

Registered Number: 4247143

O2 (Europe) Limited (formerly O2 Holdings Limited)

**Annual Report and Financial Statements
for the year ended 31 March 2005**



O2 (Europe) Limited (formerly O2 Holdings Limited)

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O2 (Europe) Limited (formerly O2 Holdings Limited)

Company information

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 2005.

Principal activities

The principal activity of O2 (Europe) Limited (formerly O2 Holdings Limited) (the "Company") is to act as an intermediate holding company in the O2 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 31 March 2005, the Company waived €5,668,435,000 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 €5,539,777,000 (2004: €2,729,516,000). The Directors do not propose the payment of a dividend (2004: nil).

On 13 July 2004 the Company issued 1,000 ordinary shares of €1 each for consideration of €24,997,500.

Post balance sheet events

Between 29 April 2005 and 4 July 2005, the Company issued 1,000 ordinary shares for total consideration of €99,990,000.

Between 29 April 2005 and 4 July 2005, the Company invested €99,990,000 in its subsidiary undertaking O2 (Germany) Verwaltungs GmbH.

Directors and secretary

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

C Fletcher Smith
R Harwood

O2 Secretaries Limited served as secretary throughout the year.

O2 (Europe) Limited (formerly O2 Holdings Limited)

Directors' report (continued)

Beneficial interests

Directors' interests in the ordinary shares of O2 plc

Following the Scheme of Arrangement of mmO2 plc dated 12 January 2005 (the "Scheme") becoming effective on 14 March 2005, O2 plc became the ultimate parent of mmO2 plc. In addition, as part of the capital reorganisation forming the Scheme, all options and awards granted over mmO2 plc shares under the various employee share schemes were automatically rolled over into options and awards over an identical number of O2 plc shares. There was no change to option prices, the number of shares under option/award or the length of the vesting period. Consequently the share interests of the Directors and their immediate families shown below, reflect those as at 31 March 2005 in the ordinary shares of 0.1 pence each in the share capital of O2 plc and as at 1 April 2004 of such share interests in the ordinary shares of 0.1 pence each in the share capital 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 O2 plc's ordinary shares of 0.1p each.

	At 1 April 2004 No.	Acquired No.	Disposed No.	At 31 March 2005 No.
C Fletcher Smith	6,744	1,438	-	8,182
R Harwood	7,397	1,438	-	8,835

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 deferred shares of £1 each.

	At 1 April 2004 No.	Acquired No.	Disposed No.	At 31 March 2005 No.
C Fletcher Smith	-	20	20	-
R Harwood	-	20	20	-

Executive Share Options

The table below shows the options granted under the O2 Share Option Plan. Vesting is subject to the satisfaction of certain performance criteria as detailed in the O2 plc annual report.

	At 1 April 2004 No.	Granted No.	Exercised No.	Lapsed No.	At 31 March 2005 No.	Exercise price	Dates between which exercisable
C Fletcher Smith	137,931	-	102,068	-	35,863	87p	23/11/04-22/11/11
C Fletcher Smith	133,695	-	-	-	133,695	46p	25/7/05-24/7/12
R Harwood	61,956	-	-	-	61,956	46p	25/7/05-24/7/12

O2 (Europe) Limited (formerly O2 Holdings Limited)

Directors' report (continued)

Sharesave Options

The table below shows the options over O2 plc ordinary shares held by Directors during the year, through their participation in the O2 Sharesave Plan:

	At 1 April 2004 No.	Granted No.	Exercised No.	Lapsed No.	At 31 March 2005 No.	Exercise price	Dates between which exercisable
C Fletcher Smith	21,477	-	-	-	21,477	44p	13/2/06-12/8/06
R Harwood	21,477	-	-	-	21,477	44p	13/2/06-12/8/06

The closing market price of O2 plc shares at 31 March 2005 was 119.25p and the range in mmO2 plc and O2 plc shares (as applicable) from 1 April 2004 to that date was 84.25p to 131.25p.

Performance Share Plan

Under the O2 Performance Share Plan ("PSP"), C Fletcher Smith has been granted contingent awards of 113,766 shares (1 April 2004: 60,141) and R Harwood has been granted contingent awards of 29,260 shares (1 April 2004: 11,132). Entitlement to these shares at the end of a three-year period is dependent upon the continued employment of the participant by O2 plc or one of its subsidiaries, and is subject to the satisfaction of certain performance criteria as detailed in the O2 plc annual report.

Non-beneficial interests

At 31 March 2005, C Fletcher Smith and R Harwood had a non-beneficial interest in 956,316 shares held in trust by Hill Samuel Offshore Trust Company Limited as trustee of the PSP.

Political and charitable contributions

The Company made no political or charitable contributions during the year (2004: nil).

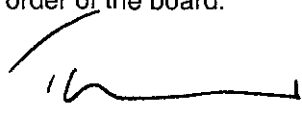
Statement of Directors' responsibilities

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

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
9 November 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.

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 2005 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
9 November 2005

O2 (Europe) Limited (formerly O2 Holdings Limited)

Profit and loss account Year ended 31 March 2005

	Note	2005 €'000	2004 €'000
Exceptional item – loan waiver	2	(5,668,435)	(3,100,000)
Operating loss	2	(5,668,435)	(3,100,000)
Net interest receivable	3	128,658	370,484
Loss on ordinary activities before taxation		(5,539,777)	(2,729,516)
Tax on loss on ordinary activities	4	-	-
Retained loss on ordinary activities after taxation	7	(5,539,777)	(2,729,516)

All amounts derive from continuing operations.

