

Registered Number: 4247143

**O2 Holdings Limited**

**Report and Financial Statements  
For the year ended 31 March 2003**



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## **O2 Holdings Limited**

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# **O2 Holdings Limited**

## **Directors and advisers**

### **Directors**

C Fletcher Smith  
R Harwood

### **Secretary and registered office**

O2 Secretaries Limited  
Wellington Street  
Slough  
Berkshire SL1 1YP

### **Registered auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

# **O2 Holdings Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 31 March 2003.

### **Principal activities**

The principal activity of O2 Holdings Limited (the "Company") was to act as an intermediate holding company in the mmO2 plc group (the "Group").

### **Business review and future prospects**

The Company's functional currency is the Euro and therefore all figures in these financial statements are presented in Euros (€).

During the year, in conjunction with a group-wide review by the Group, the Company has undertaken a review of the carrying value of its fixed assets. This has resulted in the Company recognising an impairment charge of €130,340,000 against the carrying value of its investments. Further details are provided in note 4 to the financial statements.

On 28 March 2003, the Company made a voluntary capital contribution promise to O2 (Germany) Verwaltungs GmbH ("Verwaltungs") of €4,650,000,000 to be remitted to them on first demand by Verwaltungs.

The Directors expect the Company to continue to act as an intermediate holding company for the foreseeable future.

### **Post balance sheet event**

On 15 September 2003 a loan balance due to O2 Limited, the Company's immediate parent company, of €56,756,519 was converted into 56,756,519 ordinary shares of €1 each.

### **Results and proposed dividend**

The Company's profit for the year, after taxation, was €279,975,000 (period from 5 July 2001 to 31 March 2002 - €174,958,000). The Directors do not propose the payment of a dividend (period from 5 July 2001 to 31 March 2002 - nil).

### **Directors and secretaries**

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

D Borthwick (resigned 31 July 2003)  
C Fletcher Smith  
R Harwood

O2 Secretaries Limited served as secretary throughout the year.

### **Beneficial interests**

#### ***Directors' interests in the ordinary shares of mmO2 plc***

The Register of Directors' Interests indicated that the Directors who held office at the end of the financial year had the following interests in mmO2 plc's ordinary shares of 0.1p each.

## Directors' report (continued)

	Interest at 1 April 2002	Number of shares acquired	Number of shares disposed	Interest at 31 March 2003
	No.	No.	No.	No.
D Borthwick*	67	-	-	67
C Fletcher Smith	1,209	3,218	-	4,427
R Harwood	1,862	3,218	-	5,080

\* Mr Borthwick also has an interest in 20 deferred shares of £1 each of the ultimate parent undertaking.

### Executive Share Options

The table below shows the options granted under the mmO2 plc Share Option Plan. Vesting is subject to the satisfaction of certain performance criteria as detailed in the mmO2 plc annual report.

	Number of options during the year						
	At 1 April 2002	Granted	Lapsed	At 31 March 2003	Exercise price	Date from which exercisable	Lapse date
	No.	No.	No.	No.	pence		
C Fletcher Smith	137,931	-	-	137,931	87.0	23 Nov 2004	22 Nov 2011
C Fletcher Smith	-	133,695	-	133,695	46.0	25 Jul 2005	24 Jul 2012
R Harwood	-	61,956	-	61,956	46.0	25 Jul 2004	24 Jul 2012

No share options granted to Directors lapsed or were exercised during the year. There were no unrealised gains on executive share options as at 31 March 2003.

### Sharesave Options

The table below shows the options over mmO2 plc ordinary shares held by Directors during the year, through their participation in the mmO2 Sharesave Plan:

	Number of options during the year						
	At 1 April 2002	Granted	Cancelled	At 31 March 2003	Exercise price	Date from which exercisable	Lapse date
	No.	No.	No.	No.	pence		
C Fletcher Smith	22,609	-	22,609	-	73.2	14 Feb 2007	13 Aug 2007
C Fletcher Smith	-	21,477	-	21,477	44.0	13 Feb 2006	12 Aug 2006
R Harwood	12,978	-	12,978	-	73.2	14 Feb 2005	13 Aug 2005
R Harwood	-	21,477	-	21,477	44.0	13 Feb 2006	12 Aug 2006

The closing market price of mmO2 plc shares at 31 March 2003 was 44.75p and the range from 1 April 2002 to that date was 37p to 68p.

