer fair, pre-emptive pricing strategies which successfully deliver the cost-versus-service balance that their customers demand.

Mandatory Service Level Agreements and security controls are written into outsourcing contracts and the 'Customer Plan' focuses on positively differentiating customer experience. Governance meetings are also held with the key Outsourced providers to ensure SLA's and KPI's are regularly monitored, reviewed and reported upon.

Data Security is consistently monitored through the deployment of Network Access Control (NAC) and Data Loss Prevention (DLP) software. The "Security-in-Life" process is engaged with every project delivery to ensure adequate Security Measures are taken to minimize the risk of Data Loss. The Security Incident Management process is in place and is initiated whenever a possible Security Incident is identified.

Through the continual roll-out of new Network Technologies the risk of inadequate resilient systems is continually reducing.

Through the implementation of a robust Quality Management System (QMS) a team of Quality experts supported by external professional bodies monitor and attest to the effectiveness of the QMS to ensure that the risk of maintaining certifications and accreditations is mitigated.

The Company participates in an unfunded defined benefit scheme. In addition, Telefónica Europe plc, its ultimate UK parent company, sponsors a group-wide defined benefit scheme, the Telefónica Pension Plan ("the Plan"), in which employees of the Company are members and therefore the Company has been recharged the contributions payable into the scheme for the period. The retirement benefit obligation of this scheme is recorded on the statement of financial position of Telefónica Europe plc.

Telefonica Europe plc and the Trustee of the Plan regularly monitor the Plan's funding position and investment strategy to understand and manage the risks associated with the operation of the Plan. Agreed investment triggers are in place to reduce the Plan's investment risk when opportunities arise in the future. The defined benefit sections of the Plan closed to accrual with effect from 28 February 2013 to limit the further build-up of risk.

Group reorganisation

The Group has previously indicated its intention to undertake a corporate simplification project to rationalise the corporate structure including the elimination, where possible, of dormant and non-trading entities. The project will also involve a reorganisation of companies in preparation for the Telefonica Group's disposal of the UK business as a whole, subject to clearance by the Regulatory and Competition Authorities as disclosed in the next paragraph. The group has now started this project and intends to simplify as many non trading and dormant companies and then strike off the companies that are no longer required.

Significant Post Year End Development

On 24 March 2015 Telefonica SA announced that it had entered into an agreement with Hutchison Whampoa, the parent company of Three in the UK for the sale of Telefonica's UK business for an initial cash consideration of £9.25 billion upon the closing of the transaction and an additional deferred payment of £1 billion to be paid once the cumulative cash flow of the combined entity in the UK has reached an agreed threshold. The agreement is subject to clearance by the Regulatory and Competition Authorities.

Pursuant to the aforementioned Group reorganisation plan the following transactions were completed after the balance sheet date:

On 10 June 2015 the Company transferred the shares held in its subsidiaries O2 International Holdings Limited and Kilmaine Limited, to O2 Europe Limited, a fellow subsidiary, for a cash consideration of £169 million.

In June 2015 the Company settled a liability for loan payable to O2 Limited for £101 million. In July the Company settled intercompany receivables of £314 million with O2 Third Generation Holdings Limited. Further in August 2015 the Company settled its intercompany receivables of £590 million with O2 Networks Limited and intercompany payables of £4,030 million, £2,319 million, £1,335 million and £591 million with O2 Third Generation Holdings Limited, O2 Networks Limited, Telefonica UK Limited and O2 Third Generation Limited, respectively,

On 7 August 2015 the Company acquired the entire issued share capital of O2 Cedar Limited from O2 Investments Ireland, a subsidiary company, for a cash consideration of £100.

On 18 August 2015 the Company acquired the entire issued share capital of Telefonica UK Limited from O2 Networks Limited, a subsidiary company, for a cash consideration of £9,013 million.

On 20 August 2015 mmO2 Limited (formerly mmO2 Plc), the immediate parent of the Company, transferred the shares held in the Company to Telefonica Europe Plc for a cash consideration of £10,273 million.

The Strategic Report was approved by the Board on 29 September 2015

By Order of the Board

Vivienne Aziba
For and on behalf of O2 Secretaries Limited
Company Secretary

Legal Form

O2 Holdings Limited (the "Company") is a private limited company registered in England and Wales under the number 2604354. The registered address is 260 Bath Road, Slough, Berkshire SL1 4DX. It is a wholly owned subsidiary within the Telefonica group of Companies, The ultimate UK parent is Telefonica Europe plc and the ultimate parent is Telefónica S.A., a company incorporated in Spain.

Directors and Secretary

The Directors who held office during the year and currently are as follows:

Robert Harwood
Maria Pilar López Alvarez (resigned on 9 July 2014)
Enrique Medina Malo
Robert McBreen (appointed on 1 December 2014)

O2 Secretaries Limited served as secretary throughout the year.

Directors Liability Insurance and Indemnity

Telefonica Europe plc, the Company's ultimate UK parent company, has granted an indemnity in the form permitted by UK Company Law to Directors appointed to subsidiary companies. This indemnity remains in place and continues until such time as any relevant limitation periods for bringing claims (as defined in the indemnity) against the Director has expired, or for so long as the past Director, where relevant, remains liable for any losses (as defined in the indemnity).

Dividends

Dividend declared or paid during the year ended 31 December 2014 €804.5m and £396m (year ended 31 December 2013: No dividend was paid).

Political donations

The Company made no political donation during the year ended 31 December 2014 (2013: £nil).

Employees

The Company has a wide range of communication channels with employees including face-to-face meetings, team briefings, audio conferences and a comprehensive intranet with tailored content dependent on employee segmentation. The aim of all these channels is to ensure employees fully understand the Company's objectives and its operational and financial performance as well as our latest products and services, whilst creating an inclusive employee culture. In addition the Company conducts an annual engagement survey with additional regular temperature checks and maintains a constructive dialogue with unions, employee representative bodies and works councils.

The employee experience is paramount and the Company continues to be committed to the development of all people in the organisation, actively promoting this through many training and development initiatives. People are encouraged and supported in maintaining personal development plans. The Company has invested in e-learning technology to give people better access to a wide range of learning opportunities.

Employees (continued)

The Company is committed to employment policies that follow best practice, based on equal opportunities for all, and recognises the diversity of its people. This approach includes the fair treatment of people with disabilities in relation to their recruitment, training and development. The Company has also invested in researching age, gender and disability diversity across the organisation, seeking to support all employees and their career development at every level of the organisation.

The Company strives to create a high performing culture by targeting and rewarding our employees based on both personal and company performance. We do this through our annual bonus which encourages all employees to perform to the best of their capability to contribute to the company's ability to achieve its goals.

Financial risk management objectives, policies and exposure

Details of the Group's approach to financial risk management are set out in the financial statements in note 18 "Financial instruments".

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In addition the Company benefits from a parental support letter from its immediate parent company, Telefonica Europe Plc., which in turn benefits from a parental support letter from its immediate parent company, Telefonica S.A., which is also O2 Holdings Limited's ultimate parent company for a period of at least twelve months from the date of approval of these Financial Statements.

Statement as to disclosure to Auditor

So far as each Director is aware, there is no relevant audit information of which the Company's auditor was unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' Report was approved by the Board on 29 September 2015

By Order of the Board:

Vivienne Aziba
For and on behalf of
O2 Secretaries Limited
Company Secretary

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing the financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgments and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF O2 Holdings Limited

We have audited the financial statements of O2 Holdings Limited for the year ended 2014 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statements of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
29 September 2015

O2 Holdings Limited
Statement of comprehensive income
Year ended 31 December 2014

Registered No. 2604354

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Other operating income		**48**	81
Administrative expenses		**(42)**	(118)
Other non-recurring expenses	5	**(554)**	-
Operating loss	2	**(548)**	(37)
Financial income	3	**659**	1,049
Financial expense	3	**(56)**	(80)
Profit before taxation		**55**	932
Taxation credit	4	**30**	64
Profit for the year attributable to equity shareholders of the parent		**85**	996
Total comprehensive income for the year attributable to the equity holders of the parent		**85**	996

The accompanying notes are an integral part of these financial statements.

