

**O2 Limited**  
**(formerly BT Wireless Limited**  
**formerly Cellnet Group Limited)**

**Annual Report**

**for the year ended 31 March 2001**

Registered No. 2604354



A46  
COMPANIES HOUSE

\*A3RR97Q1\*

0193  
24/01/02

**O2 Limited (formerly BT Wireless Limited, formerly Cellnet Group Limited) 1**

**Directors**

Mr P A Erskine  
Mr D J Finch  
Mr P N Bramwell

**Secretary**

O2 Secretaries Limited

**Registered Office**

5 Longwalk Road  
Stockley Park East  
Uxbridge  
Middlesex  
UB11 1TT

**Registered Auditors**

PricewaterhouseCoopers  
1 Embankment Place  
London  
WC2N 6RH

## **O2 Limited (formerly BT Wireless Limited, formerly Cellnet Group Limited) 2**

The directors submit their annual report and the audited financial statements for the year ended 31 March 2001.

### **Profits and dividends**

The profit/loss before taxation was £nil (2000 - loss £575,000). The credit for taxation was £2,684,000 (2000 - £nil) which left a profit after taxation for the year of £ 2,684,000 (2000 - loss £575,000).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2001 (2000 - £nil).

### **Review of activities**

During the year the Company operated as a holding company within the British Telecommunications plc ("BT") group of companies. The Company did not trade during the year.

### **Directors**

A list of the current directors is set out on page 1. Mr P N Bramwell was appointed to the board on 30 March 2001. Mr P Erskine and Mr D Finch were appointed as directors on 19 November 2001. Also on that date Mr A W Longden and Mr S J Prior resigned as directors of the company. Mr N Eldred also served as a director until he resigned on 30 March 2001.

### **Secretary**

Mr N Eldred resigned as secretary on 29 May 2001. Newgate Street Secretaries Limited was appointed as secretary on 29 May 2001. Newgate Street Secretaries Limited resigned as secretary on 19 November 2001 and O2 Secretaries Limited were appointed as secretary on that date.

### **Directors' interests in shares**

At 31 March 2001 and 1 April 2000, or at date of appointment if later, the only interests of the directors, who are not directors of the ultimate holding company, in the ordinary shares of the ultimate holding company and as shown in the register maintained by the Company in accordance with Section 325 of the Companies Act 1985, were as follows:

**O2 Limited (formerly BT Wireless Limited, formerly Cellnet Group Limited) 3**

**Ordinary shares of 25p each in  
British Telecommunications plc**

		<b>31 March 2001</b>	<b>1 April 2000</b>
Mr Bramwell	(a)	-	-
Mr Longden	(b)	58,637	54,935
Mr Prior		4,765	4,564

(a) at date of appointment

(b) Includes 4,870 (2000: 5,963) shares held by Mr Longden under the BT Executive Share Plan ("the ESP") formerly known as the BT Long Term Remuneration Plan.

In addition to the above, contingent awards and non-beneficial interest in shares held under BT share plans were:

1. Under the ESP, Mr Longden has been granted contingent awards of 60,293 (2000: 65,485) shares. Full entitlement to these shares at the end of a five-year period is dependent upon the BT Group meeting a pre-determined corporate performance measure and the continued employment of participants by the BT Group.
2. At 31 March 2001, Mr Longden had a non-beneficial interest in 5,348,245 (2000: 5,903,526) shares held in trust by Ilford Trustees (Jersey) Limited for allocation to participating employees under the ESP.
3. Under the BT Deferred Bonus Plan ("DBP") Mr Bramwell and Mr Longden have been granted contingent awards of 5,177 (at date of appointment: 5,177) and 7,942 (2000: 4,695) shares respectively. Entitlement to these shares at the end of a three-year period is dependent upon the continued employment of the participant by the BT Group.
4. Under the BT Performance Share Plan ("PSP") Mr Bramwell and Mr Prior have been granted contingent awards of 4,371 (at date of appointment: 4,371) and 2,470 (2000: 2,406) shares. The vesting of awards under the PSP is subject to BT meeting a pre-determined performance target. If that target is met and the participant is still employed by the BT Group, the awards will vest within two years of the end of a three-year cycle (which may be extended up to five years).
5. Mr Bramwell, Mr Longden and Mr Prior have also been granted contingent awards totalling 6,259, 16,007 and 1,510 shares respectively under the Incentive Share Plan ("ISP"), which was established during the year. Full entitlement to these shares at the end of a three-year period is dependent upon the BT Group meeting a pre-determined corporate performance measure and the continued employment of participants by the BT Group.
6. At 31 March 2001 Mr Bramwell and Mr Prior each had a non-beneficial interest in 3,631,148 (2000: 13,388,542) shares held in trust by Ilford Trustees (Jersey) Limited, which are for allocation to employees under the PSP or DBP.

