

T-Mobile Holdings Limited
(Formerly Deutsche Telekom Mobile Holdings Limited)

Annual Report for the year ended 31 December 2002

Company registration number: 3836708



Directors' report for the year ended 31 December 2002

The directors present their report, together with the financial statements and auditors' report, for the year ended 31 December 2002 for T-Mobile Holdings Limited ('the company').

Principal activity

The company's principal activity is that of a holding company.

At 31 December 2001 and throughout the year ended 31 December 2002, the company's principal investments were in T-Mobile No. 1 Limited, T-Mobile No.5 Limited and T-Mobile (UK) Limited ('the partner companies'), which in turn held ownership interests in the T-Mobile (UK) Partnership (formerly the One 2 One Partnership), henceforth referred to as the 'Partnership'.

The principal activity of the Partnership was the design, development, construction, installation, ownership, operation, running, maintenance and marketing of a Personal Communication Network ('PCN'), the provision of services by means of a PCN, and the marketing of such services throughout the UK. The Partnership also acted as a distributor for mobile phones designed for use on its network.

Rebranding

On 18 April 2002 the group of companies which comprised T-Mobile Holdings Limited and all its subsidiaries ('the T-Mobile (UK) Group'), was renamed, following a rebranding of One 2 One. The One 2 One brand was replaced with that of T-Mobile. In connection with the rebranding, the company name was changed on 30 March 2002 from Deutsche Telekom Mobile Holdings Limited to T-Mobile Holdings Limited.

In addition, in connection with the rebranding, the names of a number of the company's subsidiary undertakings were changed as follows:

Former name	New name	Date changed
Deutsche Telekom Mobile Number 1 Limited	T-Mobile No. 1 Limited	30 March 2002
Deutsche Telekom Mobile Number 2 Limited	T-Mobile No. 2 Limited	30 March 2002
Deutsche Telekom Mobile Number 4 Limited	T-Mobile No. 4 Limited	30 March 2002
Deutsche Telekom Mobile Number 5 Limited	T-Mobile No. 5 Limited	30 March 2002
One 2 One Personal Communications Limited	T-Mobile (UK) Limited	18 April 2002
T-Mobile (UK) Limited	One 2 One Personal Communications Limited	18 April 2002
One 2 One Retail Limited	T-Mobile (UK) Retail Limited	18 April 2002
One 2 One Pension Trustee Limited	T-Mobile (UK) Pension Trustee Limited	18 April 2002

Group reorganisation

On 31 December 2002 the T-Mobile (UK) Group undertook a corporate restructuring ('the Group Reorganisation') which, inter alia, resulted in the collapse of the pre-existing partnership between the partner companies.

Directors' report for the year ended 31 December 2002 (continued)

Group reorganisation (continued)

To effect the Group Reorganisation:

- T-Mobile No. 1 Limited acquired 50% of the share capital of T-Mobile (UK) Limited from the company at its written-down book value of £295 million. In consideration, T-Mobile No. 1 Limited issued 100 £1 ordinary shares to the company.
- T-Mobile No. 5 Limited acquired 50% of the share capital of T-Mobile (UK) Limited from the company at its written-down book value of £295 million. In consideration, T-Mobile No. 5 Limited issued 100 £1 ordinary shares to the company.
- T-Mobile (UK) Limited acquired T-Mobile No. 1 Limited's 44.3% interest in the Partnership for consideration of 100 £1 ordinary shares. T-Mobile (UK) Limited also acquired T-Mobile No. 5 Limited's 44.3% interest in the Partnership for consideration of 100 £1 ordinary shares. Consequently, T-Mobile (UK) Limited became the sole partner in the Partnership, at which point the Partnership ceased to exist.

The effect of the above transaction was that the Partnership's business and its net liabilities transferred to T-Mobile (UK) Limited from the date of the Group Reorganisation.