**Directors' report (continued)**

**Political and charitable contributions**

The Company made no political or charitable contributions during the year (2002: nil).

**Statement of Directors' responsibilities**

A statement by the Directors of their responsibilities for preparing the financial statements is included on page 7.

**Auditors**

Following the transfer of substantially all of the business of the UK firm of PricewaterhouseCoopers, the Company's auditors, to a limited liability partnership on 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the Directors appointed the new firm, PricewaterhouseCoopers LLP with effect from 28 February 2003. Pursuant to a shareholders' resolution under section 386 of the Companies Act 1985, the Company is not obliged to re-appoint its auditors annually and this is not affected by the Company's auditors' change of status.

By order of the board



Authorised signatory  
for and on behalf of O2 Secretaries Limited  
Company Secretary

26 February

2004

**Statement of directors' responsibilities**

Company law requires the Directors 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 year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 auditors' report to the members of O2 Holdings Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Companies Act 1985. 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. The other information comprises only the directors' report.

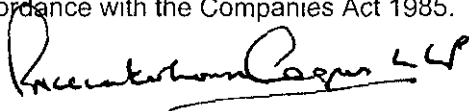
### **Basis of audit opinion**

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

25 February 2004

## O2 Holdings Limited

### Profit and loss account Year ended 31 March 2003

	Note	Year ended 31 March 2003 €'000	Period from 5 July 2001 to 31 March 2002 €'000
Exceptional item - impairment charge	4	(130,340)	-
<b>Operating loss</b>		<b>(130,340)</b>	<b>-</b>
Interest receivable from group undertakings		410,315	174,958
<b>Profit on ordinary activities before taxation</b>		<b>279,975</b>	<b>174,958</b>
Tax on profit on ordinary activities	3	-	-
<b>Retained profit on ordinary activities after taxation</b>	7	<b>279,975</b>	<b>174,958</b>

All amounts derive from continuing operations.

The Company has no other recognised gains and losses other than those presented in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

## O2 Holdings Limited

### Balance sheet 31 March 2003

	Note	2003 €'000	2002 €'000
<b>Fixed assets</b>			
Investments	5	5,129,266	5,259,606
<b>Current assets</b>			
Debtors – amounts owed by Group undertakings		8,625,987	8,033,691
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to Group undertakings		(137,078)	(255,097)
<b>Net current assets</b>		8,488,909	7,778,594
<b>Total assets less current liabilities</b>		13,618,175	13,038,200
<b>Capital and reserves</b>			
Called up share capital	6	1,182,241	882,241
Share premium account	7	11,981,001	11,981,001
Profit and loss account	7	454,933	174,958
<b>Equity shareholders' funds</b>	7	13,618,175	13,038,200

These financial statements were approved by the Board of Directors on 25 February 2004.  
Signed on behalf of the Board of Directors:



Director

**O2 Holdings Limited**  
**Notes to the accounts**  
**Year ended 31 March 2003**

**1 Accounting policies**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

*Investments*

Investments are stated at cost less provision for impairment.

*Fixed asset impairment*

Tangible fixed assets are reviewed for impairment: (i) at the end of the first full financial year following acquisition; and (ii) in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable. Such events may include continuing operating losses, technological obsolescence or significant adverse changes in the business or the market in which the fixed asset is used.

The impairment review is performed by comparing the carrying value of the asset, or group of assets, with their recoverable amount. For assets used in the continuing operations of the Group the recoverable amount is the assets' value in use which is estimated by calculating the present value of its future cash flows. For assets to be disposed, the recoverable amount is the assets' net realisable value. Impairment charges are recognised in the profit and loss account to the extent that the carrying value exceeds the recoverable amount in the period in which the impairment is identified.

*Deferred taxation*

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

*Consolidated accounts*

In accordance with s228 of the Companies Act 1985, consolidated accounts have not been prepared as the Company and its subsidiaries are included in the group accounts of mmO2 plc.

*Cash flow statement*

The cash flows of the Company are included in the consolidated financial statements of mmO2 plc for the year ended 31 March 2003, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under Financial Reporting Standard ("FRS") 1 "Cash Flow Statements (Revised)".

**2 Operating result**

None of the directors received any emoluments in respect of their services to the Company for either the current year or preceding period. The Company had no employees in the current year or preceding period. Audit fees for the Group were borne by another Group undertaking and have been allocated across the Group in both the current year and preceding period. The portion relating to the Company is nil in both the current year and preceding period.

