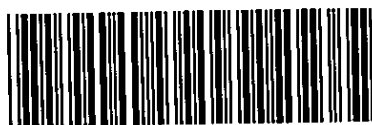


Registered Number 2604355

O2 Mobiles Limited

Annual Report and Financial Statements
Year ended 31 December 2010

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Directors and advisers

Directors

Katherine Ann Jarvis
Robert Harwood
David Melcon Sanchez-Friera

Secretary and registered office

O2 Secretaries Limited

260 Bath Road
Slough
Berkshire
SL1 4DX

Directors' report

The Directors present their annual report and the unaudited financial statements for the year ended 31 December 2010

Corporate structure

O2 Mobiles Limited ("the Company") is a private limited company registered in England and Wales under the registered number 2604355. The registered address is 260 Bath Road, Slough, Berkshire, SL1 4DX. It is a wholly owned subsidiary of Telefónica Europe plc, its ultimate UK parent, a company incorporated in England and Wales, which is itself a wholly owned subsidiary of Telefónica S A, a company incorporated in Spain.

References to "Group" refer to Telefónica Europe plc and its subsidiaries of which the Company is a part.

Business review and future developments

The Company has not traded during the year ended 31 December 2010 and made neither a profit nor loss. The Directors do not anticipate any changes in the foreseeable future.

Risk and uncertainties

From the perspective of the Company, the principal risk and uncertainties are integral to the principal risk and uncertainties of the Group and are not managed separately. A comprehensive analysis of the principal risks and uncertainties which impact the Group are disclosed in the consolidated Annual Report and financial statements of mmO2 plc, the Company's intermediate parent company.

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2010 (year ended 31 December 2009 £75,596,511).

Going Concern

The Directors believe that the Company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

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

Directors and secretary

The Directors who held office during the year were as follows:

Robert Harwood
Katherine Ann Jarvis
David Melcon Sanchez-Frera

The Secretary who held office during the year was O2 Secretaries Limited.

Directors' report (continued)

Directors' liability insurance and indemnity

Telefónica 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).

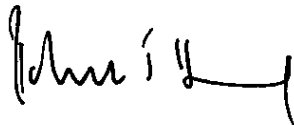
Political and charitable contributions

The Company made no political or charitable contributions during the year ended 31 December 2010 (year ended 31 December 2009: £nil).

Auditors

The Company has been dormant within the meaning of Section 480 of the Companies Act 2006 throughout the year. Consequently, no auditors have been appointed.

By Order of the Board



Robert Harwood
For and on behalf of O2 Secretaries Limited
Company Secretary

22 September 2011

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Company 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 Company 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 Company 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 judgements 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 Company 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.

Statement of comprehensive income
Year ended 31 December

	Note	2010 £'000	2009 £'000
Impairment of investment	4	-	(75,281)
Operating result		-	(75,281)
Financial income	2	-	75,596
Profit before taxation		-	315
Taxation	3	-	-
Profit for the year attributable to equity holders		-	315
Total comprehensive income for the year		-	315

The accompanying notes are an integral part of the financial statements

Statement of financial position
As at 31 December 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Investments	4	-	-
Net assets		<u>-</u>	<u>-</u>
Equity			
Ordinary share capital	5	-	-
Retained earnings		-	-
Total equity		<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements

For the year ended 31 December 2010 the company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies

Directors' responsibilities

The members have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006

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

These financial statements were approved by the board of Directors 22 September 2011 and were signed on its behalf by



David Melcon Sanchez-Frera
 Director

Statement of changes in equity
As at 31 December 2010

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2009	107,000	(31,719)	75,281
Total comprehensive income for the year	-	315	315
Reduction in share capital	(107,000)	107,000	-
Dividends paid	-	(75,596)	(75,596)
	<hr/>	<hr/>	<hr/>
At 31 December 2009 and 31 December 2010	-	-	-
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

Notes to the 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.

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 except where detailed below.

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 plc, its intermediate parent company, for the year ended 31 December 2010.

Cash flow statement

The transactions of the Company in the current or prior period did not require the use of cash or cash equivalents. Consequently, the Company has not presented a statement cash flow statement.

Investments

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

Taxation

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

Income tax relating to items recognised directly in equity is recognised in equity.

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

The Company does not expect that the first-time adoption of the IFRS and IFRIC interpretations that have been published at the date of preparation of the financial statements will have a significant impact on its financial statements.

2. Financial income

	2010 £'000	2009 £'000
Financial income		
Dividends received from subsidiaries	-	75,596

Notes to the financial statements

3. Taxation

	2010 £'000	2009 £'000
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Analysis of charge in the year

Current tax	-	-
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The tax assessed for the year 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

	2010 £'000	2009 £'000
Profit before taxation	-	315
Profit before taxation at the UK corporation tax rate of 28% (2009 28%)	-	89
Expenses not deductible	-	21,079
Income not taxable	-	(21,168)
Current tax	-	-

4. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2009, 31 December 2009	107,000
Impairment	
At 1 January 2009	(31,719)
Charge for the year	(75,281)
At 31 December 2009 and 31 December 2010	(107,000)
Net book value	
At 31 December 2009 and 31 December 2010	-

The principal subsidiary undertakings are detailed below

Name	Country of incorporation and operation	Activity	Portion of ordinary shares held %
O2 Solutions Limited	England and Wales	Dormant	50
O2 Transactions Limited	England and Wales	Non-trading	99
Call Connections Limited	England and Wales	Non-trading	99

The accounting reference date of the principal subsidiary undertakings is 31 December

Notes to the financial statements**5. Called up share capital**

	2010 £	2009 £
Called up, allotted and fully paid		
107,000,000 ordinary shares of £1/107,000,000 each	<u>1</u>	<u>1</u>

The Company has ordinary authorised and issued share capital, comprising ordinary shares of £1/£107,000,000 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.

In line with section 641 of Companies Act 2006, on 24 June 2009, the company opted to reduce its share capital from 107,000,000 to £1 by reducing the value of its ordinary shares from £1 to £1/107,000,000 each. This led to the creation of distributable reserves as part of the Telefónica group simplification exercise.

6 Related party disclosures

Related party transactions with Directors and key management are detailed in note 7.

Other related party transactions are detailed in notes 2.

7. Key management and Directors' compensation

No emoluments or other benefits were paid to Directors during the year ended 31 December 2010 (year ended 31 December 2009: nil). The Directors are employees of other companies in the Group and are remunerated for their services to the Group as a whole.

There are no employees of the Company.

8. Parent company and controlling party

The Company's immediate parent company is O2 Holdings Limited. At the end of the period the ultimate parent company and controlling party is Telefónica, S.A., a company incorporated in Spain. Copies of the financial statements of Telefónica, S.A. may be obtained from its registered office at Gran Vía 28, Madrid, Spain.