There are no other gains or losses apart from the ones recognised above.

O2 Holdings Limited
Statement of financial position
As at 31 December 2014

Registered No. 2604354

	Note	31 December 2014 £m	31 December 2013 £m
Non-current assets			
Investments in subsidiary undertakings	5	**10,348**	10,902
Property, plant and equipment	7	**-**	-
Other intangible assets	8	**3**	10
Deferred tax assets	15	**3**	3
		10,354	10,915
Current assets			
Trade and other receivables	9	**1,245**	1,259
Cash and cash equivalents	10	**36**	39
		1,281	1,298
Current liabilities			
Borrowings	11	**(8,395)**	(7,934)
Trade and other payables	12	**(181)**	(257)
		(8,576)	(8,191)
Net current liabilities		**(7,295)**	(6,893)
Total assets less current liabilities		**3,059**	4,022
Non-current liabilities			
Retirement benefit obligations	13	**(3)**	(7)
Borrowings	11	**(12)**	(12)
		(15)	(19)
Net assets		**3,044**	4,003
Equity			
Ordinary share capital	15	**12**	12
Share premium		**-**	-
Retained earnings		**3,032**	3,991
Total equity		**3,046**	4,003

The accompanying notes are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 29 September 2015 and were signed on its behalf by:

Robert Harwood
Director

O2 Holdings Limited Registered No. 2604354

Statement of changes in equity
Year ended 31 December 2014

Company	Ordinary share capital £m	Share premium £m	Retained earnings £m	Total Equity £m
At 1 January 2013	**12**	**-**	**2,995**	**3,007**
Total comprehensive income for the year	-	-	996	**996**
At 31 December 2013	**12**	**-**	**3,991**	**4,003**
Dividend Paid	-	-	(1,044)	**(1,044)**
Total comprehensive income for the year	-	-	85	**85**
At 31 December 2014	**12**	**-**	**3,032**	**3,044**

The accompanying notes are an integral part of these financial statements.

O2 Holdings Limited Registered No. 2604354

Statement of cash flows
Year ended 31 December 2014

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Profit before taxation		**55**	932
Adjustment for:			
Financial income		**(659)**	(1,049)
Financial expenses		**56**	80
Other non-recurring expenses (impairment charge)	5	**544**	-
Depreciation and amortisation charges	7, 8	**7**	15
Decrease / (increase) in trade and other receivables	9	**14**	(30)
(Decrease) in trade and other payables	12	**(76)**	(54)
(Decrease) in provisions		**(4)**	(3)
Other non-cash movements		**(3)**	2
Net cash flow used in operating activities		**(66)**	(107)
(Increase) in business investments	5	**-**	(70)
(Increase) in intangible assets	8	**-**	(3)
Dividends received	3	**648**	1,035
Net cash flow generated by investing activities		**648**	962
Increase / (decrease) in borrowings	11	**461**	(885)
Dividends paid	6	**(1,044)**	-
Interest paid		**(2)**	(3)
Net cash flow used in financing activities		**(585)**	(888)
Net (decrease) in cash and cash equivalents		**(3)**	(33)
Cash and cash equivalents at start of the year	10	**39**	72
Cash and cash equivalents at end of the year	10	**36**	39

The accompanying notes are an integral part of these financial statements.

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as adopted for use in the EU. In addition the financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared using historical cost principles except that, as disclosed in the accounting policies below, certain items are measured at fair value.

The principal accounting policies of the Company applied in the preparation of these financial statements are set out below. The IFRS accounting policies have been applied consistently to all periods presented.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In addition the Company benefits from a parental support letter from its immediate parent company, Telefonica Europe Plc., which in turn benefits from a parental support letter from its immediate parent company, Telefonica S.A., which is also O2 Holdings Limited's ultimate parent company for a period of at least twelve months from the date of approval of these Financial Statements.

Consolidated financial statements

In accordance with s400 of the Companies Act 2006, consolidated financial statements have not been prepared as the Company and its subsidiaries are included in the group financial statements of mmO2. Copies of the financial statements of mmO2 may be obtained from 260 Bath Road, Slough, Berkshire, SL1 4DX.

The principal accounting policies of the Company applied in the preparation of these financial statements are set out below. The IFRS accounting policies have been applied consistently to all periods presented.

Functional currency

The Company financial statements are presented in sterling, which is also the functional currency.

Transactions denominated in foreign currencies are translated at the exchange rate on the day the transaction occurred to the functional currency of the entity. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the statement of financial position date.

Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currency are translated at the foreign currency exchange rate ruling at the dates the non-monetary assets and liabilities are recognised.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses, where applicable. The cost of property, plant and equipment includes directly attributable incremental costs incurred in its acquisition and installation and also the initial estimate of costs of dismantling, removing the item and restoring the site on which it is located. 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 item will flow to the Company and the cost of the item can be measured reliably. Interest and other financial expenses incurred and directly attributable to the acquisition or construction of qualifying assets are capitalised.

1. Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is provided on property, plant and equipment from the date they are available for use over their estimated useful lives on a straight-line basis. The lives assigned to property, plant and equipment are:

Computers and office equipment	2 to 6 years

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each statement of financial position date.

Other intangible assets

Software

Software is capitalised and measured at the cost incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of between 2 and 6 years on a straight line basis. Costs that are directly associated with the production of identifiable unique software products controlled by the Company, which are expected to generate economic benefits over a period of more than one year, are recognised as intangible assets. Computer software development costs recognised as intangible assets are amortised over their estimated useful lives not exceeding 6 years on a straight line basis.

Investments

Investments are stated at cost less provision for impairment. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an investment's fair value less costs to sell and value in use.

Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets with a definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units").

Employee benefits

Employee benefits - Pension obligations

The Company operates both defined benefit and defined contribution plans. A defined benefit plan generally provides pensions based on the employee's length of service and their final pensionable salary. A defined contribution plan offers employees individual funds which are converted into pension benefits on retirement.

The company participates in the Telefonica Pension Plan ("Telefonica PP"), a scheme sponsored by Telefonica Europe plc that provides benefits for the majority of the UK employees in the Telefonica Europe plc group. The Telefonica PP has both defined benefit and defined contributions sections and covers all employees of the Group. The defined benefit sections are closed to new entrants. The assets of the schemes are held independently of the Company's finances.

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

1. Accounting policies (continued)

Employee benefits (continued)

Companies within the Group account for the defined benefit sections of the Telefonica Pension Plan as though it were a defined contribution plan as there is no arrangement for charging out the net defined benefit cost between participating employers. The net defined benefit cost of the defined benefit sections, as assessed in accordance with the advice of a qualified, independent actuary using the projected unit method and taking assets at market value, is recognised by the sponsoring employer. Accordingly the defined benefit liability or asset of the Telefonica PP is not recognised on the statement of financial position of the Company as the sponsoring employer is Telefonica Europe plc. Disclosures of the defined benefit sections of the Telefonica PP are provided in note 14. Additional disclosure in line with the requirements of IAS 19 for both the current and previous accounting periods is provided in the consolidated Annual Report and financial Statements of mmO2 plc for the year ended 31 December 2014.