## **O2 Limited (formerly BT Wireless Limited, formerly Cellnet Group Limited) 4**

7. At 31 March 2001 the directors each had a non-beneficial interest in 10,165,409 shares held in trust by Ilford Trustees (Jersey) Limited, which are for allocation to employees under the ISP or RSP.
8. At 31 March 2001, Mr Bramwell, Mr Longden and Mr Prior each had a non-beneficial interest in 97,578 (2000: 78,454) shares purchased by BT Employee Shares Trustees Limited for allocation to employees under the BT Share Ownership Scheme.

Share options held, granted to, or exercised by the directors under the BT Employee Sharesave, Share Option and Global Option schemes, over the ordinary shares of British Telecommunications plc, during the year ended 31 March 2001 were:

### **Employee Sharesave Scheme**

	<b>1 April 2000</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2001</b>
Mr Bramwell	-	-	-	-
Mr Longden	4,805	-	-	4,805
Mr Prior	1,626	-	-	1,626

### **Statement of directors' responsibilities**

A statement by the directors of their responsibilities for preparing the financial statements is included on page 6.

### **Close company provision**

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company. There has been no change in this respect since the end of the financial year.

### **Change of company name**

The company name was changed from Cellnet Group Limited to BT Wireless Limited on 30 March 2001 and then to O2 Limited on 3 September 2001.

### **Post balance sheet events**

On 10 May 2001, British Telecommunications plc ("BT") announced its intention to de-merge its wireless operations from its non-wireless operations. This necessitated a reorganisation to split the operations of BT into wireless and non-wireless prior to the de-merger. On 19 November 2001, following the completion of this reorganisation, a new holding company, mmO2 plc ("mmO2"), was listed on the London Stock Exchange and the New York Stock Exchange.

The objective of the reorganisation was to transfer all the wireless operations of BT to the ownership of a new intermediate holding company, O2 Limited, or one of its subsidiaries. This included transferring both businesses and companies into the mmO2 group. The steps were carried out principally between May and August 2001. As a consequence, following the

**O2 Limited (formerly BT Wireless Limited, formerly Cellnet Group Limited) 5**

de-merger the immediate and ultimate parent company of O2 Limited is mmO2 plc and O2 Limited acts as the intermediate holding company of the new mmO2 group.

The mmO2 group provides voice and data mobile communications services and products in the United Kingdom (through BT Cellnet), Germany (through Viag Interkom), the Netherlands (through Telefort Mobiel), and Ireland (through Digifone). The group also operates a mobile internet portal called Genie.

**Auditors**

A resolution to reappoint PricewaterhouseCoopers as auditors of the Company will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in dark ink, appearing to be 'A. Smith', written over the printed name of the authorised signatory.

Authorised Signatory  
for and on behalf of O2 Secretaries Limited

**Statement of directors' responsibilities for preparing the financial statements**

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss and total recognised gains or losses of the Company for that period.

The directors consider that, in preparing the financial statements for the year ended 31 March 2001 on pages 8 to 14, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors also consider that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

The directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The auditors' responsibilities are stated in their report on page 7.