Impairment review

As noted above, the company has made investments in the telecommunications market through the acquisition of the partner companies in the Partnership and by funding the acquisition of the third generation mobile service licence ('the 3G Licence') by the Partnership. Management recognises the fact that there are a number of inherent risks and issues in this market and, in accordance with Financial Reporting Standard ('FRS') 11 - 'Impairment of fixed assets and goodwill', conducted an impairment review of its investments during the year ended 31 December 2002, in which the carrying value of the investments were compared to their recoverable amount and to the level of expected future cash flows.

This impairment review resulted in a reduction of £2,859 million in the carrying value of the company's investment in the T-Mobile (UK) Group. Further details of the impairment review performed are set out in note 3 to the financial statements.

Future developments

The company will continue to act as a holding company and no change to this is expected in the coming year.

Post balance sheet event

During 2002 the Competition Commission conducted a review of mobile termination charges made by mobile network operators. The matter had been referred to the Competition Commission by the Office of Telecommunications (Of tel) on the grounds that Of tel believed call termination charges were not subject to sufficient competitive pressures.

The Competition Commission report issued on 18th February 2003 has recommended a reduction in call termination charges of 15% (after taking account of inflation) by 24th July 2003. They also put forward suggestions for the period to 31st March 2006.

Directors' report for the year ended 31 December 2002 (continued)

Post balance sheet event (continued)

T-Mobile (UK) Limited has commenced proceedings seeking a Judicial Review of certain conclusions in the Competition Commission's report and Oftel's proposals for the implementation of the measures mentioned above. These proceedings will be heard in the week commencing 9 June and a decision is expected before the end of July. As there is uncertainty about the final impact, if any, on the T-Mobile (UK) Group of the Competition Commission's report, it is not considered possible at this time to estimate the financial effect, if any, of this event on the financial position of the company.

Results

The company made a loss of £2,639 million in the year (2001: £1,236 million). The directors do not recommend the payment of a dividend.

Charitable and political contributions

The company made no charitable or political contributions in the year.

Board of directors

The directors of the company as at 31 December 2002 and during the year were as follows:

N. Kireth	Chairman
U. Kuhbacher	
F. Stoffer	

None of the directors or their families held an interest in the company at the end of the year. There were no contracts of significance existing during, or at the end of, the financial year in which a director had a beneficial interest.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 9 under note 1 'Principal accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which 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 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.

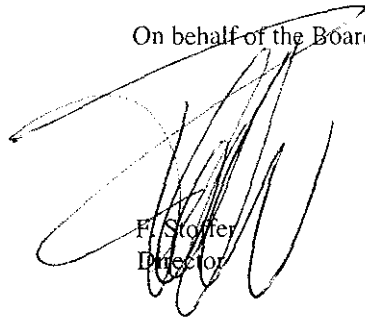
Directors' report for the year ended 31 December 2002 (continued)

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 7 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution that they may be re-appointed will be proposed at the Annual General meeting.

Hatfield Business Park
Hatfield
Hertfordshire
AL10 9BW

On behalf of the Board,

A large, stylized handwritten signature in black ink, appearing to be 'P. Stoffer', written over the printed name and title.

P. Stoffer
Director

2 April 2003

Auditors' report

Independent auditors' report to the members of T-Mobile Holdings 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.

Auditors' report (continued)

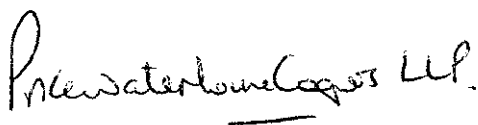
Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the following matters:

1. The carrying amounts of the company's investments and amounts recoverable from group undertakings as at 31 December 2002 have been reduced to an amount derived from a discounted cash flow model. Inherent in this model are assumptions relating to future industry, technology, market and business developments which are subject to uncertainty. Although management believes that the expectations reflected in these forward-looking assumptions are reasonable, it can give no assurances that these expectations will prove to be accurate. Because of these uncertainties, actual future results, and consequently cash flows may differ from the assumptions used in performing the impairment evaluation of the company's investments and the amounts recoverable from group undertakings. Details of the circumstances relating to this fundamental uncertainty are described in note 3. Our opinion is not qualified in this respect.
2. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available, including the reliance on assurances received from the immediate parent company that it will continue to support the company for the foreseeable future. The financial statements do not include any adjustments that would result from a failure to obtain such funding. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 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
2 April 2003