Share based payments

The Company recognises an expense for share awards and share options, which are both equity and cash settled, based on the fair value of the share awards or share options granted as compensation for the services rendered by employees. The fair value is calculated at the grant date using an adjusted statistical model and excludes the impact of non-market conditions. Instead, the expense is adjusted for the effect of non-market conditions at each reporting date through the number of share awards or share options expected to be exercisable. The effect of market and non-vesting conditions is included in the fair value at the date of grant and is recognised as an expense irrespective of whether the market or non-vesting condition is satisfied. Any proceeds received are credited to share capital and share premium when the share option or award are exercised. In addition, for cash-settled share based payment transactions, the Company measures the services received and the liability incurred at the fair value of the liability. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in the consolidated statement of comprehensive income for the period.

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax and current tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Income tax relating to items recognised directly in other comprehensive income is also recognised directly in other comprehensive income.

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable than an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The Company recognises a provision for exceptional contractual costs when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Restructuring provisions comprise employee termination payments, and these are recognised in the period in which the Company becomes legally or constructively committed to payment.

Borrowings

Borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the cost and the redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Accrued interest on borrowings is included within the carrying value.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends received from the subsidiary companies are treated as financial income and are recognized in the period in which they are received.

Income is recognised when the company's rights to receive the payment is established. Dividends received from subsidiary companies are recognised as finance income in the Company's financial statements in the period in which the dividends are received.

New IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The accounting policies applied in the preparation of the consolidated financial statements for the year ended December 31, 2014 are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended December 31, 2013, except for the application of new standards, amendments to standards and interpretations published by the IASB and the IFRIC, and adopted by the European Union, effective as of January 1, 2014, noted below:

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanism of clearing houses to qualify for offsetting.

IFRIC 21 Interpretation 21 Levies
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers

payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching

1. Accounting policies (continued)

a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached The adoption of IFRIC 21 did not have a material financial impact in the Group´s consolidated financial position or results.

IAS39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS39
Amendments to IAS 36 Impairment of Assets.

The application of these amendments has had no impact on the Group's consolidated financial position or results.

Investment entities (Amendments to IFRS10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries –as well as investments in associates and joint ventures at fair value through profit or loss. This amendment is not relevant to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

New standards and IFRIC interpretations issued but not effective as of December 31, 2014

At the date of preparation of the financial statements, the following IFRS and IFRIC interpretations have been published, but their application is not mandatory:

Effective for annual periods beginning after 31 December 2014
New Standards and amendments

		Effective date: annual periods beginning on or after
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to IFRS 2010-2012		1 July 2014
Improvements to IFRS 2011-2013		1 July 2014
Improvements to IFRS 2012-2014		1 January 2016
IFRS 14	*Regulatory Deferral Accounts*	1 January 2016
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*	1 January 2016
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to IAS 1	*Disclosure Initiative*	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*	1 January 2016
IFRS 15	*Revenues from Contracts with Customers*	1 January 2017
IFRS 9	*Financial instruments*	1 January 2018

Amendments to IFRS 7	*Disclosures - Transition to IFRS 9*	1 January 2018

The Company is currently analysing the potential impact of the application of the aforementioned standards, amendments and interpretations. As there are a significant number of changes, it is

1. Accounting policies (continued)

possible that such application may have some impact on its financial statements in the initial period of application. The standards will be adopted on the effective date mentioned in the table above.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. A significant change in the facts and circumstances on which these estimates are based could have a material negative impact on the Company's earnings and financial position. The areas involving a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the financial statements are discussed below.

Provisions

Provisions are recognised when an event in the past gives rise to a current obligation for the Company, the settlement of which requires an outlay that is considered probable and can be estimated reliably. This obligation may be legal or constructive; deriving from regulations, contracts, normal practices or public commitments that lead third parties to reasonably expect that the Company will assume certain responsibilities. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, taking into account all available information.

No provision is recognised if the amount of liability cannot be estimated reliably. In this case, the relevant information is disclosed in the notes to the financial statements.

Given the uncertainties inherent in the estimates used to determine the amount of provision, actual outflows of resources may differ from the amounts recognised originally on the basis of the estimates.

2. Operating loss

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Operating loss is stated after charging / (crediting):		
Total amortisation of other intangible assets (note 8)	**7**	15
Management charges to Group undertakings	**(42)**	(81)
Employee benefit expense (note 22)	**24**	27

Management charges to Group undertakings represent recharges for services provided to fellow group companies within the Group. These services include use of the brand and other centrally provided services. The brand fees is recharged to the Company by Telefonica S.A. and the Company subsequently passed it on to fellow group companies within the Group. Further details of intercompany loans and trading balances are included within note 16.

3. Net financial income

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Interest income on loans to subsidiaries and other related parties (note 16)	10	13
Interest income on loans to immediate parent company (note 16)	-	-
Dividends received from subsidiary companies	648	1,035
Foreign exchange differences	1	1
Financial income	**659**	1,049
Interest expense on borrowings from subsidiaries and other related parties (note 16)	(54)	(67)
Interest expense on borrowings from immediate parent company (note 16)	-	-
Foreign exchange differences	(2)	(13)
Financial expense	**(56)**	(80)
Net financial income	**603**	969

4. Taxation

The analysis of credit for the year is as follows:

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Current tax - UK tax	**(34)**	(60)
Current tax - adjustments in respect of prior periods	**4**	(6)
Deferred tax - adjustments in respect of prior periods	**-**	2
Taxation (credit) for the year	**(30)**	(64)

The tax assessed for the period varied from the amount computed by applying the corporation tax standard rate to profit on ordinary activities before taxation. The difference was attributable to the following factors:

	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
(Loss) / profit before taxation	**55**	932
(Loss) / profit on ordinary activities multiplied by the effective rate of UK corporation tax of 21.5% (2013: 23.25%)	**12**	217
Expenses not deductible for tax purposes	**120**	3
Non-taxable income	**(139)**	(240)
UK-UK transfer pricing adjustments	**(27)**	(40)
Adjustments in respect of prior periods	**4**	(4)
Taxation (credit) for the year	**(30)**	(64)

Finance Act 2013 reduced the main rate of corporation tax to 21%, with effect from 1 April 2014, with a further reduction to 20%, with effect from 1 April 2015

5. Investments in subsidiary undertakings

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2013 and 31 December 2013	**14,393**
Additions	
At 31 December 2014	**14,393**
Impairment	
At 1 January 2013	(3,491)
Impairment for the year	-
At 31 December 2013	(3,491)
Impairment for the year	(554)
At 31 December 2014	(4,045)
Net book value	
At 31 December 2014	**10,348**
At 31 December 2013	10,902

For the year ended 31 December 2014, the Company recognized an impairment loss in relation to its investments in subsidiaries of £554 million. The impairment loss was derived from an updated value in use calculation, and was triggered principally by the payment of dividends during the year by certain subsidiaries and other revisions to estimated future cash flows from the UK business.

Main assumptions used in calculating value in use

Value in use is calculated based on the approved business plan and taking into account certain variables such as OIBDA margin, CAPEX ratio for non-current assets, expressed as a percentage of revenue, and discount and perpetuity growth rates.

OIBDA margin and long-term CAPEX

The OIBDA margin and long-term CAPEX ratio used to calculate terminal value, expressed as a percentage of revenue, are based on the business plans approved for each CGU, as well as external estimates of trends in operating indicators, and the outlook for the various businesses and markets.

Discount rate

The discount rate, applied to measure free cash flow, is the weighted average cost of capital (WACC), determined by the weighted average cost of equity and debt according to the finance structure established for each CGU.