**Report of the auditors to the members of O2 Limited (formerly  
BT Wireless Limited, formerly Cellnet Group Limited)**

7

We have audited the financial statements on pages 8 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 6, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

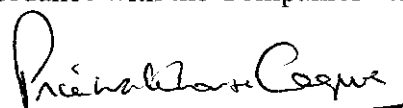
**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2001 and the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London 18 January 2002



**Profit and loss account for the year ended 31 March 2001**

	Notes	2001 £'000	2000 £'000
Interest payable	5	-	(575)
<b>Profit/(Loss) on ordinary activities before taxation</b>		-	(575)
Tax on profit/(loss) on ordinary activities	6	2,684	-
<b>Profit/(Loss) for the year</b>		<u>2,684</u>	<u>(575)</u>

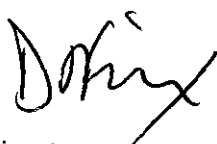
Other than the retained loss for the previous financial year, there have been no other recognised gains or losses during either 2000 or 2001.

There were no differences between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

**Balance sheet at 31 March 2001**

	Notes	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Investments	7	<u>119,785</u>	<u>119,785</u>
<b>Current assets</b>			
Debtors	8	7,624	4,940
<b>Creditors: amounts falling due within one year</b>	9	<u>(121,037)</u>	<u>(121,037)</u>
<b>Net current liabilities</b>		(113,413)	(116,097)
<b>Total assets less current liabilities</b>		<u>6,372</u>	<u>3,688</u>
<b>Capital and reserves</b>			
Called up share capital	10	10,000	10,000
Profit and loss account		<u>(3,628)</u>	<u>(6,312)</u>
<b>Total equity shareholders' funds</b>	11	6,372	3,688
<b>Capital employed</b>		<u>6,372</u>	<u>3,688</u>

These financial statements were approved by the board of directors on **18 JANUARY 2002** and were signed on its behalf by:



Director

**Notes to the financial statements for the year ended 31 March 2001**

**1 Principal accounting policies**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

These financial statements present information about the Company as an individual undertaking, and not about its group. The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts.

**Taxation**

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Provision is made for deferred taxation only to the extent that timing differences are expected to reverse in the foreseeable future.

**Cash flow statement**

During the year the Company was a wholly owned subsidiary of British Telecommunications plc. The cash flows of the Company are included in the consolidated cash flow statement of British Telecommunications plc for the year ended 31 March 2001. Consequently the Company is exempt under the terms of Financial Reporting Standard Number 1 (Revised 1996) from publishing a cash flow statement.

**Investments**

Investments are stated at cost less amounts written off.

**2 Auditors' remuneration**

Auditors' remuneration is borne by the subsidiary company, BT Cellnet Limited.

**3 Directors' remuneration**

No emoluments were paid in the year ended 31 March 2001 to the directors of O2 Limited (formerly Cellnet Group Limited) (2000: £nil). During the year the directors were employees of British Telecommunications plc and other group companies and were remunerated for their services to the group as a whole.

**Notes to the financial statements for the year ended 31 March 2001**

**4 Employee information**

The average monthly number of persons employed by the Company, including executive directors, during the year was nil (2000: nil).

**5 Interest payable**

	2001 £'000	2000 £'000
Interest payable on loan from group undertakings	6,578	6,060
Interest waived on loan from group undertakings	(6,578)	(5,485)
	<hr/>	<hr/>
Net interest payable	<hr/> <hr/> -	<hr/> <hr/> 575

**6 Taxation**

	2001 £'000	2000 £'000
<b>Tax on profit/(loss) on ordinary activities:</b>		
United Kingdom corporation tax at 30% (2000: 30%)		
Credit in respect of group relief receivable from ultimate holding company	(2,684)	-
	<hr/>	<hr/>
<b>Total tax on profit/(loss) on ordinary activities</b>	<hr/> <hr/> (2,684)	<hr/> <hr/> -

The company had unrelieved tax losses for the year ended 31 March 2001 which was surrendered to British Telecommunications plc. Cumulative corporation tax losses surrendered at 31 March 2001 amounted to £ 8,945,322 (2000: £ 441,000). British Telecommunications plc has undertaken to pay O2 Limited 30% of the amount of losses surrendered.

