Company Number: 2412603

ORANGE HOLDINGS (UK) LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2000

ORANGE HOLDINGS (UK) LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

CONTENTS

	PAGE NO
DIRECTORS' REPORT	1 - 4
AUDITORS' REPORT TO THE SHAREHOLDERS	5
CONSOLIDATED PROFIT AND LOSS ACCOUNT	6
BALANCE SHEETS	7 - 8
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	9
CONSOLIDATED CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 27

ORANGE HOLDINGS (UK) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities and business review

The Orange Holdings (UK) Limited Group ("the Group") provides a comprehensive range of communications services.

The Group's principal activities during 2000 were:

- The operation and continuing development of a national digital wirefree personal communications network;
- Reselling of airtime on third party cellular networks;
- The operation of a national messaging network and a financial information network.

The national digital cellular personal communications network, launched under the brand name Orange in 1994, provided both coverage of data and voice services to over 99% of the population on 31 December 2000 (1999: 99%). The Orange Personal Communications Services subscriber base grew from 4.9 million at 31 December 1999 to 9.8 million at 31 December 2000. Turnover from Orange Personal Communications Services Limited increased from £1,536.1 million in 1999 to £2,553.0 million in 2000.

On 9 March 2001, Hutchison Cellular Services Limited (HCS), sold its airtime reselling subscriber base and related trade debtors to Project Telecommunications Limited for consideration of £13.9 million. As part of the sale agreement, HCS will continue to provide facilities management services for a period of 4 months after completion of the sale. Turnover declined from £50.3 million in 1999 to £41.2 million in 2000, in line with a decrease in subscriber base from 73,000 to 59,000 over the same period. The operating profit for 2000 was £1.5 million (1999 £1.2 million profit).

In December 2000, the directors announced their intention to close Hutchison Paging Limited (HPL). The network will be terminated on 30 June 2001. The paging business has declined throughout 2000 with a decrease in subscriber base from 37,000 to 30,000 and turnover from £6.0 million to £4.0 million. The loss for the year was £8.3 million (1999: £5.2 million profit).

Future developments

The Group continues to invest in the development of digital mobile communications technology.

Results for the year

The Group made a net loss for the year ended 31 December 2000 of £87.7 million (1999 - £197.4m) on turnover of £2,565.5 million (1999 - £1,575.7 million).

Dividends and transfer to reserves

No dividends were paid during the year (1999 - £nil). The directors do not recommend the payment of a final dividend (1999 - £nil).

The loss for the year of £87.7 million (1999 - £197.4 million) has been transferred to reserves.

Political and charitable donations

The Group has made charitable donations of £50,050 during the year (1999 - £8,310).

The Group has made no political donations during the year (1999 - £nil).

DIRECTORS' REPORT (continued)

Research and development

The research and development program is designed to monitor, stimulate and evaluate key emerging technologies with a view to applying them commercially within the Orange network and to products. It is committed to ensuring that such enhancements enable the Group to remain competitive by creating new market opportunities and improving operational efficiency.

The Group is very active in forums which are developing the standards for future mobile communications services, with Group representatives holding key positions. The Group seeks to ensure that Group policy is in keeping with policies and strategies evolved from these forums.

Creditor payment policy

The Group's policy concerning the payment of its trade creditors is to reflect local practice in the UK. Standard payment terms may be varied by negotiation with individual suppliers.

For all trade creditors, it is the Group's policy to :

- agree the terms of payment at the start of business with that supplier,
- ensure that suppliers are aware of the terms of payment,
- pay in accordance with its contractual and other legal obligations whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

At 31 December 2000, Group trade creditors represented 31 days equivalent of aggregate amounts invoiced by suppliers during the year (1999 - 28 days). The Company did not have any trade creditors during the year (1999 - £nil).

Events since the balance sheet date

Events since the balance sheet date are detailed in note 36.