The discounts rates applied to the cash flow projections in 2014 and 2013 are as follows:

	2014	2013
United Kingdom	**6.2%**	6.1%

5. Investments in subsidiary undertakings (continued)

Perpetuity growth rate

Cash flow projections to the end of the asset's useful life are estimated using a rate of growth for the future years.

Terminal value is calculated from the projected cash flows in the period, taking as the perpetuity growth rate consensus estimates among analysts for the business and the country based on the maturity of the industry depending on technology and the degree of development. Each indicator is compared to the forecasted long-term GDP growth adjusted for any specific characteristics of the business.

The perpetuity growth rates applied to the cash flow projections in 2014 and 2013 are as follows:

	2014	2013
United Kingdom	**1%**	1%

Sensitivity to changes in assumptions
The Group carries out its sensitivity analysis of the impairment test by considering reasonable changes in the main assumptions used in calculating value in use assuming the following increases or decreases in the assumptions, expressed in percentage points:

- Discount rate (-0.5p.p. / +0.5p.p.)
- Perpetuity growth rates (+0.25p.p / -0.25p.p)
- OIBDA Margin (+2p.p. / -2p.p.)
- Ratio of CAPEX / Revenues (+1p.p. / -1p.p.)

As a consequence of the sensitivity analysis performed as of December 2014, there is no significant risk associated to changes in financial and operating variables considered individually. Management considers that within the above ranges, reasonably wide, no impairment losses would be recognized over the carrying amounts of the goodwill allocated to the CGU.

6. Dividends paid

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Interim dividend for year ended 31 December 2014: £87 per share	**1,044**	-
Interim dividend for year ended 31 December 2013	-	-
	1,044	-

Dividend declared and paid by the Company during the year ended 31 December 2014 was £1,044 million (31 December 2013: nil).

7. Property, plant and equipment

	Computer Equipment £m
Cost	
At 1 January 2013	5
Additions	-
At 31 December 2013	**5**
Additions	-
At 31 December 2014	**5**
Amortisation and impairment	
At 1 January 2013	5
Charge for the year	-
At 31 December 2013	**5**
Charge for the year	-
At 31 December 2014	**5**
Net book value	
At 31 December 2014	**-**
At 31 December 2013	-

8. Other intangible assets

	Software	Assets in course of construction	Other	Total
Cost	£m	£m	£m	£m
At 1 January 2013	58	5	2	65
Additions	1	-	-	1
Reclassifications	5	(5)	-	-
At 31 December 2013	64	-	2	66
Additions	-	-	-	-
Reclassifications	-	-	-	-
At 31 December 2014	**64**	**-**	**2**	**66**
Amortisation and impairment				
At 1 January 2013	39	-	2	41
Charge for the year	15	-	-	15
At 31 December 2013	54	-	2	56
Charge for the year	7	-	-	7
At 31 December 2014	**61**	**-**	**2**	**63**

Net book value				
At 31 December 2014	**3**	**-**	**-**	**3**
At 31 December 2013	10	-	-	10

9. Trade and other receivables

	31 December 2014 £m	31 December 2013 £m
Amounts owed by subsidiaries (note 16)	**1,155**	1,120
Amounts owed by other related parties (note 16)	**57**	99
Prepayments	**10**	13
Other receivable	**23**	27
	1,245	1,259

10. Cash and cash equivalents

	31 December 2014 £m	31 December 2013 £m
Short term deposits	**36**	39
Cash and cash equivalents	**36**	39

The Company's short term deposits are funds deposited with Telfisa Global BV, a related party.

11. Borrowings

Current unsecured borrowings	31-Dec 2014 £m	31-Dec 2013 £m
Amounts owed to immediate parent company (note 16)	-	-
Amounts owed to subsidiaries (note 16)	8,395	7,843
Amounts owed to other related parties (note 16)	-	91
	8,395	7,934

Non-Current unsecured borrowings		
Amounts owed to immediate parent company (note 16)	-	-
Amounts owed to subsidiaries (note 16)	-	-
Amounts owed to other related parties (note 16)	12	12
	12	12

Included in current borrowings are a £4,030 million (31 December 2013: £4,030 million) interest free intercompany loan from O2 Third Generation Holdings Limited and a loan from O2 Networks Limited, a subsidiary of the Company, of £2,318 million (31 December 2013: £2,288 million) with an effective interest rate of 1.36% for the year ended 31 December 2014 (31December 2013: 1.59%). Interest rate changes annually on 1 April and the rate is based on 12 months LIBOR plus 45 basis points.

In June 2015 the Company settled a liability for loan payable to O2 Limited for £101 million. Further in August 2015 the Company settled intercompany payables of £4,030 million, £2,319 million, £1,335 million and £591 million with O2 Third Generation Holdings Limited, O2 Networks Limited, Telefonica UK Limited and O2 Third Generation Limited, respectively,

12. Trade and other payables

	31 December 2014 £m	31 December 2013 £m
Trade payables	13	3
Amounts owed to immediate parent company (note 16)	-	3
Amounts owed to subsidiaries (note 16)	6	61
Amounts owed to other related parties (note 16)	153	135
Other payables	6	13
Accrued expenses	3	42
	181	257

13. Pension costs

The Company participates in an unfunded defined benefit scheme. In addition, Telefónica Europe plc, its ultimate UK parent company, sponsors a group-wide defined benefit scheme, the Telefónica Pension Plan, in which employees of the Company are members and therefore the Company has been recharged the contributions payable into the scheme for the period. The retirement benefit obligation of this scheme is recorded on the statement of financial position of Telefónica Europe plc.

The Telefonica Pension Plan

The Telefonica Pension Plan ("the Plan") provides the pension benefits for the majority of UK employees and is divided into defined contribution and defined benefit sections. The principal employer of the Plan is the Company. The retirement benefit obligation of the Plan is therefore recognised on the Company statement of financial position.

With effect from 28 February 2013 the defined benefit sections of the Plan closed to new entrants and further benefit accrual. Members' defined benefit pensions will continue to be increased in deferment by reference to the Consumer Prices Index but will not retain the link to any future increases in salary. Upon closure, members of the defined benefit sections of the Plan were given the option to become members of the defined contribution section of the Plan. The defined contribution sections of the Plan remain open to new entrants and further contributions. The assets of the Plan are held independently of the Company's finances.

The closure of defined benefit sections of the Plan resulted in a curtailment event and consequently, a gain of £76 million was recognised in the past service cost in 2012 in accordance with IAS19. No further impact has been or will be recognised.

The total operating charge included in the statement of comprehensive income for the Company's defined benefit pension schemes are as follows:

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Telefonica Pension Plan cost	2	1

13. Pension costs (continued)

Actuarial valuation

A full valuation of the defined benefit sections of the Plan was undertaken as at 30 September 2011 by a suitably qualified independent actuary. The valuation used the projected unit method and set a future funding plan to ensure that contributions to the Plan meeting future liabilities (until closure at 28 February 2013) and past service liabilities are adequately funded. A full valuation of the Plan with an effective date of 30 September 2014 is currently underway but has not yet been finalised.

The 2011 valuation was completed in line with the current investment strategy of the Plan which is predominantly a corporate bond basis initiated following the 2008 valuation. Following the 2011 valuation, the ongoing contribution rate was increased to 33.8% of defined benefit members' payroll (note only payable until Plan closure on 28 February 2013). Based on the difference between the September 2011 pension asset value and the technical provisions a past service deficit of £164 million resulted. It was agreed that this deficit will be recovered by additional contributions over the period to 2016 totalling £163 million (2012: £40.5m (paid), 2013: £42.1m (paid), 2014: £40m (paid), 2015: £25m (paid), 2016: £16m). These contributions are in line with the schedule of contributions contract dated 13 September 2013.