Profit and loss account for the year ended 31 December 2002

	Note	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Operating expenses		-	(8)
Diminution in value of fixed asset investments	3	(2,859,498)	(1,483,709)
Operating loss	4	(2,859,498)	(1,483,717)
Interest receivable and similar income	6	220,080	247,919
Loss on ordinary activities before taxation		(2,639,418)	(1,235,798)
Taxation on loss on ordinary activities	7	-	-
Loss for the financial year		(2,639,418)	(1,235,798)

There are no recognised gains or losses other than the losses stated above and therefore no separate statement of total recognised gains and losses has been prepared.

There is no difference between the loss on ordinary activities before and after taxation and their historical cost equivalents for the financial periods stated above.

The results above all arise from continuing operations.

The movement on reserves is shown in note 13.

The accompanying notes on pages 9 to 18 are an integral part of these financial statements.

Balance sheet as at 31 December 2002

	Note	31 December 2002 £'000	31 December 2001 £'000
Fixed assets			
Investments	8	6,103,880	8,963,378
Current assets			
Debtors: Amounts falling due within one year	9	644,355	424,275
Debtors: Amounts falling due after more than one year	10	4,151,366	4,151,366
		<u>4,795,721</u>	<u>4,575,641</u>
Current liabilities			
Creditors: Amounts falling due within one year	11	(3,751,471)	(3,751,471)
Net current assets		<u>1,044,250</u>	<u>824,170</u>
Net assets		<u>7,148,130</u>	<u>9,787,548</u>
Capital and reserves			
Called-up share capital	12	706,540	706,540
Share premium account	13	10,141,115	10,141,115
Profit and loss account	13	(3,699,525)	(1,060,107)
Equity shareholder's funds	14	<u>7,148,130</u>	<u>9,787,548</u>

These financial statements on pages 7 to 18 were approved by the Board of Directors on 2 April 2003 and signed on their behalf by:

F. Stoffer

Director

The accompanying notes on pages 9 to 18 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2002

1 Principal accounting policies

A summary of the principal accounting policies of the company is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting policies in the year.

Change in accounting policy

In December 2000, the Accounting Standards Board issued FRS 19, 'Deferred Tax' which the company has adopted in preparing its financial statements. The adoption of this standard did not have any effect on the company's balance sheet, results or cash flows in either of the years presented.

a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

b) Investments

In accordance with FRS 11 – 'Impairment of fixed assets and goodwill', the company's investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the future cash flows of the relevant investment, or its disposal value if higher. Also, in accordance with FRS 11, annual 'look-back' tests are performed on each impairment review that has been conducted in the five years preceding the balance sheet date.

c) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates or laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

d) Consolidation

Under Section 228 of the Companies Act 1985, the company is exempt from preparing consolidated financial statements as the company is included in the consolidated financial statements of the ultimate parent company, Deutsche Telekom AG. Deutsche Telekom AG is incorporated in Germany, a member state of the EU and its audited financial statements are drawn up to 31 December 2002 (see note 19).

e) Going concern

Although at 31 December 2002 the company had net current assets, significant amounts are recoverable from T-Mobile (UK) Limited which has net liabilities. The company has received assurances from its immediate parent company, T-Mobile International AG, that it will continue to support the company for the foreseeable future such that if immediate repayment of any of the company's loan facilities is required, equivalent funding will be provided to replace the facility. Accordingly the financial statements have been prepared on a going concern basis.