Directors and their interests

The directors who held office during the year are given below:

The Rt Honourable Lord Derwent LVO DL	(resigned 31 January 2000)
Graham E Howe *	
Robert Fuller	(resigned 24 November 2000)
Ian C Gibson	(resigned 20 March 2001)
Mark A Paterson *	(resigned 26 March 2001)
Mark E Wollner	
Philippe McAllister *	(appointed 26 March 2001)

DIRECTORS' REPORT (continued)

Interests of the directors at the year end, who are also directors of Orange plc, denoted with an asterisk, are shown in the annual report of that company, except as described as below. No other directors of the Company at year end had any beneficial interest in the shares or debentures of the Company or its immediate holding company or its subsidiaries during the year.

	At 31 December 2000	At 31 December 1999
	Orange plc ordinary shares	Orange plc ordinary shares
Ian Gibson	-	19,635
Mark E Wollner	-	208

The following directors were granted options over Orange plc shares on 4 May 2000 under the Orange plc Executive Share Plan:

	Number of options granted
Ian Gibson	40,625
Mark Wollner	49,218

Following the change of ownership of Orange plc on 22 August 2000 (see note 35), the Orange plc unapproved Executive Share Plan was terminated. The options outstanding at this date were cancelled and following an offer made by France Telecom S.A. to participants under the plan, a payment was made to participants in two instalments in September 2000 and February 2001.

Equal opportunities and disabled employees

The Group does not discriminate between employees or potential employees on grounds of race, colour, ethnic or national origin, sex, marital status or religious beliefs.

The Group gives full consideration to applications for employment from disabled persons and has become a member of the UK Employers' Forum on Disability to improve its understanding of the needs and potential of disabled people.

Where employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions, and to provide training and career development wherever appropriate.

DIRECTORS' REPORT (continued)

Employee involvement

The Group has ensured that employees are fully informed and involved in the business, through the use of various communication methods. As well as the distribution of a regular employee magazine and monthly briefing sessions entitled "Teamtalk", a management conference was held during the year. An intranet provides a broad range of information electronically and each function is responsible for keeping the information on their area up to date.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

Alan Shedden

Alan Shedden
Company Secretary

Date: 15 June 2001

Registered Office:
St James Court
Great Park Road
Almondsbury Park
Bradley Stoke
Bristol BS32 4QJ

ORANGE HOLDINGS (UK) LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER 2000

We have audited the financial statements on pages 6 to 27, which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4, the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2000 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

Date: 15 June 2001

ORANGE HOLDINGS (UK) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £m	1999 (restated) £m
TURNOVER	1,2	2,565.5	1,575.7
Cost of sales		(1,858.8)	(1,205.9)
GROSS PROFIT		706.7	369.8
Distribution costs		(339.0)	(184.3)
Administrative expenses		(201.8)	(161.4)
OPERATING PROFIT	3	165.9	24.1
Provision in respect of sale or termination of business	4	(6.0)	(7.2)
PROFIT BEFORE INTEREST AND TAXATION		159.9	16.9
Interest receivable and similar income	5	6.0	2.2
Interest payable and similar charges	6	(253.6)	(216.5)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(87.7)	(197.4)
Tax on loss on ordinary activities	10	-	-
RETAINED LOSS FOR THE PERIOD	22	(87.7)	(197.4)

There have been no significant discontinued operations or acquisitions for the year ended 31 December 2000.

The notes on pages 11 to 27 form an integral part of these accounts.

ORANGE HOLDINGS (UK) LIMITED

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2000

	Notes	2000 £m	1999 (restated) £m
FIXED ASSETS			
Intangible assets	11	4,096.6	-
Tangible assets	12	1,837.7	1,423.1
		5,934.3	1,423.1
CURRENT ASSETS			
Stocks	15	190.1	73.7
Debtors	16	726.2	384.7
Cash at bank and in hand		37.4	32.3
		953.7	490.7
CREDITORS: Amounts falling due within one year	17	(957.3)	(496.2)
NET CURRENT LIABILITIES		(3.6)	(5.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,930.7	1,417.6
CREDITORS: Amounts falling due in more than one year	18	(7,339.7)	(2,742.7)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(11.5)	(7.7)
NET LIABILITIES		(1,420.5)	(1,332.8)
CAPITAL AND RESERVES			
Called up equity share capital	21	30.7	30.7
Profit and loss account	22	(1,451.2)	(1,363.5)
TOTAL EQUITY SHAREHOLDERS' FUNDS		(1,420.5)	(1,332.8)

The notes on pages 11 to 27 form an integral part of these accounts.