Based on the current schedule of contributions, it is anticipated that the Company will pay no contribution to the Plan in respect of the Plan's funded defined benefit sections over 2015 as payment of the £25m contribution due by 7 January 2015 was made during 2014. Note a new schedule of contributions is expected to be agreed following completion of the 30 September 2014 valuation which may result in different contributions being agreed in 2015 and subsequent years. The total payment made during the year ended 31 December 2014 was £65m.

The main financial actuarial assumptions used in the valuation were as follows:

Life expectancy (male currently age 40 / 60)	88.8 / 87.3 years
Nominal rate of increase of pensions in payment (RPI max 5%)	3.05%
Discount rate	3.70%
Inflation assumption (RPI/CPI)	3.20% / 2.20%

The initial results of the actuarial valuation of the Plan as at 30 September 2014 have been updated to 31 December 2014 by an independent qualified actuary in accordance with the requirements of IAS 19. The defined benefit liabilities have been measured using the projected unit credit method. Plan assets are stated at fair value.

In June 2011 a new IAS19 (hereafter called "IAS19R") was published which came into effect for accounting years beginning on or after 1 January 2013. The Company adopted IAS19R for the first time for the accounting period ending 31 December 2013. Under IAS19R, the profit and loss lines for "Return on Plan assets" and "Interest on Plan liabilities" have been combined as "Net interest on the defined benefit asset/liability". The actuarial charge/credit in Other Comprehensive Income is now split into "Actuarial (gains)/losses on demographic assumptions", "Actuarial (gains)/losses on financial assumptions", "Actuarial (gains)/losses on experience adjustments" and "Return on Plan assets in excess of interest income".

13. Pension costs (continued)

Movements in the present value of the Plan's defined benefit obligations (funded and unfunded) in the current and preceding period were as follows:

	31 December 2014 Funded £m	31 December 2014 Unfunded £m	31 December 2013 Funded £m	31 December 2013 Unfunded £m
At start of the year	1,037	7	923	6
Total current service cost		-	3	-
Interest expense	46	-	42	1
Vested past service costs		-	(3)	-
Actuarial losses on demographic assumptions	(25)	-	27	-
Actuarial losses on financial assumptions	160	-	64	-
Actuarial losses on experience adjustments	(17)	-	-	-
Benefits paid	(18)	(4)	(19)	-
At end of year	1,183	3	1,037	7

Movements in fair value of the Plan's defined benefit scheme assets in the current and preceding period were as follows:

	31 December 2014 Funded £m	31 December 2014 Unfunded £m	31 December 2013 Funded £m	31 December 2013 Unfunded £m
At start of year	1,031	-	972	-
Interest income	48	-	45	-
Return on plan assets in excess of interest income	96	-	(16)	-
Employer contributions	65	-	50	-
Employee contributions	-	-	-	-
Scheme expenses paid	(2)	-	(1)	-
Benefits paid	(18)	-	(19)	-
At end of year	1,220	-	1,031	-

The amount included in the relevant consolidated statement of financial position arising from its obligations in respect of the defined benefit sections of the Plan, as well as the analysis of the Plan's assets, is as follows:

	31 December 2014 Funded £m	31 December 2014 Unfunded £m	31 December 2013 Funded £m	31 December 2013 Unfunded £m
Fair value of assets comprises:				
– Equities	256	-	216	-
– Corporate bonds	938	-	815	-
– Cash and net current assets	26	-	-	-
Fair value of assets	1,220	-	1,031	-
Present value of defined benefit obligations	(1,183)	(3)	(1,037)	(7)
Net asset/(liability) recognised in statement of financial position of Telefonica Europe plc	37		(6)	
Net asset/(liability) recognised in statement of financial position of O2 Holdings Ltd		(3)		(7)

Plan assets are valued by reference to quoted market prices in active markets. No assets of the

Company are held by the Plan.

13. Pension costs (continued)

The amounts recognised in the relevant statement of comprehensive income in respect of defined benefit schemes are as follows:

	Year ended 31 December 2014 Funded £m	**Year ended 31 December 2014 Unfunded £m**	Year ended 31 December 2013 Funded £m	Year ended 31 December 2013 Unfunded £m
Analysis of the amount charged/(credited) to operating loss:				
Current service cost (employers)	-	-	3	-
Past service cost (employers)	-	-	(3)	-
Scheme administration expenses	2	-	1	-
Total operating charge recognised in Telefonica Europe plc	2		1	
Total operating charge recognised in O2 Holdings Ltd		-		-
Analysis of the amount credited to net financial income:				
Net interest on the defined benefit asset	(2)	-	(3)	-
Net interest recognised in Telefonica Europe plc	(2)		(3)	
Net interest recognised in O2 Holdings Ltd		-		-
Analysis of the amount recognised in other comprehensive income:				
(Return on plan assets in excess of interest income)	(95)	-	16	-
Actuarial loss on demographic assumptions	(25)	-	27	-
Actuarial loss on financial assumptions	160	-	63	-
Actuarial loss on experience adjustment	(17)	-	-	-
Actuarial loss recognised in Telefonica Europe plc	23		106	
Actuarial loss recognised in O2 Holdings Ltd		-		-

The main assumptions adopted for the Plan (funded and un-funded) under IAS 19 are as follows:

	Year ended 31 December 2014 Funded and unfunded %	Year ended 31 December 2013 Funded and unfunded %
Nominal rate of increase in salaries	**N/A**	N/A
Nominal rate of increase of pensions in payment:		
– Pension increases with inflation	**3.2**	3.4
– Pension increases with inflation Ltd to 5 per cent p.a.	**3.05**	3.25
Discount rate	**3.7**	4.5
Inflation assumption		
-- RPI	**3.2**	3.4
-- CPI	**2.2**	2.4
Life Expectancy		
-- Male (current age 40)	**88.8**	89.7
-- Male (current age 60)	**87.3**	88.3
-- Female (current age 40)	**91.1**	91.1
-- Female (current age 60)	**89.6**	89.5

13. Pension costs (continued)

At 31 December 2014, the weighted average duration of the defined benefit obligation of the funded plan was 23 years (2013: 23 years).

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

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

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

The following table summarises the estimated sensitivity of the disclosed liability value to changes in the principal assumptions that have been used in the calculations:

Change in assumption	Liabilities increase by
Decrease discount rate by 0.25%	£70m
Increase inflation rate by 0.25%	£61m
Increase life expectancy by 1 year	£28m

Other Group pension plans

The Group operates an un-funded defined benefit scheme in the UK. The assumptions adopted for the unfunded arrangement are consistent with those used for the funded portion of the Plan. The liabilities of this scheme are in addition to those reported above for the Telefonica Pension Plan. The balance sheet liability for the unfunded scheme is £7m (2013: £7m).

The Group also operates defined contribution schemes in Ireland and in the UK. The assets of these defined contribution arrangements are held separately from those of the Company in independently administered funds. The Income Statement expense relating to the defined contribution sections of the Plan is equal to the Company contributions paid over the year, which totalled £41m (2013: £42m).

14. Deferred taxation

Provision for deferred tax	**Year ended 31 December 2014 £m**	Year ended 31 December 2013 £m
Pension provision	**1**	1
Other temporary differences	**2**	2
Total provision for deferred tax	**3**	3

Deferred tax assets

	£m
At 1 January 2013	5
Charge to the comprehensive income statement	(2)
Credit to other comprehensive income	-
At 31 December 2013	**3**
Charge to the comprehensive income statement	-
Credit to other comprehensive income	-
At 31 December 2014	**3**

There were no unrecognised deferred tax assets or liabilities at 31 December 2014 (31 December 2013: £nil).