Notes to the financial statements for the year ended 31 December 2002 (continued)

2 Group reorganisation

At 31 December 2001 and throughout the year ended 31 December 2002, the company's principal investments were in T-Mobile No. 1 Limited, T-Mobile No.5 Limited and T-Mobile (UK) Limited ('the partner companies'), which in turn held ownership interests in the T-Mobile (UK) Partnership ('the Partnership').

On 31 December 2002, the company and its subsidiary undertakings ('the T-Mobile (UK) Group') undertook a corporate restructuring ('the Group Reorganisation') which, inter alia, resulted in the collapse of the pre-existing partnership between the partner companies.

To effect the Group Reorganisation:

- T-Mobile No. 1 Limited acquired 50% of the share capital of T-Mobile (UK) Limited from the company at its written-down book value of £295 million. In consideration, T-Mobile No. 1 Limited issued 100 £1 ordinary shares to the company.
- T-Mobile No. 5 Limited acquired 50% of the share capital of T-Mobile (UK) Limited from the company at its written-down book value of £295 million. In consideration, T-Mobile No. 5 Limited issued 100 £1 ordinary shares to the company.
- T-Mobile (UK) Limited acquired T-Mobile No. 1 Limited's 44.3% interest in the Partnership for consideration of 100 £1 ordinary shares. T-Mobile (UK) Limited also acquired T-Mobile No. 5 Limited's 44.3% interest in the Partnership for consideration of 100 £1 ordinary shares. Consequently, T-Mobile (UK) Limited became the sole partner in the Partnership, at which point the Partnership ceased to exist.

The effect of the above transaction was that the Partnership's business and its net liabilities transferred to T-Mobile (UK) Limited from the date of the Group Reorganisation.

3 Diminution in value of fixed assets investments

In prior years, the company made investments in the wireless market through the acquisition of its interests in the partner companies and by funding the acquisition of a 3G licence by the Partnership. This market is evolving rapidly and there are a number of inherent features in this market which create a substantial level of uncertainty in relation to the recoverability of the amounts invested. These include:

- the ultimate size of the market
- the nature and extent of competition and / or regulation in the market
- the availability of sites and network infrastructure
- the cost of rolling out the services that customers demand
- the nature of services and the amounts which customers are prepared to pay for such services
- the timing of availability of service
- the ability of T-Mobile (UK) Limited and equipment manufacturers to resolve current technical challenges relating to network components and handsets
- the impact of new technologies
- the impact of perceived health risks

Notes to the financial statements for the year ended 31 December 2002 (continued)

3 Diminution in value of fixed assets investments (continued)

Management recognise the above risks and issues and, in accordance with FRS 11, an impairment review was performed as at September 2002. The net book amount of the company's interest in the T-Mobile (UK) business, which consists primarily of investments in T-Mobile No. 1 Limited and T-Mobile No. 5 Limited (following the Group Reorganisation) and inter-company loans provided to finance the purchase of the 3G licence, have therefore been compared with the estimated ongoing value in use of the T-Mobile (UK) business.

The value in use has been derived from conventional discounted cash flow projections. The valuation comprises the discounted cash flows of the business for an initial 10-year period and a terminal value in perpetuity. An initial 10-year forecast period is used because management consider that there will be a period of significant volatility in the business and that at the end of this period a reliable and sustainable cash flow will emerge on which to base the terminal value. In addition the amount of technology and assets required for such growth means that 10-year projections provide an appropriate basis on which to base long-term values. A substantial majority of the total value in use is in the terminal value.

The projections use a long-term growth rate of 3.20% - which is higher than the post-war UK average of 2.50% because historically, the industry and the T-Mobile (UK) business have experienced growth rates in excess of the UK average and the directors consider that the long term growth of the industry and of the T-Mobile (UK) business, will continue to be higher than average UK growth rates. A discount rate of 8.72% was used within a Capital Asset Pricing Model, using a risk free rate of 5.00% calculated from long-dated government bonds and an equity risk premium taking into account long-term trends of 4.90% as an appropriate measure of risk.