The board of directors approved the accounts set out on pages 6 to 27 on 15 June 2001 and are signed on its behalf by:

Mark Wollner
Director

ORANGE HOLDINGS (UK) LIMITED

COMPANY BALANCE SHEET AT 31 DECEMBER 2000

	Notes	2000 £m	1999 £m
FIXED ASSETS			
Tangible assets	13	-	-
Investments	14	149.1	44.5
		149.1	44.5
CURRENT ASSETS			
Debtors:			
Amounts falling due within one year	16	171.0	43.1
Amounts falling due in more than one year	16	5,966.9	1,728.5
Cash at bank and in hand		9.6	0.1
		6,147.5	1,771.7
CREDITORS: Amounts falling due within one year	17	(162.5)	(43.1)
NET CURRENT ASSETS		5,985.0	1,728.6
TOTAL ASSETS LESS CURRENT LIABILITIES		6,134.1	1,773.1
CREDITORS: Amounts falling due in more than one year	18	(6,312.8)	(1,917.1)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(4.7)	(6.2)
NET LIABILITIES		(183.4)	(150.2)
CAPITAL AND RESERVES			
Called up equity share capital	21	30.7	30.7
Capital reserve	23	3.3	3.3
Profit and loss account	23	(217.4)	(184.2)
TOTAL EQUITY SHAREHOLDERS' FUNDS		(183.4)	(150.2)

The notes on pages 11 to 27 form an integral part of these accounts.

The board of directors approved the accounts set out on pages 6 to 27 on 15 June 2001 and are signed on its behalf by:

Mark Wollner
Director

ORANGE HOLDINGS (UK) LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2000

	2000	1999 (restated)
	£m	£m
Loss for the financial year	(87.7)	(91.6)
Prior year adjustment (note 1)	-	(105.8)
Total losses recognised since last reporting period	(87.7)	(197.4)

The notes on pages 11 to 27 form an integral part of these accounts.

The Company has taken advantage of the exemption contained in Section 230 of the Companies Act 1985 from presenting its own profit and loss account. The Company has no recognised gains or losses other than its loss of £33.2 million (1999 - £112.7 million) (note 23).

ORANGE HOLDINGS (UK) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £m	1999 £m
Cash flow from operating activities	26	127.3	271.3
Return on investments and servicing of finance	27	(240.5)	(210.1)
Taxation		-	-
Capital expenditure and financial investment	27	(606.7)	(515.2)
Financing	27	742.1	462.6
Increase in cash in the year	28	22.2	8.6

Reconciliation of net cash flow to movement in net debt (note 28)	2000 £m	1999 £m
Increase in cash in the year	22.2	8.6
Cash outflow from increase in debt and lease financing	(742.1)	(462.6)
Change in net debt resulting from cash flows	(719.9)	(454.0)
Other non cash movements	(4,015.6)	50.0
Movement in net debt in the year	(4,735.5)	(404.0)
Opening net debt	(2,637.9)	(2,233.9)
Closing net debt	(7,373.4)	(2,637.9)

The notes on pages 11 to 27 form an integral part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

1. Accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The directors believe that cash from operations, together with borrowings under the senior debt facility and the funding to be provided by Orange plc will be sufficient to cover the Group's projected liabilities as they fall due.

(b) Changes in accounting policies

The Group has revised its accounting policies during the period as follows:

i) Subscriber acquisition costs

Subscriber acquisition costs (refer note 1 (j)) are expensed as incurred. Previously subscriber acquisition costs were included in debtors and released to the profit and loss account over 12 months. Comparative figures within the financial statements have been restated where appropriate.