Finance Act 2013 reduced the main rate of corporation tax to 21%, with effect from 1 April 2014, with a further reduction to 20%, with effect from 1 April 2015.

15. Share capital

	Number of shares	**31 December 2014 £m**	Number of shares	31 December 2013 £m
Called up, allotted and fully paid				
Ordinary shares of £1 each	**12,000,600**	**12**	12,000,600	12

The Company has a single class of share capital, comprising ordinary shares of £1 each. Subject to the Company's articles of association, and applicable law, the Company's ordinary shares confer on the holder, the right to receive notice of and vote at general meetings of the Company, the right to receive any surplus assets on a winding up of the Company and an entitlement to receive any dividend declared on ordinary shares but not the right of redemption of shares.

16. Related party disclosures

Details of the nature of related party relationships are included in note 17.

During the year ended 31 December 2014, the Company entered into transactions with related parties as follows:

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Financial income		
Subsidiary companies	**659**	1,048
Other related parties	**-**	1
	659	1,049
Financial expense		
Subsidiary companies	**(54)**	(76)
Other related parties	**(2)**	(4)
Total net transactions	**603**	969

At 31 December 2014 the Company had the following balances arising from transactions with related parties:

	31 December 2014 £m	31 December 2013 £m
Receivables from related parties		
Subsidiary companies	**1,155**	1,120
Other related parties	**57**	99
	1,212	1,219
Payables to related parties		
Parent company	**-**	(3)
Subsidiary companies	**(8,401)**	(7,904)
Other related parties	**(167)**	(238)
	(8,568)	(8,145)

Included within receivables from subsidiary companies, as at 31 December 2014, is an outstanding

16. Related party disclosures (continued)

balance of £590 million due from O2 Networks Limited, which was subsequently settled fully in August 2015. The interest rate of this loan was 1.3% at 31 December 2014 (31 December 2013: 1.3%).

Included within payables to subsidiary companies is a £4,030 million floating rate bond held by O2 Third Generation Holdings Limited. In July 2015 this loan was partly settled by offsetting it against receivables to the extent of £314 million from O2 Third Generation Holdings Limited for tax losses surrendered under the Group tax-relief scheme and included in receivables from related parties. The remaining loan of £3,716 million was settled in August 2015.

Included within payables to subsidiary companies is a sterling denominated loan from O2 Networks Limited of £2,319 million (31 December 2013: £2,288 million) with an interest rate of 1.4% (31 December 2013: 1.4%). This loan was fully settled in August 2015.

Further there are intercompany loan balances due to O2 Limited £101 million and Telefonica UK Limited £1,335 million included within payables to subsidiary companies, which were settled in June and August 2015, respectively.

Related party transactions with Directors and key management are detailed in note 20.

17. Subsidiary undertakings, joint ventures and associates

The operating subsidiary undertakings at 31 December 2014 are detailed below.

Name	Country of incorporation and operation	Activity	Portion of ordinary shares held %
Telefonica UK Ltd	England and Wales	Mobile cellular telephone system provider and operator	100
Tesco Mobile Ltd	England and Wales	Mobile cellular telephone distributor JV with Tesco	50
Weve Ltd	England and Wales	Development mobile services JV with Vodafone and EE	33
Cornerstone Telecommunications Infrastructure Ltd	England and Wales	Mobile infrastructure network JV with Vodafone	50
Giffgaff Ltd	England and Wales	Mobile communications network	100
Telefonica Financial Services UK Ltd	England and Wales	Dormant	100
O2 Mobiles Ltd*	England and Wales	Dormant	100
O2 Networks Ltd*	England and Wales	Intermediate holding company	100
O2 Investment Ireland*	Ireland	Intermediate holding company	100
O2 Pine Ltd*	England and Wales	Active non trading	100
O2 Willow Ltd*	England and Wales	Active non trading	100
Kilmaine Ltd*	Isle of Man	Intermediate holding company	100
O2 International Holdings Ltd*	England and Wales	Intermediate holding company	100
O2 Credit Vouchers Ltd*	England and Wales	Selling of Mobile phone credit vouchers	100
Telefonica UK Pension Trustee Ltd*	England and Wales	Corporate trustee of the O2 Pension Plan	100
Telefonica O2 UK Ltd*	England and Wales	Dormant entity	100

17. Subsidiary undertakings, joint ventures and associate (Continued)

Name	Country of Incorporation and Operation	Activity	Portion of ordinary shares held %
Cellular Radio Ltd*	England and Wales	Dormant entity	100
Movistar Ltd*	England and Wales	Dormant entity	100
O2 Secretaries Ltd*	England and Wales	Dormant entity	100
O2 Communications Ltd*	England and Wales	Intermediate holding company	100
O2 Transactions Ltd	England and Wales	Dormant entity	100
O2 Solutions Ltd	England and Wales	Dormant entity	100
Call Connections Ltd	England and Wales	Dormant entity	100
O2 (Online) Ltd	England and Wales	Intermediate holding company	100
O2 (Online) Netherlands BV	Netherlands	Intermediate holding company	100
O2 (Online) Hong Kong Ltd	Hong Kong	Active non trading	100
O2 (Online) Ltd Malaysia Branch	Malaysia	Active non trading	100
O2 (Online) Ltd Singapore Branch	Singapore	Dormant entity	100
O2 (Netherlands) Holdings BV	Netherlands	Intermediate holding company	100
O2 Ltd	England and Wales	Active non trading	100
O2 UK Ltd	England and Wales	Dormant entity	100
O2 Redwood Ltd	England and Wales	Dormant entity	100
O2 Communications (Ireland)*	Ireland	Dormant entity	100
Genie Internet Ltd	England and Wales	Dormant entity	100
O2 Cedar Ltd*	England and Wales	Intermediate holding company	100
Pacific Shelf 873 Ltd	Scotland	Dormant entity	100
DX Communications Ltd	Scotland	Dormant entity	100
DX Communications (Edinburgh) Ltd	Scotland	Dormant entity	100
The Link Stores Ltd	England and Wales	Dormant entity	100
Link FS Ltd	England and Wales	Dormant entity	100
Jajah Ltd	England and Wales	Dormant entity	100
Lumina Holdings Ltd	England and Wales	Dormant entity	100
O2 Unify Ltd	England and Wales	IT and Communication solutions	100
Cellphones Direct (Holdings) Ltd	England and Wales	Dormant entity	100
Cellphones Direct (Investments) Ltd	England and Wales	Dormant entity	100
Cellphones Direct Ltd	England and Wales	Dormant entity	100
Telefonica Global Resources Ltd	England and Wales	Dormant entity	100
Telefonica Digital Ltd	Ireland	Dormant entity	100
Cellphones Direct International Holdings BV	Netherlands	Provision of financing to group	100
O2 (UK) Ltd	England and Wales	Dormant entity	100
Digital Mobile Spectrum Ltd	England and Wales	Provision of services in relation to spectrum auction obligations	25
O2 Third Generation Holdings Ltd	Isle of Man	Intermediate holding company	100
The Mobile Phone Store Ltd	England and Wales	Dormant entity	100
O2 Third Generation	England and Wales	Dormant entity	100
Telefonica Europe People Services Ltd*	Ireland	European HR services, support functions and administration provider	100

*The shares held are held directly by the Company. The shares in the other companies are held indirectly by wholly owned subsidiaries.

17. Subsidiary undertakings, joint ventures and associates (continued)

With effective date of 19 December 2014, Telefonica UK Limited transferred its entire shareholding in Wayra UK to Wayra Investigacion y Desarrollo S.L.