**Notes to the financial statements for the year ended 31 March 2001**

**7 Fixed asset investments**

	2001 £'000	2000 £'000
<b>Cost</b>		
Balance at 1 April and 31 March	134,200	134,200
<b>Provision</b>		
Balance at 1 April and 31 March	<u>(14,415)</u>	<u>(14,415)</u>
<b>Net book value at 31 March 2001 and 31 March 2000</b>	<u>119,785</u>	<u>119,785</u>

In the opinion of the directors, the aggregate value of net assets consisting of shares in, and amounts owing from, its subsidiary company was not less than the amount at which these amounts were included in the balance sheet.

A brief description of the operating subsidiary undertaking, which is wholly owned and incorporated in the United Kingdom, is as follows:

Name	Description and number of shares held	Principal business activity
BT Cellnet Limited	10,000,000 ordinary shares of £1 each	Operation of a cellular communications network and the provision of cellular communication services.

**8 Debtors**

	2001 £'000	2000 £'000
Amounts due from holding company and fellow subsidiaries	<u>7,624</u>	<u>4,940</u>

**9 Creditors: amounts falling due within one year**

	2001 £'000	2000 £'000
Amounts due to holding company and fellow subsidiaries	<u>121,037</u>	<u>121,037</u>

**Notes to the financial statements for the year ended 31 March 2001**

**10 Share capital**

	2001 £'000	2000 £'000
<b>Authorised:</b>		
10,000,000 (2000: 10,000,000) ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called-up and fully paid:</b>		
10,000,000 (2000: 10,000,000) ordinary shares of £1 each fully paid	<u>10,000</u>	<u>10,000</u>

**11 Reconciliation of movements in shareholders' funds**

	2001 £'000	2000 £'000
Profit/(Loss) for the financial year	2,684	(575)
Opening shareholders' funds	<u>3,688</u>	<u>4,263</u>
Closing shareholders' funds	<u>6,372</u>	<u>3,688</u>

**12 Controlling entities**

The immediate and ultimate holding company during the year was British Telecommunications plc.

The results of the Company are included in the consolidated financial statements of British Telecommunications plc, until the demerger on 19 November 2001. The new holding company, mmO2 plc, has confirmed its intention to support the Company. Consequently the Company is exempt under the terms of Financial Reporting Standard Number 8 from disclosing details of transactions and balances with British Telecommunications plc, fellow subsidiaries and associated undertakings.

Copies of the BT plc financial statements may be obtained from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ

**13 Post balance sheet events**

On 10 May 2001, British Telecommunications plc ("BT") announced its intention to de-merge its wireless operations from its non-wireless operations. This necessitated a reorganisation to split the operations of BT into wireless and non-wireless prior to the de-merger. On 19 November 2001, following the completion of this reorganisation, a new holding company, mmO2 plc ("mmO2"), was listed on the London Stock Exchange and the New York Stock Exchange.

The objective of the reorganisation was to transfer all the wireless operations of BT to the ownership of a new intermediate holding company, O2 Limited, or one of its subsidiaries. This included transferring both businesses and companies into the mmO2 group. The steps

**Notes to the financial statements for the year ended 31 March 2001**

were carried out principally between May and August 2001. As a consequence, following the de-merger the immediate and ultimate parent company of O2 Limited is mmO2 plc and O2 Limited acts as the intermediate holding company of the new mmO2 group.

The mmO2 group provides voice and data mobile communications services and products in the United Kingdom (through BT Cellnet), Germany (through Viag Interkom), the Netherlands (through Telefort Mobiel), and Ireland (through Digifone). The group also operates a mobile internet portal called Genie.