**O2 Holdings Limited**  
**Notes to the accounts**  
**Year ended 31 March 2003**

**3 Tax on profit on ordinary activities**

	Year ended 31 March 2003 €'000	Period from 5 July 2001 to 31 March 2002 €'000
Current tax charge	-	-

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 March 2003 €'000	Period from 5 July 2001 to 31 March 2002 €'000
Profit on ordinary activities before taxation	279,975	174,958
UK corporation tax at standard rate at 30%	83,993	52,487
Non-deductible depreciation, amortisation and impairment	39,102	-
Group relief received for nil consideration	(123,095)	(52,487)
Current tax charge	-	-

No tax loss has arisen as a consequence of the investment impairment amounting to €130,340,000 (note 4). It is possible that a tax loss may arise at some future date; however, the amount is unquantifiable and its recovery is uncertain and therefore no deferred tax asset has been recognised.

**4 Impairment review**

At 31 March 2003, the Group performed an impairment review of its principal operations. Full details of this review are contained in the annual report of mmO2 plc, which is available from the address contained in note 10. O2 Holdings Limited performed an impairment review at 31 March 2003 using the Group impairment review as the basis. This has resulted in the Company recognising an impairment charge of €130,340,000 against the carrying value of its investments.

**O2 Holdings Limited**  
**Notes to the accounts**  
**Year ended 31 March 2003**

**5 Investments**

	Shares in subsidiary undertakings €'000
<b>Cost</b>	
At 1 April 2002 and 31 March 2003	5,259,606
<b>Provisions for impairment</b>	
At 1 April 2002	-
Impairment charge	130,340
At 31 March 2003	130,340
<b>Net book value</b>	
At 31 March 2003	5,129,266
At 31 March 2002	5,259,606

The principal subsidiary undertakings are detailed below:

Name	Country of incorporation	Principal activity	Shareholding (%)
O2 (Germany) GmbH & Co OHG	Germany	Mobile cellular telephone system provider and operator	100
O2 (Germany) Holding GmbH	Germany	Holding company	100
O2 (Germany) Management GmbH	Germany	Holding company	100
O2 (Germany) Verwaltungs GmbH	Germany	Holding company	100

**6 Called up share capital**

	2003 €	2002 €
<b>Authorised</b>		
1,300,000,000 (2002 - 1,000,000,000) ordinary shares of €1	1,300,000,000	1,000,000,000
<b>Called up, allotted and partly paid</b>		
1,182,241,248 (2002 - 882,241,248) ordinary shares of €1	1,182,241,248	882,241,248
<b>Called up share capital</b>	1,182,241,248	882,241,248

The Company issued 300,000,000 ordinary shares of €1 each during the year for consideration of €300,000,000.

**O2 Holdings Limited**  
**Notes to the accounts**  
**Year ended 31 March 2003**

**7 Combined statement of movement on reserves and reconciliation of movements in shareholders' funds**

	Called up share capital €'000	Share premium €'000	Profit and loss account €'000	Total €'000
At 1 April 2002	882,241	11,981,001	174,958	13,038,200
Profit for the year	-	-	279,975	279,975
Issue of shares	300,000	-	-	300,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	1,182,241	11,981,001	454,933	13,618,175
	<hr/>	<hr/>	<hr/>	<hr/>

**8 Contingent liabilities**

On 28 March 2003, the Company made a voluntary capital contribution promise to O2 (Germany) Verwaltungs GmbH ("Verwaltungs") of €4,650,000,000 to be remitted to them on first demand by Verwaltungs.

**9 Related party disclosures**

In accordance with FRS 8 "Related Party Disclosures", transactions with other companies within, and investee related parties of, the Group have not been disclosed in these financial statements.

**10 Parent company and controlling party**

At the end of the year, the immediate parent company was O2 Limited. The ultimate parent company and controlling party was mmO2 plc, a company incorporated in England and Wales.

Copies of the financial statements of mmO2 plc may be obtained from the Secretary, mmO2 plc, Wellington Street, Slough, Berkshire SL1 1YP.

**11 Post balance sheet event**

On 15 September 2003 a loan balance due to O2 Limited, the Company's immediate parent company, of €56,756,519 was converted into 56,756,519 ordinary shares of €1 each.