On 1 May 2015 Telefonica UK Limited acquired all remaining shares of Weve Limited for a negligible consideration. Weve will operate as a wholly owned subsidiary, providing digital advertising services to Telefonica UK.

On 10 June 2015 the Company transferred its entire shareholding in Kilmaine Limited and O2 International Holdings Limited to O2 Europe Limited. As a result of the above transfer the ownership of O2 Netherlands Holdings BV, a wholly owned subsidiary of O2 International Holdings Limited, and O2 Limited were also transferred on the same date.

O2 Oak Limited (formerly TU Products Limited) is no longer a subsidiary of the Company with effect from 22 July 2015.

The accounting reference date of the principal operating subsidiary undertakings is 31 December. No subsidiary undertakings are listed on any public exchange.

18. Financial instruments

Financial risk factors and management

The Company's operations expose it to a variety of financial risks including foreign currency risk, fair value risk, interest rate risk, credit risk and liquidity risk.

The principal financial risks of the Company and how the Company managed these risks are discussed below.

Credit risk

The Company does not have a significant exposure to credit risk. The Company's main credit balances are held with group companies within the Telefónica S.A. group.

Liquidity risk

Management of the Company's liquidity risk is achieved mostly through being a part of the larger Telefónica group, which operates group wide policies in this area. The Company also maintains its own committed borrowing facilities, and holds financial assets primarily in short-term deposits with a central Telefónica group company that are readily convertible to known amounts of cash. These measures help keep liquidity risk low.

Foreign currency risk

The Company operates primarily in the United Kingdom and therefore there is low exposure to transactional foreign currency risk. The Company has foreign currency assets and liabilities held with group companies which expose it to translation risk. This risk is managed through being part of the larger Telefónica group, which operates group wide policies in this area. If the Pound Sterling lost 10 percent against the Euro at 31 December 2014, this would have no material impact on the statement of comprehensive income of the Company.

Interest rate risk

The Company's interest rate risk arises primarily from the effects of movements in interest rates on the value of the Company's borrowings and financial assets. During the period it was a policy to fix or protect expected interest flows where Company profits or key financial ratios would be materially at risk from interest rate movements.

18. Financial instruments (continued)

Fair value of financial instruments

The carrying value and fair value of the Company's financial assets and financial liabilities are not deemed to be materially different at 31 December 2014 and 31 December 2013.

Capital management

The Company's capital comprises share capital and retained earnings.

The Company's objectives when managing capital are to safeguard the Company's ability to continue to operate as a going concern, to maintain optimal capital structure commensurate with risk and return and to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may pay dividends to its shareholder, return capital to its shareholder, issue new shares or sell assets to reduce debt or draw down more debt.

19. Auditors' remuneration

The aggregate fees paid to auditors during the year for audit and other services are analysed below.

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Audit of the Company financial statements	**43**	43
Other fees:		
- local statutory audits of subsidiaries	**118**	272
- other services pursuant to legislation	**-**	24
Total auditors' remuneration	**161**	339

The fees in the current and previous year were paid to Ernst & Young LLP.

20. Key management and director compensation

The directors of the company are also directors of other companies within Telefonica Group. The directors received total remuneration for the year of £2.16million.

The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the holding and fellow subsidiary companies.

During the year, four directors accrued retirement benefits under a defined contribution pension plan.

Aggregate emoluments	**31 December 2014 £m**	31 December 2013 £m
Remuneration in respect qualifying services	2,146	1,750
Contributions to pensions schemes	22	37

Total net transactions	**2,168**	1,787

Aggregate emoluments of highest paid director	**£m**	£m
Remuneration in respect qualifying services	983	747
Contributions to pensions schemes	2	4
Total net transactions	**985**	751

21. Employees

	Year ended 31 December 2014 No.	Year ended 31 December 2013 No.
Average number of full time employee equivalents (including Directors) by class of business:		
Finance	**41**	43
Other businesses and administration	**132**	143
Total employees	**173**	186

The benefit expenses incurred in respect of these employees were:

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Wages and salaries	**16**	19
Social security costs	**3**	3
Share based payments (note 23)	**3**	2
Pension costs (note 14)	**2**	3
Total employee benefit expense	**24**	27

22. Share based payments

The main share-based payment plans in place in the 2012-2014 periods are as follows:

Telefónica Performance Share Plan

The Telefónica Performance Share Plan was approved at the Telefónica, S.A. AGM held on 21 June 2006 and awards shares in Telefónica, S.A. to participants subject to the achievement of certain performance criteria. Under this plan, selected participants who met the qualifying requirements were given a certain number of Telefonica S.A. shares as form of variable compensation.

The terms of this plan is seven years divided into five phases.

The fifth and last phase expired on June 30, 2013. Delivery of the shares was not required at the end of the phase according to the general conditions of the plan; therefore managers did not receive any shares.

Telefónica Performance Investment Share Plan 2011-2016

At the General Shareholders' Meeting held on 18 May 2011, a new long-term share-based incentive. plan called "Performance and Investment Plan" was approved for Telefónica Group directors and executive officers. This plan took effect following completion of the Performance Share Plan.

22. Share based payments (continued)

Under this plan, a certain number of shares of Telefónica, S.A. will be delivered to plan participants selected by the Company who decide to participate on compliance with stated requirements and conditions.

The plan lasts five years and is divided into three independent three-year phases (i.e. delivery of the shares for each three-year phase three years after the start date). The first phase began on 1 July 2011 (with the delivery of the related shares from 1 July 2014). The second phase began on 1 July

2012 (with delivery of the related shares from 1 July 2015). The third phase began on 1 July 2013 (with delivery of the related shares from 1 July 2016).

The specific number of Telefónica, S.A. shares deliverable within the maximum amount established to each member at the end of each phase will be contingent and based on the Total Shareholder Return ("TSR") of Telefónica, S.A. shares (from the reference value) throughout the duration of each phase compared to the TSRs of the companies included in the Dow Jones Global Sector Titans Telecommunications Index. For the purposes of this Plan, these companies make up the comparison group ("Comparison Group").

The TSR is the indicator used to determine the Telefónica Group's medium- and long-term value generation, measuring the return on investment for each shareholder. For the purposes of this Plan, the return on investment of each phase is defined as the sum of the increase or decrease in the Telefónica, S.A. share price and dividends or other similar items received by the shareholder during the phase in question.

At the beginning of each phase, each participant is allocated a notional number of shares. According to the plan, the number of shares to be delivered will range from:

- 30% of the number of notional shares if Telefónica, SA.'s TSR is at least equal to the median of the Comparison Group, and
- 100% if Telefónica S.A's TSR is within the third quartile or higher than that of the Comparison Group. The percentage is calculated using linear interpolation when it falls between the median and third quartile.
- No shares will be delivered if Telefónica, S.A's TSR is below the Comparison Group's median.

The plan includes an additional condition regarding compliance by all or part of the participants with a target investment and holding period of Telefónica, S.A. shares through each phase ("Co-Investment"), to be determined for each participant, as appropriate, by the Board of Directors based on a report by the Nominating, Compensation and Corporate Governance Committee. Participants meeting the coinvestment requirement will receive an additional number of shares, provided the rest of the requirements established in the plan are met.

In addition, and independently of any other conditions or requirements that may be established, in order to be entitled to receive the corresponding shares, each participant must be a Telefónica Group employee at the delivery date for each phase, except in special cases as deemed appropriate.

Shares will be delivered at the end of each phase (in 2014, 2015, and 2016, respectively). The specific delivery date will be determined by the Board of Directors or the committee or individual entrusted by the Board to do so.