The net effect of the restatement on the Group's accounts to 31 December 1999 is to increase the loss for the year by £75.1million. Net liabilities at 31 December 1999 and 1998 increased by £206.1million and £131.0 million respectively. The effect on the Group's results in the current year of adopting the revised accounting policy was to increase the loss for the year by £99.6 million and to increase net liabilities by £305.7 million.

ii) Gain on defeasance of finance leases

Gains, net of provisions raised by the Group and the immediate parent entity, Orange plc, resulting from the in-substance early extinguishment (defeasance) of obligations under finance leases entered into in 1995 and 1997 are deferred and released to the profit and loss account over the term of the lease. Previously these net gains were recognised in the profit and loss statement immediately. Comparative figures within the financial statements have been restated where appropriate.

The net effect of the restatement on the Group's accounts to 31 December 1999 is to increase the loss for the year by £30.7million. Net liabilities at 31 December 1999 and 1998 increased by £74.0 million and £43.3 million respectively. The effect on the Group's results in the current year of adopting the revised accounting policy was to decrease the loss for the year by £2.5 million and to increase net liabilities by £71.5 million.

(c) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Intercompany transactions and balances have been eliminated. Acquisitions made by the Group are included under the acquisition method of accounting and the consolidated financial statements include the results of subsidiary undertakings from the relevant date of acquisition.

(d) Turnover

Turnover includes the amounts invoiced for airtime and related services supplied to subscribers, and handsets and related accessories supplied to both subscribers and intermediaries within the period, together with airtime income earned but not invoiced. Turnover from prepaid customers is included as deferred income when purchased and released to the profit and loss account as calls are made. Turnover excludes airtime income billed in advance and value added tax.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

(e) *Cost of sales*
Cost of sales includes amortisation of capitalised network costs, third party network interconnection costs, costs paid to third party network operators by service providers and costs of day-to-day network operations and maintenance.

(f) *Stocks*
Stocks comprise handsets and other goods for resale and are valued at the lower of cost and net realisable value, (which reflects the value to the business of the handset in the hands of the subscriber), cost being determined on a first in first out basis.

(g) *Tangible fixed assets*
Tangible fixed assets are stated at historical cost less depreciation.
The cost of the Orange network comprises network assets purchased at cost, together with direct construction costs of the network. Information technology services costs incurred prior to launch were capitalised and are amortised over five years using the straight line method commencing at launch.
Depreciation of the Orange network commenced from the date of launch of the network in April 1994. Depreciation rates have been established to amortise the components of the network over ten years. For assets placed in service prior to 1995, the depreciation rates applied in the first five years are based upon the level of subscriber usage, while a constant rate is applied in the second five years. Assets placed in service after 31 December 1994 are depreciated at a constant rate from the date they become operational.

Costs of maintaining the network are charged to the profit and loss account as incurred.

In the case of other tangible fixed assets depreciation is calculated using the straight line method to write off the cost of each asset over its estimated useful life according to the following rates:

Freehold land	Nil
Freehold buildings	50 years
Leasehold land and buildings and improvements	Term of lease
Computer equipment	3 - 5 years
Motor vehicles	4 years
Fixtures, fittings and equipment	5 years
Other networks	10 years

(h) *Intangible assets*
Licences to operate mobile networks are recorded within intangible assets. They are recorded at cost of acquisition and are amortised on a straight-line basis over the period over which the Group expects to benefit from use of the licence, taking into account the likelihood of licence renewal as appropriate. They are amortised from the date of commercialisation of services.

(i) *Capitalisation of interest*
Interest costs arising from indebtedness incurred to finance construction and development of network assets up to launch in April 1994 were capitalised as part of the construction of the network and amortised over ten years. Following launch, interest has been charged to the profit and loss account as incurred.

