

Registered Number: 2604355

O2 Mobiles Limited

**Annual Report and Financial Statements
Year ended 31 December 2009**

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	Page
Directors and advisers	1
Directors' report	2
Statement of Directors' responsibilities	4
Independent auditor's report	5
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10

**O2 Mobiles Limited
Directors and advisers**

Registered No. 2604355

Directors

Kate Jarvis
Robert Harwood
David Melcon Sanchez-Frera

Secretary and registered office

O2 Secretaries Limited

260 Bath Road
Slough
Berkshire
SL1 4DX

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

O2 Mobiles Limited

Directors' report

Registered No. 2604355

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009

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 to 31 December 2009. 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 Telefónica 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.

Results

The Company's profit for the year was £315,000 (year ended 31 December 2008: nil).

On 24 June 2009, the share capital of the Company was reduced from 107,000,000 Ordinary Shares of £1.00 each to 107,000,000 Ordinary Shares of £1/107,000,000 each, by way of a reduction in the nominal value of each share from £1 to £1/107,000,000.

On 30 June 2009, the Company received dividends from its subsidiaries amounting to £75,598,544.

The Company's investments in Call Connections Limited, O2 Solutions Limited and O2 Transactions Limited were impaired by £75,280,998.

Aside from the dividends received from subsidiaries and the loss incurred by impairment of the investments, the Company has not traded during the year to 31 December 2009. The Directors do not anticipate any changes in the foreseeable future.

Dividends

On 30 June 2009 the Company declared a final dividend totalling £75,595,510.78 to the ordinary shareholders.

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 (appointed 1 June 2009)
David Melcon Sanchez-Frera

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

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

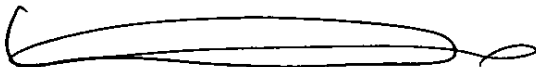
The Company made no political or charitable contributions during the year ended 31 December 2009 (period ended 31 December 2008 nil).

Auditors

Pursuant to a shareholders' resolution passed on 10 December 1997 the Company is not obliged to re-appoint its auditors annually.

So far as each Director is aware, there is no relevant audit information of which the Company's auditors were 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 auditors are aware of that information.

By Order of the Board



Vivienne Aziba
For and on behalf of
O2 Secretaries Limited
Company Secretary
6 September 2010

O2 Mobiles Limited
Statement of Directors' responsibilities

Registered No. 2604355

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

Independent auditor's report to the members of O2 Mobiles Limited

We have audited the financial statements of O2 Mobiles Limited for the year ended 31 December 2009 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 9. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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.

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 31 December 2009 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 matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of O2 Mobiles Limited

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



Richard Addison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

13 September 2010

Statement of comprehensive income
Year ended 31 December 2009

	Note	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Impairment of investment	5	(75,281)	-
Operating result		(75,281)	-
Financial income	3	75,596	-
Profit before taxation		315	-
Taxation	4	-	-
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 2009**

	Note	31 December 2009 £'000	31 December 2008 £'000
Non-current assets			
Investments	5	-	75,281
Net assets		-	75,281
Equity			
Ordinary share capital	6	-	107,000
Retained earnings		-	(31,719)
Total equity		-	75,281

The accompanying notes are an integral part of the financial statements

These financial statements were approved by the board of directors on 6 September 2010 and were signed on its behalf by



David Melcon
Director

Statement of changes in equity
As at 31 December 2009

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2008	107,000	(31,719)	75,281
Total comprehensive income for the year	-	-	-
At 31 December 2008	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)
At 31 December 2009	-	-	-

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.

In accordance with s 400 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, for the year ended 31 December 2009 its intermediate parent Company.

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, not in the statement of comprehensive income.

Notes to the financial statements

1. Accounting policies (continued)

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. Auditor's remuneration

The auditor's remuneration in the current year was borne by a fellow group company (2008 unaudited)

3. Financial income

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Financial income		
Dividends received from subsidiaries	75,596	-

4. Taxation

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Analysis of charge in the year		
Current tax	-	-

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

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit before taxation	315	-
Profit before taxation at the UK corporation tax rate of 28% (2008 28.5%)	89	-
Expenses not deductible	21,079	-
Income not taxable	(21,168)	-
Current tax	-	-

With effect from 1 April 2008 the standard rate of UK Corporation tax reduced from 30% to 28%. As a result the tax charge for the year ended 31 December 2008 was calculated at the weighted average rate of 28.5%

Notes to the financial statements

4. Taxation (continued)

The following changes were announced in the UK Budget on 22 June 2010 (i) the full rate of corporation tax will reduce to 27% with effect from 1 April 2011, and will decrease by a further 1% each 1 April thereafter until reaching 24% with effect from 1 April 2014, (ii) the rate of annual writing down allowances on qualifying plant and machinery will reduce by 2%, to 18% for the general capital allowance pool and to 8% for the integral features pool, with effect from 1 April 2012. As this legislation was not substantively enacted by the balance sheet date, the figures within these accounts are calculated in accordance with the existing rates.

5. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2008, 31 December 2008, 31 December 2009	107,000
Impairment	
At 1 January 2008 and 31 December 2008	(31,719)
Charge for the year	(75,281)
At 31 December 2009	-
Net book value	
At 31 December 2009	-
At 31 December 2008	75,281

In June 2009, a process to simplify the Group structure took place which led to a reduction in the carrying values of the Company's investments in its subsidiaries.

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.

6. Called up share capital

	31 December 2009 £'000	31 December 2008 £'000
Called up, allotted and fully paid		
107,000,000 ordinary shares of £1/107,000,000 each (2008 £1 each)	-	107,000

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.

Notes to the financial statements**6. Called up share capital (continued)**

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 creation of distributable reserves as part of the Telefónica group simplification exercise.

7. Related party disclosures

Related party transactions with Directors and key management are detailed in note 8.

Other related party transactions are detailed in notes 3.

8. Key management and Directors' compensation

No emoluments or other benefits were paid to Directors during the year ended 31 December 2009 (year ended 31 December 2008: nil). The Directors are employees of Telefónica O2 UK Limited or Telefónica, S.A. and are remunerated for their services to the Group as a whole.

There are no employees of the Company.

9. 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.