There are a number of key assumptions which affect the cash flows of the business. These include assumptions about the development of the UK market and the market size, T-Mobile (UK) Limited's share of the market, customer revenues, operating margins and capital expenditure.

The model projects that the market will grow by approximately 20% from current levels and that T-Mobile (UK) Limited will increase its market share to 20.3%. The model assumes that revenues from T-Mobile (UK) Limited's customers will increase significantly from current levels and that margins will also improve significantly over time. Growth in total Average Revenue Per User (ARPU) is driven by increasing deployment of non-voice services and the mix shift in base toward higher ARPU contract customers. Capital expenditure is forecast to decrease as a result of efficiencies in the design and build of future networks and includes savings from network sharing agreements and the implementation of new business systems.

T-Mobile (UK) Limited has assumed that the current 3G licence will be renewed on expiry at a rate equivalent to the average per head of population payment in the recent European licence auctions, excluding the UK and German markets.

During 2002 the Competition Commission conducted a review of mobile termination charges made by mobile network operators. For further details of the status and the results of this review see note 18.

The impairment review did not support the net amount invested by the company in the T-Mobile (UK) business and, accordingly, a write down of £2,859 million was recognised against the company's total interest in this business. For similar reasons, an impairment of £1,484 million was recognised in 2001.

Notes to the financial statements for the year ended 31 December 2002 (continued)

3 Diminution in value of fixed assets investments (continued)

The directors acknowledge that, whilst they are satisfied that the assumptions used in the evaluation are the most appropriate in the current circumstances, they recognise the significant nature of the inherent uncertainties described above. Moreover the directors acknowledge that it is possible that in developing the business, building the network infrastructure and developing market share, one or more of the assumptions used in the valuation model may require revision as relevant internal and external factors in T-Mobile (UK)'s environment change. These assumptions will be considered during future annual impairment reviews. It is possible that any changes will have the effect of reducing the value of the underlying assets. In addition unforeseen circumstances may emerge which have not been addressed by an assumption. However based on the directors current understanding of the UK environment it is their view that no further adjustments to the net book amounts of the assets are required at this time.

In accordance with FRS 11, the company will continue to perform annual impairment reviews in future periods, as appropriate.

4 Operating loss

Auditors' remuneration of £6,300 (year ended 31 December 2001 - £6,000) for audit services was borne by the Partnership on behalf of the company, as in the prior year. Auditors' remuneration for non-audit services to the company during the year ended 31 December 2002 was £nil (year ended 31 December 2001 - £20,649). The company had no employees other than directors who were not remunerated for their services (see note 5).

5 Directors' emoluments

None of the directors received or waived any remuneration in respect of their services as directors of the company.

There were no contracts of significance existing during, or at the end of, the financial year in which a director had a beneficial interest.

6 Interest receivable and similar income

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Interest receivable on loan to group undertaking	220,080	247,919

Interest receivable represents interest charged on a loan of £3,902 million made to the Partnership at LIBOR plus 0.25% (see note 10). This loan has now been transferred to T-Mobile (UK) Limited under the same terms and conditions. No interest is charged on amounts payable to group undertakings.

Notes to the financial statements for the year ended 31 December 2002 (continued)

7 Taxation on loss on ordinary activities

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Corporation tax at 30% (2001 – 30%)	66,024	74,376
Group relief receivable	(66,024)	(74,376)
Tax charge for the year	-	-

The corporation tax charge for the year has been reduced by £66 million (2001: £ 74 million) due to the losses surrendered by fellow subsidiary and group undertakings. No payment for amounts surrendered is to be made by the company.

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Loss on ordinary activities before tax	(2,639,418)	(1,235,798)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK 30% (2001: 30%)	(791,825)	(370,739)
Effects of:		
Expenses not deductible for tax purposes (primarily diminution in value)	857,849	445,115
Group relief receivable from fellow subsidiary and group undertakings	(66,024)	(74,376)
Current tax charge for the period	-	-

Both the current and the total tax charge on the profit or loss before taxation will continue to be affected by the generation and utilisation of losses by fellow subsidiary and group undertakings.

