

**Registered Number: 4247143**

**O2 (Europe) Limited (formerly O2 Holdings Limited)**

**Annual Report and Financial Statements  
for the year ended 31 March 2004**



## **O2 (Europe) Limited (formerly O2 Holdings Limited)**

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## **O2 (Europe) Limited (formerly 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 (Europe) Limited (formerly O2 Holdings Limited)

### Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2004.

### Principal activities

The principal activity of O2 (Europe) Limited (formerly 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

On 9 December 2004 O2 Holdings Limited changed its name to O2 (Europe) Limited.

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

On 30 March 2004, the Company waived €3,100,000,000 owed by a subsidiary undertaking.

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

### Results and proposed dividend

The Company's loss for the year, after taxation, was €2,729,516,000 (2003: profit of €279,975,000). The Directors do not propose the payment of a dividend (2003: nil).

### Directors and secretaries

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

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

O2 Secretaries Limited served as secretary throughout the year.

### Beneficial interests

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

The beneficial interests of the Directors and their immediate families in mmO2 ordinary shares of 0.1p each as at 31 March 2004, including shares held under the mmO2 Share Ownership Plan, are set out in the table below:

	Interest at 1 April 2003	Number of shares acquired	Number of shares disposed	Interest at 31 March 2004
	No.	No.	No.	No.
C Fletcher Smith	4,427	2,317	-	6,744
R Harwood	5,080	2,388	71	7,397

## O2 (Europe) Limited (formerly O2 Holdings Limited)

### Directors' report (continued)

#### 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				Exercise price pence	Date from which exercisable	Lapse date
	At 1 April 2003	Granted	Lapsed	At 31 March 2004			
	No.	No.	No.	No.			
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 2005	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 2004.

#### 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				Exercise price pence	Date from which exercisable	Lapse date
	At 1 April 2003	Granted	Cancelled	At 31 March 2004			
	No.	No.	No.	No.			
C Fletcher Smith	21,477	-	-	21,477	44.0	13 Feb 2006	12 Aug 2006
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 2004 was 100.50p and the range from 1 April 2003 to that date was 45.75p to 112.00p.

#### Performance Share Plan

Under the mmO2 plc Performance Share Plan ("PSP"), C Fletcher Smith has been granted contingent awards of 60,141 shares (1 April 2003: nil) and R Harwood has been granted contingent awards of 11,132 shares (1 April 2003: nil). Entitlement to these shares at the end of a three-year period is dependent upon the continued employment of the participant by mmO2 plc or one of its subsidiaries, and is subject to the satisfaction of certain performance criteria as detailed in the mmO2 plc annual report.

#### Non-beneficial interests

At 31 March 2004, C Fletcher Smith and R Harwood had a non-beneficial interest in 1,858,232 shares held in trust by Hill Samuel Offshore Trust Company Limited as trustee of the PSP.

## **O2 (Europe) Limited (formerly O2 Holdings Limited)**

### **Directors' report (continued)**

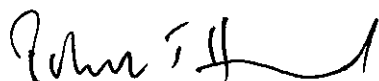
#### **Political and charitable contributions**

The Company made no political or charitable contributions during the year (2003: nil).

#### **Auditors**

Pursuant to a shareholders' resolution under section 386 of the Companies Act 1985, the Company is not obliged to re-appoint its auditors annually.

By order of the board:



Authorised signatory  
for and on behalf of O2 Secretaries Limited  
Company Secretary  
4 January 2005

**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.

## **O2 (Europe) Limited (formerly O2 Holdings Limited)**

### **Independent auditors' report to the members of O2 (Europe) Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

#### **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.

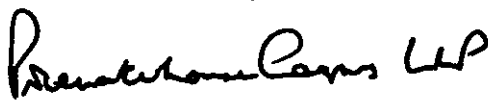
#### **Basis of audit opinion**

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 2004 and of its loss 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

4 January 2005



## O2 (Europe) Limited (formerly O2 Holdings Limited)

### Profit and loss account Year ended 31 March 2004

	Note	2004 €'000	2003 €'000
Exceptional item – loan waiver	2	(3,100,000)	-
Exceptional item – impairment charge	2	-	(130,340)
<b>Operating loss</b>	2	(3,100,000)	(130,340)
Interest receivable from group undertakings		370,484	410,315
<b>(Loss)/profit on ordinary activities before taxation</b>		(2,729,516)	279,975
Tax on (loss)/profit on ordinary activities	3	-	-
<b>Retained (loss)/profit on ordinary activities after taxation</b>	6	(2,729,516)	279,975

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 (Europe) Limited (formerly O2 Holdings Limited)

