

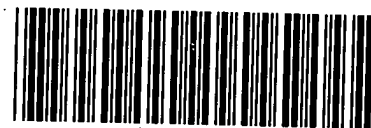
Registered Number: 4273243

O2 Credit Vouchers Limited

Annual Report and Financial Statements

Year ended 31 December 2014

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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
Statement of cash flows	10
Notes to the financial statements	11

Directors and advisers

Directors

Ronan Dunne
Mark Evans

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

Legal form

O2 Credit Vouchers Limited (the "Company") 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.

Reference to "Group" means Telefonica Europe plc and its subsidiaries including the Company.

Directors and secretary

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

Ronan Dunne (appointed 30 April 2014)
Mark Evans (appointed 30 April 2014)
Robert Harwood (resigned 30 April 2014)
Jesus Perez de Urquien (resigned 30 April 2014)

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

Directors' liability insurance and indemnity

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).

Group reorganisation

The Group has previously indicated its intention to undertake a corporate simplification project to rationalise the corporate structure including the elimination, where possible, of dormant and non-trading entities. The project will also involve a reorganisation of companies in preparation for the Telefónica Group's disposal of the UK business as a whole, subject to clearance by the Regulatory and Competition Authorities as disclosed in the next paragraph. The group has now started this project and intends to simplify as many non trading and dormant companies as possible prior to 31 December 2015. These entities will be kept outside of the sale perimeter and will be struck off as far as possible prior to the completion of sale of Telefónica UK to Hutchison Whampoa.

Significant post year end development

On 24 March 2015 Telefónica SA announced that it had entered into an agreement with Hutchison Whampoa, the parent company of Three in the UK for the sale of Telefónica's UK business for an initial cash consideration of £9.25 billion upon the closing of the transaction and an additional deferred payment of £1 billion to be paid once the cumulative cash flow of the combined entity in the UK has reached an agreed threshold. The agreement is subject to clearance by the Regulatory and Competition Authorities.

Going concern

The decision to wind down the operations of the Company during the period has resulted in the going concern basis no longer being appropriate. Instead these financial statements have been prepared on a basis which reflects the net realisable value of the assets and liabilities in the statement of financial position at 31 December 2014 and takes account of the profits incurred subsequent to the year end.

Directors' report (continued)

Political donations

The Company made no political donation during the year ended 31 December 2014 (2013: £nil).

Statement as to disclosure to Auditor

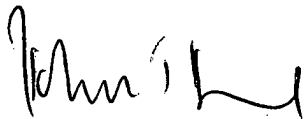
So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. The Directors have taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Small companies' exemption

In preparing the Directors Report for the year ended 31 December 2014, the Company has taken advantage of the small companies' exemption under section 415 (A) of the Companies Act 2006 for reduced disclosures. The Directors have also taken advantage of the exemption under section 414 (B) not to prepare a Strategic Report.

The Directors' Report was approved by the Board on 10 August 2015.

By Order of the Board



for and on behalf of O2 Secretaries Limited
Company Secretary

Statement of Directors' responsibilities

Year ended 31 December 2014

The Directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law required the directors to prepare Company financial statements for each financial year. Under that law the Directors are required to prepare Company financial statements under IFRSs 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:

- present fairly the financial position, financial performance and cash flows of the company
- 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 whether the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union.
- make judgements and estimates that are reasonable

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 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 11. 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 (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; or
- the Directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report and take advantage of the small companies' exemption in preparing the Directors' Report.



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

11 August 2015

Statement of comprehensive income
Year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Revenue	8	42	38
Cost of sales	8	(8)	(15)
Gross profit		34	23
Administrative expenses		-	-
Operating profit		34	23
Profit before taxation		34	23
Taxation	3	(42)	(22)
(Loss)/profit for the year attributable to equity shareholders		(8)	1
Total comprehensive (loss)/income for the year		(8)	1

The accompanying notes on pages 11 to 14 are an integral part of these financial statements.