Notes to the financial statements for the year ended 31 December 2002 (continued)

8 Fixed asset investments

£'000

Cost

At 31 December 2001 and 31 December 2002	<u>10,447,087</u>
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Provision for impairment

At 31 December 2001	(1,483,709)
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Charge for the year	(2,859,498)
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At 31 December 2002	<u>(4,343,207)</u>
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Net carrying amount of investment

At 31 December 2001	<u>8,963,378</u>
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At 31 December 2002	<u>6,103,880</u>
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Notes to the financial statements for the year ended 31 December 2002 (continued)

8 Fixed asset investments (continued)

Fixed asset investments at 31 December 2002 consist of the following shareholdings, both direct and indirect, in various companies in the T-Mobile (UK) Group:

Name	Activity	Country of incorporation / operation	Percentage Shareholding	
			Direct	Indirect
T-Mobile No. 1 Limited (formerly Deutsche Telekom Mobile Number 1 Limited)	Holding Company	England	100	
T-Mobile No. 2 Limited (formerly Deutsche Telekom Mobile Number 2 Limited)	Holding Company	England	100	
T-Mobile No. 4 Limited (formerly Deutsche Telekom Mobile Number 4 Limited)	Holding Company	England	100	
T-Mobile No. 5 Limited (formerly Deutsche Telekom Mobile Number 5 Limited)	Holding Company	England	100	
T-Mobile Limited	Dormant	England	100	
T-Mobile United Kingdom Limited	Dormant	England	100	
T-Mobile (UK) Limited (formerly One 2 One Personal Communications Limited)	Personal radio telecommunications services	England		100
One 2 One Limited	Dormant	England		100
One 2 One Personal Communications Limited (formerly T-Mobile (UK) Limited)	Dormant	England		100
T-Mobile International Limited	Dormant	England		100
T-Mobile (UK) Retail Limited (formerly One 2 One Retail Limited)	Mobile Phone Retailer	England		100
T-Mobile (UK) Pension Trustee Limited (formerly One 2 One Pension Trustee Limited)	Trustee Company	England		100

As noted above, on 31 December 2002, in connection with the Group Reorganisation, the company sold:

- 50% of its investment in T-Mobile (UK) Limited to T-Mobile No. 1 Limited at its written down book value of £295 million in exchange for 100 £1 ordinary shares in T-Mobile No. 1 Limited; and
- 50% of its investment in T-Mobile (UK) Limited to T-Mobile No. 5 Limited at its written down book value of £295 million in exchange for 100 £1 ordinary shares in T-Mobile No. 5 Limited.

The net effect of these two transactions is that the company's shareholding in T-Mobile (UK) Limited has gone from being a 100% direct holding to a 100% indirect holding.

Notes to the financial statements for the year ended 31 December 2002 (continued)

8 Fixed asset investments (continued)

As noted above, during the year ended 31 December 2002, the company carried out an impairment review of its investments in the T-Mobile (UK) Group in accordance with the requirements of FRS 11. Based on the results of this impairment review, the company has recognised an impairment charge of £2,859 million (31 December 2001 - £1,484 million) against the carrying value of its investments in above companies.

9 Debtors: amounts falling due within one year

	31 December 2002 £'000	31 December 2001 £'000
Prepayments and accrued income	644,355	424,275

Prepayments and accrued income represent interest accrued in respect of the company's loan to the Partnership to fund the purchase of the 3G Licence, as described in note 10 below. This loan has now been transferred to T-Mobile (UK) Limited, under the same terms and conditions, following the Group Reorganisation discussed in note 2.