(j) *Subscriber acquisition costs*
The difference between the cost of Orange handsets to the Group and the lower amount recoverable from sales to intermediaries, if any, together with any additional commission payments, are recorded as subscriber acquisition costs and are expensed as incurred. Costs of acquiring subscribers who return handsets within the 14 day refund period are written off when the handsets are returned.

(k) *Research and development costs*
Research and development costs are charged to the profit and loss account as incurred.

(l) *Advertising costs*
All advertising costs are charged to the profit and loss account as incurred.

(m) *Deferred taxation*
Deferred taxation is determined using the liability method in respect of the taxation effects of all timing differences to the extent that it is probable that liabilities will crystallise or assets will be realised in the foreseeable future.

(n) *Leased assets*
Where the Group has substantially all the risks and rewards of ownership of an asset subject to lease, that lease is treated as a finance lease with the equivalent of cost recorded as both a fixed asset and a liability. Depreciation is provided in accordance with the Group accounting policy for the underlying asset. Finance charges, included in interest, are allocated over each lease to produce a constant rate of charge on the outstanding balance.

Other leases are classified as operating leases and lease payments are charged to the profit and loss account in the period during which they are payable.

(o) *Derivatives*
The Group limits its exposure to movements in interest rates through entering into interest rate swap agreements on a selective basis to increase and extend the amount of borrowings subject to fixed rates of interest.

Interest expense reflects the underlying cost of borrowing. Net payments and receipts made under interest rate swap contracts are accrued over the period to which they relate and applied against or added to interest expense. On maturity of the swap, the net interest payment or receipt is settled in cash. No accounting entries are required for the principal amount of interest rate swaps, since it is purely a notional figure and does not represent an asset, a liability or a contingency. Where there are interest rate swaps with forward start dates, no accounting entries are made until the start of the contract, at which point the interest payable or receivable will be accrued as stated previously. Upon termination of a derivative prior to maturity, any resulting gain or loss will be taken to the profit and loss account at that time.

Net payments and receipts under forward rate agreements are settled in cash at the commencement of the contract and are accrued over the period to which they relate and applied against or added to interest expense. No accounting entries are required for the principal amount of forward rate agreements, since it is purely a notional figure and does not represent an asset, a liability or a contingency.

Principal amounts exchanged under a cross currency swap contract are recorded as an asset and a liability for the term of the contract. Interest payments under such contracts are accrued over the period to which they relate. Receipts are netted off against the interest expense on the currency loan to which the swap contracts have been applied. Any gain or loss on termination of a cross currency swap prior to the agreed expiry date is taken to the profit and loss account and allocated against the total interest charge on the borrowing to which the swap relates.

Costs incurred in the origination of borrowings are deferred upon entering into the borrowing facility and charged against the profit and loss account over the term of the facility on a straight line basis. Costs in relation to refinancing are charged to interest as incurred.

(p) *Pension and other post retirement obligations*
The Group operates a defined contribution scheme and funded unapproved retirement benefit schemes for its eligible employees. The Group's contributions to the pension plan are charged to the profit and loss account in the year to which they relate. The Group has no other post retirement or post employment benefit costs.

(q) *Foreign currencies*
Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of those transactions, adjusted for the effects of any hedging arrangements. Foreign currency monetary assets and liabilities are translated into Sterling at year end rates.

(r) *Goodwill*
Goodwill arising on the acquisition of subsidiary undertakings, being the difference between cost and fair value of the Group's share of net tangible assets acquired, is recognised as an asset in the Group's balance sheet and amortised over a period not exceeding 20 years. Goodwill arising on businesses acquired prior to 1 January 1998 has been charged against reserves in the year of acquisition. In the event of a disposal of a business so acquired, any associated goodwill that had been charged directly against reserves is included in determining the profit or loss on such disposal. Where management considers there has been a permanent diminution in the value of goodwill previously charged against reserves, this element of the goodwill is transferred from reserves and charged to the profit and loss account.

(s) *Investments*
Investments, held as fixed assets, comprise equity shareholdings, partnership interests and long term loans and are stated at cost less provision for any permanent diminution in value. Income is recognised upon receipt of dividends or interest when receivable.

