Registered Number· 4273243

O2 Credit Vouchers Limited

Annual Report and Financial Statements
Year ended 31 December 2011

Contents

	Page
Directors and advisers	1
Directors' report	2
Statement of Directors' responsibilities	4
Independent auditor's report to the members of O2 Credit Vouchers Limited	5
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10

Directors and advisers

Directors

Robert Harwood
David Melcon Sanchez-Friera

Secretary

O2 Secretaries Limited

Registered office

260 Bath Road
Slough
Berkshire
SL1 4DX

Auditor

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

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011

Corporate structure

O2 Credit Vouchers Limited is a private limited company registered in England and Wales under the registered number 4273243 The registered address is 260 Bath Road, Slough, Berkshire, SL1 4DX It is a wholly owned subsidiary of Telefónica Europe plc, its indirect UK parent, a company incorporated in England and Wales 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

Principal activities, business review and future developments

The principal activity of O2 Credit Vouchers Limited (the "Company") during the year was the selling of mobile phone credit vouchers to Telefónica UK Limited It is anticipated that the trading of the Company will continue to decline in future periods

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 Telefónica Group are disclosed in the consolidated Annual Report and financial statements of mmO2 plc, the Company's intermediate parent company

Results and proposed dividend

The Company's loss after taxation for the financial year was £1,000 (2010 profit of £47,000)

The Directors do not recommend the payment of a dividend for the year ended 31 December 2011 (2010 £nil)

Going concern

The Directors, having assessed the financial position of the Company, have no reason to believe that any material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern

Directors and secretary

The Directors who held office during the year were as follows

Robert Harwood
David Melon Sanchez-Friera
Ramon Ros (resigned on 16 March 2011)

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

Directors' report

Directors' liability insurance and indemnities

Telefónica Europe plc, the Company's ultimate 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 2011 (2010 £nil)

Auditor

Pursuant to a shareholders' resolution passed on 26 May 2004, the Company is not obliged to re-appoint its auditor annually

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

By Order of the Board

Vivienne Aziba
for and on behalf of O2 Secretaries Limited
Company Secretary
3 August 2012

Statement of Directors' responsibilities

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 Credit Vouchers Limited

We have audited the financial statements of O2 Credit Vouchers Limited for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 10 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 auditor

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 and express an opinion on 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 In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 and of its loss 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 Credit Vouchers 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

Ernst & Young LLP
Neil Cullum (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 August 2012

Statement of comprehensive income
Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Revenue	8	**68**	179
Cost of sales	8	**(28)**	(114)
Operating profit		**40**	65
Profit before taxation		**40**	65
Taxation	3	**(41)**	(18)
(Loss)/ profit for the year attributable to equity shareholders		**(1)**	47
Total comprehensive (loss)/ income for the year		**(1)**	47

The accompanying notes on pages 10 to 13 are an integral part of these financial statements

There was no recognised income or expense other than those shown above

O2 Credit Vouchers Limited Registered No 4273243

Statement of financial position
Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Current assets			
Trade and other receivables	4	**144,558**	144,518
Cash and cash equivalents	5	**10**	10
		144,568	144,528
Current liabilities			
Trade and other payables	6	**(143,087)**	(143,046)
Net assets		**1,481**	1,482
Equity			
Share capital	7	**-**	-
Retained earnings		**1,481**	1,482
Total equity		**1,481**	1,482

The accompanying notes on pages 10 to 13 are an integral part of these financial statements

These financial statements were approved by the Board of Directors on 3 August 2012 and were signed on its behalf by

Robert Harwood
Director

Statement of financial position
Year ended 31 December 2011

	Share Capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2010	**-**	**1,435**	**1,435**
Total comprehensive income for the year	-	47	47
At 31 December 2010	**-**	**1,482**	**1,482**
Total comprehensive income for the year	-	(1)	(1)
At 31 December 2011	**-**	**1,481**	**1,481**

