

Registered No 1814089

## **O2 Solutions Limited**

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

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## **O2 Solutions Limited**

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## **O2 Solutions Limited Company information**

### **Directors**

Kate Jarvis  
Robert Harwood  
David Melcon Sanchez-Friera

### **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 Solutions Limited Directors' Report**

Registered No 1814089

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

### **Corporate structure**

O2 Solutions Limited ("the Company") is a private limited company registered in England and Wales under the number 1814089. The registered address is 260 Bath Road, Slough, Berkshire SL1 4DX. It is a wholly owned subsidiary of Telefonica Europe plc Group of companies. The ultimate holding company is 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 2009 and has made no profit or loss. Accordingly no statement of comprehensive income or statement of cash flows are presented. The Directors do not anticipate any changes in the foreseeable future.

### **Dividend**

On 30 June 2009 the Company declared a final dividend totalling £37,909,693.40 to ordinary shareholders (31 December 2008: £nil).

### **Principal risks 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.

### **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 operational existence for the foreseeable future; thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Directors and secretaries**

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

Kate Jarvis  
Robert Harwood  
David Melcon Sanchez-Friera

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

## **O2 Solutions Limited Directors' Report**

Registered No 1814089

### **Directors' liability insurance and indemnities**

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**

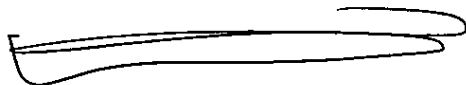
The Company made no political or charitable contributions during the year (year ended 31 December 2008 £nil)

### **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 are 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  
24 September 2010

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs, as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Independent auditor's report to members of O2 Solutions Limited**

We have audited the financial statements of O2 Solutions Limited for the year ended 31 December 2009 which comprise of the statement of financial position, the statement of changes in equity and the related notes 1 to 8. 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 5, 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,
- 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 members of O2 Solutions Limited (continued)**

**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 behalf of Ernst & Young LLP, Statutory Auditor  
London  
24 September 2010



**Statement of financial position**  
**As at 31 December 2009**

	<b>Note</b>	<b>31 December 2009 £</b>	<b>31 December 2008 £</b>
<b>Current assets</b>			
Trade and other receivables	3	4	38,881,518
<b>Current liabilities</b>			
Trade and other payables	3	-	(971,821)
<b>Net assets</b>		<b>4</b>	<b>37,909,697</b>
<b>Equity</b>			
Ordinary share capital	4	2	2
Retained earnings		2	37,909,695
<b>Total equity</b>		<b>4</b>	<b>37,909,697</b>

The accompanying notes are an integral part of these financial statements

These financial statements were approved by the Board of Directors on 24 September 2010 and were signed on its behalf by



David Melcon  
 Director

**Statement of changes in equity**  
**As at 31 December 2009**

	<b>Called up share capital (note 4) £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
At 1 January 2008	2	37,909,695	37,909,697
Total comprehensive income for year	-	-	-
<b>At 31 December 2008</b>	<b>2</b>	<b>37,909,965</b>	<b>37,909,697</b>
Total comprehensive income for year	-	-	-
Dividend paid (note 6)	-	(37,909,693)	(37,909,693)
<b>At 31 December 2009</b>	<b>2</b>	<b>2</b>	<b>4</b>

The accompanying notes are an integral part of these financial statements

## O2 Solutions Limited

### Notes to the financial statements

#### 1. Accounting policies

##### *Basis for 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 except that, as disclosed in the accounting policies below, certain items are measured at fair value.

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.

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

New IFRS and IFRICs adopted during the year did not have any impact on the Company's financial position in the initial period of application. Full details of new IFRS and IFRICs adopted during the year and those that have been published, but their application is not mandatory, are included in the financial statements of an intermediate parent company, O2 Holdings Limited.

##### *Trade and other receivables*

Trade and other receivables are carried at original invoice amount less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Provisions are made based on an analysis of balances by age, previous losses experienced, disputes and ability to pay. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows.

#### 2. Directors emoluments and employees

None of the Directors received any emoluments in respect of their services to the Company for the year ended 31 December 2009 (year ended 31 December 2008: £nil). The Company had no employees in the current or prior year.

#### 3. Related parties

At 31 December 2009, the Company had the following balances with related parties:

	31 December 2009 £	31 December 2008 £
<b>Receivable from related parties:</b>		
Telefónica O2 UK Limited	2	38,881,516
O2 Transactions Limited	2	2
	<b>4</b>	<b>38,881,518</b>
<b>Payable to related parties:</b>		
O2 Holdings Limited	-	971,821
	<b>-</b>	<b>971,821</b>

Telefonica O2 UK Limited, O2 Transactions Limited and O2 Holdings Limited are fellow subsidiaries in the Telefonica Europe plc group, the Company's ultimate UK parent.

## O2 Solutions Limited

### Notes to the financial statements

#### 3. Related parties (continued)

##### *Assignment of debt*

On 30 June 2009, O2 Solutions Limited entered into a Deed of Assignment and Release with related parties - O2 Networks Limited, O2 Mobiles Limited, O2 Holdings Limited and Telefónica O2 UK Limited

O2 Solutions Limited assigned portions of its £38,881,516 debtor balance with Telefónica O2 UK Limited to O2 Networks Limited and O2 Mobiles Limited to fully discharge the respective liabilities created by the declaration of a dividend on 30 June 2009 (see note 6)

O2 Solutions Limited assigned £971,821 of its remaining debtor balance with Telefónica O2 UK Limited to O2 Holdings Limited to fully discharge the existing liability with this related party

The remaining balance owing to O2 Solutions Limited by Telefónica O2 UK Limited at 31 December 2009 is £2

#### 4 Called up share capital

	31 December 2009 £	31 December 2008 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Issued</i>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

The Company has one class of authorised and issued share capital, comprising ordinary shares of £1 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

##### *Capital management*

The Company's capital comprises ordinary share capital and retained earnings

The Company's objectives when managing capital are to safeguard the Company's ability to continue to operate as a going concern, to maintain optimal capital structure commensurate with risk and return and to reduce the cost of capital

In order to maintain or adjust the capital structure, the Company may pay dividends to its shareholder, return capital to its shareholder, issue new shares or sell assets to reduce debt or draw down more debt

## **O2 Solutions Limited**

### **Notes to the financial statements**

#### **5. Financial risk factors and management**

The Company's operations expose it to a variety of financial risks including, credit risk and liquidity risk

The principal financial risks of the Company and how the Company manages these risks are discussed below

##### *Credit risk*

The Company does not have a significant exposure to credit risk. All of the Company's credit balances are held with group companies within the Telefónica S A group

##### *Liquidity risk*

Management of the Company's liquidity risk is achieved mostly through being a part of the larger Telefónica group, which operates group wide policies in this area

#### **6. Auditors Remuneration**

Audit fees for the Company were borne by another company within the Telefónica S A group and have not been allocated across the group

#### **7. Dividend**

On 30 June 2009 a final dividend was declared of £37,909,693.40 to the ordinary shareholders (31 December 2008: £nil)

#### **8. Parent company and controlling party**

At the end of the year, the immediate parent companies were O2 Networks Limited and O2 Mobiles Limited. Both of these companies are incorporated in England and Wales.

The ultimate parent company and controlling party was 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.