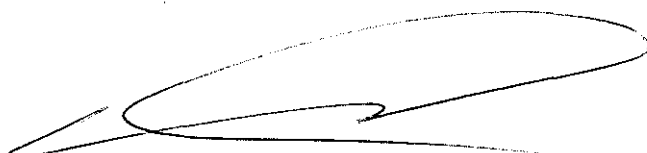
The Company has no other recognised gains and losses other than those presented in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

O2 (Europe) Limited (formerly O2 Holdings Limited)

Balance sheet As at 31 March 2005

	Note	2005 €'000	2004 €'000
Fixed assets			
Investments	5	5,341,245	5,341,245
Current assets			
Debtors – amounts owed by Group undertakings		276,372	5,791,152
Net current assets		276,372	5,791,152
Net assets		5,617,617	11,132,397
Capital and reserves			
Called up share capital	6	1,239,002	1,239,001
Share premium account	7	12,192,975	12,167,979
Profit and loss account	7	(7,814,360)	(2,274,583)
Equity shareholder's funds	7	5,617,617	11,132,397

These financial statements were approved by the Board of Directors on 9 November 2005 and signed on its behalf by Christopher Fletcher Smith



Director

O2 (Europe) Limited (formerly O2 Holdings Limited)

Notes to the financial statements

Year ended 31 March 2005

1 Accounting policies

The financial statements are prepared under the historical cost convention 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

Intangible assets are reviewed for impairment at the end of the first full financial year following acquisition; and, together with tangible fixed assets and investments, 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 O2 plc.

Cash flow statement

The cash flows of the Company are included in the consolidated financial statements of O2 plc for the year ended 31 March 2005, 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)".

O2 (Europe) Limited (formerly O2 Holdings Limited)

Notes to the financial statements

Year ended 31 March 2005

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.

In the year ended 31 March 2005, the Company recognised an exceptional charge of €5,668,435,000 (2004: €3,100,000,000) being the waiver of an amount owed by a subsidiary undertaking.

3 Net interest receivable

	2005 €'000	2004 €'000
Interest receivable from group undertakings	130,120	370,484
Foreign exchange loss on financing	(1,462)	-
	<u>128,658</u>	<u>370,484</u>

4 Tax on loss on ordinary activities

	2005 €'000	2004 €'000
Current tax charge	-	-

The tax assessed for the period varied from the amount computed by applying the corporation tax standard rate to loss on ordinary activities before taxation. The difference was attributable to the following factors:

	2005 €'000	2004 €'000
Loss on ordinary activities before taxation	(5,539,777)	(2,729,516)
UK corporation tax at standard rate at 30%	(1,661,933)	(818,855)
Non-deductible waiver of loan	1,700,531	930,000
Group relief received for nil consideration	(38,598)	(111,145)
Current tax charge	-	-

O2 (Europe) Limited (formerly O2 Holdings Limited)

Notes to the financial statements Year ended 31 March 2005

4 Tax on loss on ordinary activities (continued)

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.

5 Investments

	Shares in subsidiary undertakings €'000
Cost	
At 1 April 2004 and 31 March 2005	5,471,585
Provisions for impairment	
At 1 April 2004 and 31 March 2005	130,340
Net book value	
At 31 March 2005 and 31 March 2004	5,341,245

The principal subsidiary undertakings are detailed below:

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

⁽¹⁾ Subsidiary is indirectly owned.

6 Called up share capital

	2005 €	2004 €
Authorised		
1,300,000,000 (2003: 1,300,000,000) ordinary shares of €1	1,300,000,000	1,300,000,000
Called up and fully paid		
1,239,001,767 (2003: 1,239,000,767) ordinary shares of €1	1,239,001,767	1,239,000,767

On 13 July 2004 the Company issued 1,000 ordinary shares of €1 each for consideration of €24,997,500.

O2 (Europe) Limited (formerly O2 Holdings Limited)

Notes to the financial statements Year ended 31 March 2005

7 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 2004	1,239,001	12,167,979	(2,274,583)	11,132,397
Loss for the year	-	-	(5,539,777)	(5,539,777)
Issue of shares	1	24,996	-	24,997
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	1,239,002	12,192,975	(7,814,360)	5,617,617
	<hr/>	<hr/>	<hr/>	<hr/>

8 Contingent liabilities

The Company has a voluntary capital contribution promise to O2 (Germany) Verwaltungs GmbH ("Verwaltungs") of €4,938,021,200 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 Holdings Limited (formerly O2 Limited). The ultimate parent company and controlling party was O2 plc, a company incorporated in England and Wales.

Copies of the financial statements of O2 plc may be obtained from the Secretary, O2 plc, Wellington Street, Slough, Berkshire SL1 1YP.

11 Post balance sheet events

Between 29 April 2005 and 4 July 2005, the Company issued 1,000 ordinary shares for total consideration of €99,990,000.

Between 29 April 2005 and 4 July 2005, the Company invested €99,990,000 in its subsidiary undertaking O2 (Germany) Verwaltungs GmbH.