The accompanying notes on pages 10 to 13 are an integral part of these financial statements

Notes to 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

Revenue

Revenue, which excludes value added tax and other sales taxes, consists of revenue from the sale of credit vouchers The revenue and cost of sales associated with the sale of credit vouchers are recognised when the service is rendered by the customer

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

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 Changes in the provision against receivables are recognised in the statement of comprehensive income within cost of goods sold

Financial risk factors and management

The Company's operations expose it to a variety of financial risks including liquidity risk The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Company's financial performance and net assets

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

Fair value estimation

The fair value of the trade and other receivables approximate to the book carrying value due to the short-term or on demand maturity of these instruments

Notes to financial statements

1. Accounting polices (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

Auditor's remuneration for the year ended 31 December 2011 and the year ended 31 December 2010 was borne by a fellow group company

3. Taxation

Analysis of charge in the year

	2011 £'000	2010 £'000
Current tax	25	18
Current tax – adjustments in respect of prior periods	16	-
Taxation	**41**	18

	2011 £'000	2010 £'000
Profit before taxation	**40**	65
Profit before taxation multiplied by rate of corporation tax in the UK of 26.5% (2010: 28%)	**11**	18
Effects of		
UK to UK transfer pricing adjustment	14	-
Adjustments in respect of prior periods	16	-
Total taxation charge for the year	**41**	18

In the UK Budget of 23 March 2011 it was announced that the main rate of corporation tax would reduce from 28% to 26% effective from 1 April 2011 and 25% effective from 1 April 2012 These changes were enacted on 19 July 2011 As a result the disclosure of deferred tax has been adjusted to reflect the enactment with no significant impact on these financial statements

The UK Budget of 21 March 2012 announced that the main rate of corporation tax will be 24% effective from 1 April 2012 instead of 25% as previously enacted, with reductions to the main rate of corporation tax proposed to reduce the rate by a further 1% each 1 April until 1 April 2014 As this legislation was not enacted or substantively enacted by the balance sheet date it has not been reflected within these financial statements However, it is expected that the changes would not have a significant impact on the value of the company's deferred tax balances at the balance sheet date

4. Trade and other receivables

	2011 £'000	2010 £'000
Amounts owed by other group companies	**144,558**	144,518

All amounts owed by other group companies are unsecured, interest free and repayable on demand

5. Cash and cash equivalents

	2011 £'000	2010 £'000
Short term deposits	**10**	10

The short term deposits comprise funds deposited with fellow group undertakings

6. Trade and other payables

	2011 £'000	2010 £'000
Amounts owed to other group companies	**143,087**	143,046

All amounts owed to other group companies are unsecured, interest free and repayable on demand

7 Share capital

	Number of shares	2011 £	Number of shares	2010 £
Called up, allocated and fully paid				
Ordinary shares of £1 each	1	1	1	1

The Company has one class of 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

Authorised share capital

On 25 January 2011, the Company took advantage of the deregulation of the authorised share capital requirement by dispensing with the authorised capital in the capital of the company

8 Related party disclosures

Dunng the penod the Company entered into transactions with related parties as follows

	2011 £'000	2010 £'000
Revenue		
Other group undertakings	**68**	179
Purchases		
Other group undertakings	**(28)**	(114)
Total net transactions	**40**	65

Related party transactions with Directors and key management are detailed in note 9

Outstanding balances at the year-end are detailed in notes 4 and 6

9. Key management and Directors compensation

No emoluments or other benefits were paid to Directors for qualifying services during the year ended 31 December 2011 (2010 nil) The Directors are employees of other companies in the Telefónica Group and are remunerated for their services to the Telefónica Group as a whole

There are no employees of the company

10. Parent company and controlling party

The Company's immediate parent company is O2 Holdings Limited The Company's ultimate parent company and controlling party is Telefónica, S A , a company incorporated in Spain Copies of the annual report and financial statements of Telefónica, S A may be obtained from Gran Via 28, 28013, Madrid, Spain