(t) *Liquid resources*
Liquid resources comprise readily disposable current asset investments.

2. Segmental analysis

The Group is engaged in substantially one class of activity, being telecommunications, comprising the operation of telecommunications networks and the supply of a range of mobile voice and data communications services and products. The principal services and products are offered by Orange UK under the Orange brand and are accordingly disclosed separately. Other UK comprises the paging and service provider activities of the Group. For the period under review, all revenues were earned in the United Kingdom and all identifiable assets were located in the United Kingdom.

a) Turnover

	2000 £m	1999 £m
Orange UK	2,520.2	1,519.3
Other UK	45.3	56.4
	2,565.5	1,575.7

b) Operating profit/(loss)

	2000 £m	1999 (restated) £m
Orange UK	178.7	47.2
Other UK	(12.8)	(23.1)
	165.9	24.1

c) Net liabilities

	2000 £m	1999 (restated) £m
Orange UK	(1,397.5)	(1,316.3)
Other UK	(23.0)	(16.5)
	(1,420.5)	(1,332.8)

3. Operating profit

Operating profit is stated after charging:	2000 £m	1999 (restated) £m
Depreciation of tangible fixed assets		
- owned	176.4	122.4
- leased	94.1	76.0
Staff costs (note 7)	215.2	131.0
Research and development costs	1.1	0.3
Operating lease rentals		
- land and buildings	7.5	5.8
- other	103.5	69.8
Loss on sale of fixed assets	-	0.4
Impairment of goodwill in respect of continuing operations	-	32.2

In 1999, impairment of goodwill in respect of continuing operations comprised a write off of £32.2 million in respect of goodwill arising on the acquisition of Hutchison Telephone (UK) Limited, Hutchison Cellular Services Limited and Hutchison Mobile Services Limited that was previously written off directly to reserves.

4. Provision in respect of sale or termination of business

In 2000, direct costs of £6.0 million to be incurred on the termination of the Group's paging business were provided for. In 1999, the provision for goodwill and fixed asset impairment on sale or termination of business comprised a write off of £3.2 million in respect of goodwill arising on the acquisition of Hutchison Paging (UK) Limited previously written off directly to reserves, and £4.0 million written off against tangible fixed assets as an impairment against the paging network fixed assets.

5. Interest receivable and similar income

	2000 £m	1999 £m
Bank interest receivable	2.3	0.3
Defeased lease gain amortised	3.7	1.9
	6.0	2.2

6. Interest payable and similar charges

	2000 £m	1999 £m
Bank loans and overdrafts	132.8	82.2
Interest paid to parent undertaking	120.8	123.4
Finance charges payable under finance leases	-	8.6
Movement in defeased lease interest provision	-	2.3
	253.6	216.5

7. Employees

The average number of persons employed by the Group during the year was as follows :

	2000 Number	1999 Number
Telecommunications	9,309	6,167
Finance and administration	724	780
	10,033	6,947

The aggregate payroll costs of these persons were as follows:

	2000 £m	1999 £m
Wages and salaries	191.6	115.1
Social security costs	16.7	10.8
Other pension costs	6.9	5.1
	215.2	131.0

In April 1996, Orange plc established an employee benefit trust with the power to acquire shares in the open market. The trust is an offshore subsidiary of Orange plc and is managed under contract by an independent management company. Shares purchased by the trust are held to meet obligations under the Group's share schemes, principally the long term incentive plan (LTIP) and Share Bonus Plan. Following the acquisition of Orange plc by Mannesmann A.G. in November 1999, these schemes terminated.

In previous years, the trustee purchased shares to be held to meet future obligations under the LTIP and Share Bonus Plan. No shares were held at 31 December 2000 (1999 - 12,662).

There was no charge to the profit and loss account in this respect in 2000 (1999 - £2.1 million).