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

Statement of financial position
Year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Current assets			
Trade and other receivables	4	1,474	144,641
Cash and cash equivalents	5	9	9
		1,483	144,650
Current liabilities			
Trade and other payables	6	-	(143,159)
Net assets		1,483	1,491
Equity			
Share capital	7	-	-
Retained earnings		1,483	1,491
Total equity		1,483	1,491

The accompanying notes on pages 11 to 14 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 10 August 2015 and were signed on its behalf by:



Mark Evans
 Director

Statement of changes in equity
Year ended 31 December 2014

	Share Capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	-	1,490	1,490
Total comprehensive income for the year	-	1	1
At 31 December 2013	-	1,491	1,491
Total comprehensive (loss)/income for the year	-	(8)	(8)
At 31 December 2014	-	1,483	1,483

The accompanying notes on pages 11 to 14 are an integral part of these financial statements.

Statement of cash flows
Year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit before taxation		34	23
(Increase) in trade and other receivables		(34)	(23)
Increase in trade and other payables		-	-
Net cash flow used in operating activities		-	-
Interest received		-	-
Net cash flow from financing activities		-	-
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		9	9
Cash and cash equivalents at 31 December	5	9	9

The accompanying notes on pages 11 to 14 are an integral part of these financial statements.

Notes to the 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.

Going concern

The decision to wind down the operations of the Company during the period has resulted in the going concern basis no longer being appropriate. Instead these financial statements have been prepared on a basis which reflects the net realisable value of the assets and liabilities in the statement of financial position at 31 December 2014 and takes account of the profits incurred subsequent to the year end.

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 the financial statements

1. Accounting policies (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 2014 and the year ended 31 December 2013 was borne by a fellow group company.

3. Taxation

Analysis of charge in the year:

	2014 £'000	2013 £'000
Current tax	19	22
Current tax – adjustments in respect of prior periods	23	-
Taxation	42	22

	2014 £'000	2013 £'000
Profit before taxation	34	23
Profit before taxation multiplied by rate of corporation tax in the UK of 21.5% (2013: 23.25%)	7	5
Effects of:		
UK to UK transfer pricing adjustment	12	17
Adjustments in respect of prior periods	23	-
Total taxation charge for the year	42	22

4. Trade and other receivables

	2014 £'000	2013 £'000
Amounts owed by other group companies	1,474	1,44,641

All amounts owed by other group companies relate to trading activities, are unsecured, interest-free and repayable on demand. As per agreement between TUK and O2 Credit vouchers, Trade receivables as at 31 December 2014 of £144,682,000 have been netted off against trade and other payables of £143,208,000 and shown on the balance sheet as net receivables.

Notes to the financial statements

5. Cash and cash equivalents

	2014 £'000	2013 £'000
Short term deposits	9	9

The short term deposits comprise funds deposited with fellow group undertakings.

6. Trade and other payables

	2014 £'000	2013 £'000
Amounts owed to other group companies	-	143,159

All amounts owed to other group companies relate to trading activities, are unsecured, interest-free, repayable on demand and include balances due for tax losses claimed by way of group relief. These balances have been netted off against trade and other receivables and shown on the balance sheet as net receivables see note 5.

7. Share capital

	Number of shares	2014 £	Number of shares	2013 £
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.

8. Related party disclosures

During the period the Company entered into transactions with related parties as follows:

	2014 £'000	2013 £'000
Revenue		
Other group undertakings	42	38
Purchases		
Other group undertakings	(8)	(15)
Total net transactions	34	23

Related party transactions with Directors and key management are detailed in note 10.

Outstanding balances at the year-end are detailed in notes 3, 5 and 7.

9. Key management and Directors compensation

No emoluments or other benefits were paid to Directors for qualifying services during the year ended 31 December 2014 (2013: 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.

Notes to the financial statements**10. Significant post year end development**

On 24 March 2015 Telefonica SA announced that it had entered into an agreement with Hutchison Whampoa, the parent company of Three in the UK for the sale of Telefonica's UK business for an initial cash consideration of £9.25 billion upon the closing of the transaction and an additional deferred payment of £1 billion to be paid once the cumulative cash flow of the combined entity in the UK has reached an agreed threshold. The agreement is subject to clearance by the Regulatory and Competition Authorities.

11. 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 Vía 28, 28013, Madrid, Spain.