10 Debtors: amounts falling due after more than one year

	31 December 2002 £'000	31 December 2001 £'000
Amounts receivable from group undertakings	4,151,366	4,151,366

Amounts owing from group undertakings comprise an interest free subordinated loan of £249 million (31 December 2001 - £249million) to the Partnership and a further loan of £3,902 million (31 December 2001 - £3,902 million) to the Partnership to fund the purchase of the 3G licence, which bears interest at LIBOR plus 0.25%. These loans have now been transferred to T-Mobile (UK) Limited, under the same terms and conditions, following the Group Reorganisation discussed in note 2.

11 Creditors: amounts falling due within one year

	31 December 2002 £'000	31 December 2001 £'000
Amounts payable to group undertakings	3,751,471	3,751,471

Amounts payable to group undertakings include £3,331million (31 December 2001 - £3,331million) owed to T-Mobile No. 4 Limited, £419million (31 December 2001 - £419million) owed to T-Mobile No. 2 Limited and £1million (31 December 2001 - £nil) owed to the T-Mobile (UK) Limited. As a result of the Group Reorganisation, the amounts owed to T-Mobile (UK) Limited were transferred from the Partnership, under the same terms and conditions, on 31 December 2002.

Notes to the financial statements for the year ended 31 December 2002 (continued)

12 Called up share capital

	31 December 2002 £'000	31 December 2001 £'000
<i>Authorised</i>		
10,000,000,000 ordinary £1 shares	10,000,000	10,000,000
<i>Allotted, called up and fully paid</i>		
706,540,268 ordinary £1 shares	706,540	706,540

13 Reserves

	Share Premium Account £'000	Profit and loss Account £'000
At 1 January 2002	10,141,115	(1,060,107)
Loss for the year	-	(2,639,418)
At 31 December 2002	10,141,115	(3,699,525)

14 Reconciliation of movements in shareholder's funds

	31 December 2002 £'000	31 December 2001 £'000
Opening shareholder's funds	9,787,548	9,024,094
Loss for the year	(2,639,418)	(1,235,798)
Share capital issued during the year	-	1,999,252
Closing shareholder's funds	7,148,130	9,787,548

Notes to the financial statements for the year ended 31 December 2002 (continued)

15 Guarantees, financial commitments and contingent liabilities

The company has no guarantees, financial commitments or contingent liabilities.

16 Cash flow statement

Under FRS 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking of Deutsche Telekom AG. A cash flow statement is included in the financial statements of Deutsche Telekom AG.

17 Related party transactions

Under FRS 8, the company is exempt from the requirement to disclose transactions with entities that are part of the Deutsche Telekom AG group during the year ended 31 December 2002. Under the same standard the company is also exempt from the requirement to disclose transactions with investees of the group qualifying as related parties, as all of the company's voting rights were controlled within the Deutsche Telekom AG group throughout the accounting period. There were no material transactions with any other related parties.

18 Post balance sheet event

During 2002 the Competition Commission conducted a review of mobile termination charges made by mobile network operators. The matter had been referred to the Competition Commission by the Office of Telecommunications (Of tel) on the grounds that Of tel believed call termination charges were not subject to sufficient competitive pressures.

The Competition Commission report issued on 18th February 2003 has recommended a reduction in call termination charges of 15% (after taking account of inflation) by 24th July 2003. They also put forward suggestions for the period to 31st March 2006.

T-Mobile (UK) Limited has commenced proceedings seeking a Judicial Review of certain conclusions in the Competition Commission's report and Of tel's proposals for the implementation of the measures mentioned above. These proceedings will be heard in the week commencing 9 June and a decision is expected before the end of July. As there is uncertainty about the final impact, if any, on the T-Mobile (UK) Group of the Competition Commission's report, it is not considered possible at this time to estimate the financial effect, if any, of this event on the financial position of the company.

19 Ultimate parent company

The company's immediate parent undertaking is T-Mobile International AG, a company incorporated in Germany. The company's ultimate parent company and controlling party is Deutsche Telekom AG, a company incorporated in Germany, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of Deutsche Telekom AG's published consolidated financial statements can be obtained from The Press and Corporate Communication Department, Postfach 20 00, D-53 105 Bonn, Germany.