8. Directors' emoluments

The directors did not receive any emoluments from the Company in respect of their services to the Group. The directors received emoluments from a subsidiary undertaking in respect of their services to Group companies including the Company. Consequently, an allocation has been made of their emoluments for services to the Company. The aggregate allocated emoluments excluding pension contributions for the year ended 31 December 2000 amounted to £2,206,009 (1999 - £105,509). The aggregate allocation of pension contributions was £27,382 (1999 - £9,949). The allocated emoluments of the highest paid director excluding pension contributions was £1,289,683 (1999 - £90,633). The aggregate allocation of pension contributions of the highest paid director was £10,960 (1999 - £nil). During the year five directors (1999 - six) participated in the Orange plc defined contribution pension scheme.

On 22 August 2000 the Orange plc Executive Share Plan was terminated following the change of ownership of Orange plc. The options outstanding at this date were cancelled and following an offer made by France Telecom S.A. to participants under the plan, a payment was made to five directors in two instalments in September 2000 and February 2001. The payment made in September 2000 has been included in the emoluments disclosed above. In 1999 seven directors exercised options over ordinary 20p shares of Orange plc and seven directors' awards under the Orange plc Long Term Incentive Plan vested.

9. Auditors' remuneration

	2000 £m	1999 £m
Total audit fees	0.2	0.3
Fees paid to auditors for other services:		
Taxation	0.3	-
Other	1.2	0.6
Total fees paid to auditors for other services	1.5	0.6

Audit fees charged in respect of the Company were £10,000 (1999 - £10,000).

10. Tax on loss on ordinary activities

The Corporation tax charge for the year is £nil (1999 - £nil). At 31 December 2000, the Group had significant losses available to carry forward to offset against future taxable profits.

The directors estimate that at 31 December 2000 the Group had deferred tax assets of approximately £308.3 million (1999 - £319.4 million) calculated at the corporation tax rate of 30% (1999 - 30%) attributable to tax losses and other timing differences. The net deferred tax assets, which have not been recognised in the Group's balance sheet, comprise:

	2000 £m	1999 £m
Tax losses	172.8	237.3
Capital allowances	116.0	70.5
Other timing differences deferred	19.5	11.6
Total net deferred tax assets	308.3	319.4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

11. Intangible Assets – Group

	UMTS Licence £m
Cost:	
1 January 2000	-
Additions	4,096.6
31 December 2000	4,096.6
Amortisation:	
1 January and 31 December 2000	-
Net book amount:	
31 December 2000	4,096.6
31 December 1999	-

The cost of the licence includes acquisition costs. The duration of the licence is 20 years commencing 1 January 2002. The licence will be amortised from the date at which telecommunication services related to the licence become operational.

12. Tangible fixed assets – Group

	Freehold land and buildings £m	Short term Leasehold Improvements £m	Networks £m	Fixtures, fittings and equipment £m	Total £m
Cost:					
1 January 2000	20.3	23.3	1,784.7	228.2	2,056.5
Additions	5.5	8.7	551.1	119.8	685.1
Disposals	-	-	-	(5.8)	(5.8)
31 December 2000	25.8	32.0	2,335.8	342.2	2,735.8
Depreciation:					
1 January 2000	4.0	9.4	512.1	107.9	633.4
Charged in the year	0.3	1.8	220.4	48.0	270.5
Disposals	-	-	-	(5.8)	(5.8)
31 December 2000	4.3	11.2	732.5	150.1	898.1
Net book amount:					
31 December 2000	21.5	20.8	1,603.3	192.1	1,837.7
31 December 1999	16.3	13.9	1,272.6	120.3	1,423.1

Networks include assets held under finance leases with a cost of £901.3 million at 31 December 2000 (1999 - £877.3 million). The accumulated depreciation on these assets was £348.9 million at 31 December 2000 (1999 - £254.8 million). Network assets include capitalised interest of £17.8 million (1999 - £16.9 million) with a net book value of £7.2 million (1999 - £8.4 million).