### Balance sheet As at 31 March 2004

	Note	2004 €'000	2003 €'000
<b>Fixed assets</b>			
Investments	4	5,341,245	5,129,266
<b>Current assets</b>			
Debtors – amounts owed by Group undertakings		5,791,152	8,625,987
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to Group undertakings		-	(137,078)
<b>Net current assets</b>		5,791,152	8,488,909
<b>Total assets less current liabilities</b>		11,132,397	13,618,175
<b>Capital and reserves</b>			
Called up share capital	5	1,239,001	1,182,241
Share premium account	6	12,167,979	11,981,001
Profit and loss account	6	(2,274,583)	454,933
<b>Equity shareholders' funds</b>	6	11,132,397	13,618,175

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

4 January 2005

Director

CHRISTOPHER FLETCHER SMITH

## **O2 (Europe) Limited (formerly O2 Holdings Limited)**

### **Notes to the financial statements Year ended 31 March 2004**

#### **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*

Investments 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 financial statements*

In accordance with s228 of the Companies Act 1985, consolidated financial statements have not been prepared as the Company and its subsidiaries are included in the group financial statements 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 2004, 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 loss**

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

## O2 (Europe) Limited (formerly O2 Holdings Limited)

### Notes to the financial statements Year ended 31 March 2004

#### 2 Operating loss (continued)

In the year ended 31 March 2004, the Company recognised an exceptional charge of €3,100,000,000 being the waiver of an amount owed by a subsidiary undertaking.

In the year ended 31 March 2003, the Company recognised an impairment charge of €130,340,000 against the carrying value of its investments.

#### 3 Tax on (loss)/profit on ordinary activities

	2004 €'000	2003 €'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:

	2004 €'000	2003 €'000
(Loss)/profit on ordinary activities before taxation	(2,729,516)	279,975
UK corporation tax at standard rate at 30%	(818,855)	83,993
Non-deductible depreciation, amortisation and impairment	-	39,102
Non-deductible waiver of loan	930,000	-
Group relief received for nil consideration	(111,145)	(123,095)
Current tax charge	-	-

No tax loss has arisen as a consequence of the investment impairment, recognised in the year ended 31 March 2003, amounting to €130,340,000. 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.

## O2 (Europe) Limited (formerly O2 Holdings Limited)

### Notes to the financial statements Year ended 31 March 2004

#### 4 Investments

	Shares in subsidiary undertakings €'000
<b>Cost</b>	
At 1 April 2003	5,259,606
Additions	211,979
	<hr/>
At 31 March 2004	5,471,585
	<hr/>
<b>Provisions for impairment</b>	
At 1 April 2003 and 31 March 2004	130,340
	<hr/>
<b>Net book value</b>	
At 31 March 2004	5,341,245
	<hr/>
At 31 March 2003	5,129,266
	<hr/>

The principal subsidiary undertakings are detailed below:

Name	Country of incorporation	Principal activity	Shareholding (%)
O2 (Germany) GmbH & Co OHG <sup>(1)</sup>	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

<sup>(1)</sup> Subsidiary is indirectly owned.

#### 5 Called up share capital

	2004 €	2003 €
<b>Authorised</b>		
1,300,000,000 (2003 - 1,300,000,000) ordinary shares of €1	1,300,000,000	1,300,000,000
	<hr/>	<hr/>
<b>Called up, allotted and partly paid</b>		
1,239,000,767 (2003 - 1,182,241,248) ordinary shares of €1	1,239,000,767	1,182,241,248
	<hr/>	<hr/>

## O2 (Europe) Limited (formerly O2 Holdings Limited)

### Notes to the financial statements

Year ended 31 March 2004

#### 5 Share capital (continued)

On 15 September 2003 the Company issued 56,756,519 ordinary shares of €1 each for consideration of €56,756,519. On 14 November 2003 the Company issued 1,000 ordinary shares of €1 each for consideration of €99,990,000. On 20 January 2004 the Company issued 1,000 ordinary shares of €1 each for consideration of €79,992,000. On 29 March 2004 the Company issued 1,000 ordinary shares of €1 each for consideration of €6,999,300.

#### 6 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 2003	1,182,241	11,981,001	454,933	13,618,175
Loss for the year	-	-	(2,729,516)	(2,729,516)
Issue of shares	56,760	186,978	-	243,738
At 31 March 2004	1,239,001	12,167,979	(2,274,583)	11,132,397

#### 7 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. During the year, €211,978,800 was remitted by the Company to Verwaltungs. On 30 March 2004, a further capital contribution promise of €500,000,000 was made to Verwaltungs.

#### 8 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.

#### 9 Parent company and controlling party

At the end of the year, the immediate parent company was O2 Limited. On 9 December 2004, O2 Limited changed its name to O2 Holdings 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.