The first phase expired on June 30, 2014. Delivery of the shares was not required at the end of the phase according to the general conditions of the plan; therefore managers did not received any shares

Regarding the second and third allocations of shares under this plan, the maximum number of shares assigned and the number of shares outstanding at December 31, 2014 is as follows:

Phase	No. Shares assigned	Unit fair value	End date
1st phase July 2011	723,229	€8.28	June 30, 2014
2nd phase July 2012	599,673	€5.87	June 30, 2015
3rd phase July 2013	791,155	€6.40	June 30, 2016

The Telefónica, S.A. General Shareholders' Meeting on May 30, 2014 approved a new instalment of the long-term share-based incentive "Performance and Investment Plan" for certain senior

executives and members of the management team, operational on completion of the first Performance and Investment Plan.

Likes its predecessor, the term of the new plan is a total of five years divided into three phases. Shares will be delivered at the end of each phase (in 2017, 2018, and 2019, respectively).

The initial share allocation took place on October 1, 2014, and the second and third allocations are scheduled for October 1 in 2015 and 2016.

Phase	No. Shares assigned	Unit fair value	End date
1st phase October 2014	465,371	€6.82	September 30, 2017

Talent for the future Share Plan (TFSP) 2014-2019

The TFSP is a long term program aimed to recognize and reward employees with consistent outstanding performance, with high potential and key skills.

The plan lasts five years and is divided into three independent three-year phases (i.e. delivery of the shares for each three-year phase three years after the start date). The first phase began on 1 October 2014 (with the delivery of the related shares from 30 September 2017). The second phase began on 1 October 2015 (with delivery of the related shares from 30 September 2018). The third phase began on 1 October 2016 (with delivery of the related shares from 30 September 2019).

The specific number of Telefónica, S.A. shares deliverable within the maximum amount established to each member at the end of each phase will be contingent and based on the Total Shareholder Return ("TSR") of Telefónica, S.A. shares (from the reference value) throughout the duration of each phase compared to the TSRs of the companies included in Comparator Group.

The TSR is the indicator used to determine the Telefónica Group's medium- and long-term value generation, measuring the return on investment for each shareholder. For the purposes of this Plan, the return on investment of each phase is defined as the sum of the increase or decrease in the

Telefónica, S.A. share price and dividends or other similar items received by the shareholder during the phase in question.

At the beginning of each phase, each participant is allocated a notional number of shares. According to the plan, the number of shares to be delivered will range from:

- 30% of the number of notional shares if Telefónica, S.A.'s TSR is just above the TSR of the companies making up 50th percentile of the Comparator Group, and
- 100% of the number of notional shares if Telefónica S.A's exceeds the TSR of the companies making up the 50th percentile of the Comparator Group
- Where Telefonica S.A.'s TSR is between the 50th percentile and the 75th percentile of the Comparator Group, the percentage of notional shares to be received will be determined on a straight-line basis.

- No shares will be delivered if Telefónica, S.A's TSR is below the TSR of the companies making up 50th percentile of the Comparator Group.

In addition, and independently of any other conditions or requirements that may be established, in order to be entitled to receive the corresponding shares, each participant must be a Telefónica Group employee at the delivery date for each phase, except in special cases as deemed appropriate.

Shares will be delivered at the end of each phase (in 2017, 2018, and 2019, respectively)

The initial share allocation took place on October 1, 2014, and the second and third allocations are scheduled for October 1 in 2015 and 2016.

22. Share based payments (continued)

Phase	No. Shares assigned	Unit fair value	End date
1st phase October 2014	48,500	€6.82	September 30, 2017

Telefónica Performance Cash Plan

This plan mirrors the conditions of the Telefónica Performance Investment Share Plan and awards employees a given number of notional shares in Telefónica, S.A. These notional shares entitle the beneficiary to a cash payment equivalent to their market value on vesting.

The first phase expired on June 30, 2014. Delivery of the shares was not required at the end of the phase according to the general conditions of the plan; therefore managers did not receive any shares.

There was no grant during the 2014 year.

Global Employee Share Plan

At the May 18, 2011 General Shareholders' Meeting of Telefonica, S.A., the shareholders approved the introduction of a Telefonica, S.A. share incentive plan for all employees of the Telefonica Group worldwide. Under the Plan the possibility of acquiring shares of Telefonica S.A. is offered with the commitment of the latter to allot free of charge to the participants in the Plan a certain number of shares of Telefonica S.A., provided certain requirements are met.

The total term of the plan is two years. Employees joining the plan could acquire Telefonica, S.A. shares through maximum monthly instalments of 100 euros (or the local currency equivalent), up to a maximum of 1,200 euros over a period of 12 months (acquisition period) and the minimum contribution to be made by each participant shall be 300 euros (or the local currency equivalent). Shares were delivered upon vesting of the plan, as from December 1, 2014, subject to a number of conditions:

- The beneficiary must continue to work for the company throughout the two-year duration of the plan (consolidation period), subject to certain special conditions related to departures.

- The actual number of shares to be delivered at the end of the consolidation period depended on the number of shares acquired and retained by each employee. Each employee who is a member of the plan and remained a Group employee, and retained the shares acquired for an additional twelve-month period after the acquisition date, would be entitled to receive one free share per share acquired and retained at the end of the consolidation period.

The plan's shareholding period came to an end in December 2014. At the vesting date (1 December 2014), 1,124 employees adhered to the plan received free matching shares. This plan was equity-settled via the delivery of shares to the employees in December 2014.

23. Subsequent events

On 24 March 2015 Telefonica SA announced that it had entered into a definitive agreement with Hutchison Whampoa, the parent company of Three in the UK, for the sale of Telefonica's UK business for an initial cash consideration of £9.25 billion upon completion of the transaction and an additional deferred payment of £1 billion to be paid once the cumulative cash flow of the combined entity in the UK has reached an agreed threshold.The agreement is subject to clearance by the Regulatory and Competition Authorities.

On 10 June 2015 the Company transferred the shares held in its subsidiaries O2 International Holdings Limited and Kilmaine Limited, to O2 Europe Limited, a fellow subsidiary, for a cash consideration of £169 million.

In June 2015 the Company settled a liability for loan payable to O2 Limited for £101 million. In July the Company settled intercompany receivables of £314 million with O2 Third Generation Holdings Limited. Further in August 2015 the Company settled its intercompany receivables of £590 million with O2 Networks Limited and intercompany payables of £4,030 million, £2,319 million, £1,335 million and £591 million with O2 Third Generation Holdings Limited, O2 Networks Limited, Telefonica UK Limited and O2 Third Generation Limited, respectively,

On 7 August 2015 the Company acquired the entire issued share capital of O2 Cedar Limited from O2 Investments Ireland, a subsidiary company, for a cash consideration of £100.

On 18 August 2015 the Company acquired the entire issued share capital of Telefonica UK Limited from O2 Networks Limited, a subsidiary company, for a cash consideration of £9,013 million.

On 20 August 2015 mmO2 Limited (formerly mmO2 Plc), the immediate parent of the Company, transferred the shares held in the Company to Telefonica Europe Plc for a cash consideration of £10,273 million.

24. Parent company and controlling party

At 31 December 2014 the immediate parent company was mmO2 Limited (formerly mmO2 Plc), a company incorporated in England and Wales, which prepares consolidated financial statements. Due to this, O2 Holdings Limited presents only stand-alone financial statements whereas the mmO2 Limited consolidated financial statements may be obtained from The Secretary, mmO2 plc, 260 Bath Road, Slough, Berkshire, SL1 4DX.

The ultimate parent company and controlling party at 31 December 2014 was Telef6nica, S.A., a company incorporated in Spain. Copies of the financial statements of Telef6nica, S.A. may be obtained from Gran Via 28, Madrid, Spain.