Fixtures, fittings and equipment include assets held under finance leases of £2.7 million (1999 - £2.7 million) at 31 December 2000. Such assets had accumulated depreciation of £2.7 million (1999 - £2.7 million) at 31 December 2000.

13. Tangible fixed assets – Company

	Short term Leasehold Improvements £m	Fixtures, fittings and equipment £m	Total £m
Cost:			
1 January 2000 and 31 December 2000	4.3	2.1	6.4
Depreciation:			
1 January 2000 and 31 December 2000	4.3	2.1	6.4
Net book amount:			
31 December 2000 and 31 December 1999	-	-	-

14. Investments – Company

Shares in subsidiary companies:

	2000 £m
Cost:	
1 January 2000	44.5
Additions	104.6
31 December 2000	149.1

During the year the Company acquired 104,615,206 ordinary shares of £1 each in Hutchison Personal Communications Limited for consideration of £104.6 million.

Details of the principal subsidiary undertakings, all of which are wholly owned, are as follows:

Name of company	Country of incorporation and operation	Principal activities
Orange Personal Communications Services Limited	England	Personal communications network operator
Hutchison Cellular Services Limited	England	Cellular telephone service provider
Hutchison Telephone (UK) Limited	England	Cellular telephone service provider
Hutchison Mobile Services Limited	England	Cellular telephone service provider
Orange Retail Limited	England	Operator of retail outlets
Hutchison Personal Communications Limited	England	Telephone network service provider
Hutchison Paging (UK) Limited	England	Paging network operator
Hutchison Euromessage Limited	England	Paging network operator
Hutchison Mobile Data (UK) Limited	England	Mobile data service provider
Orange 3G Limited	England	UMTS licence holder

All the above companies have been included in the Group consolidated financial statements.

15. Stocks – Group

	2000 £m	1999 £m
Finished goods and goods for resale	190.1	73.7

Stocks principally comprise handsets for use with the Orange network.

16. Debtors

	2000 Group £m	2000 Company £m	1999 Group (restated) £m	1999 Company £m
Trade debtors	291.8	-	176.4	-
Amounts due from parent undertaking	175.5	170.7	51.1	42.8
Amounts due from fellow subsidiary undertakings	5.1	5,966.9	-	1,728.5
Other debtors	97.9	-	61.4	-
Prepayments and accrued income	155.9	0.3	95.8	0.3
	726.2	6,137.9	384.7	1,771.6

Amounts due from fellow subsidiary undertakings include £5,966.9 million (1999 - £1,728.5 million) which is due to the Company after more than one year. Other debtors include £0.8 million (1999 - £0.9 million) which is due to the Group after more than one year.

17. Creditors: amounts falling due within one year

	2000 Group £m	2000 Company £m	1999 Group (restated) £m	1999 Company £m
Bank loans and overdrafts	12.4	2.3	29.5	25.0
Trade creditors	250.0	-	131.0	-
Amounts owed to parent undertaking	10.4	-	-	-
Amounts owed to fellow subsidiary undertakings	-	-	0.1	-
Senior debt facility borrowings	129.8	129.8	-	-
Other creditors	74.1	0.3	64.1	0.8
Taxation and social security	14.7	6.4	13.9	1.7
Defeased lease deferred income	3.7	-	3.7	-
Accruals and deferred income	451.5	23.7	253.9	15.6
Obligations under finance leases	10.7	-	-	-
	957.3	162.5	496.2	43.1

18. Creditors: amounts falling due in more than one year

	2000		1999	
	Group	Company	Group (restated)	Company
	£m	£m	£m	£m
Senior debt facility borrowings	1,537.1	1,537.1	1,202.9	1,202.9
Loan owed to parent undertaking	5,717.6	4,775.7	1,437.8	714.2
Obligations under finance leases	3.2	-	-	-
Defeased lease deferred income	67.8	-	70.3	-
Other creditors	14.0	-	31.7	-
	7,339.7	6,312.8	2,742.7	1,917.1

Amounts due under finance leases of £3.2 million are payable within two to five years inclusive.

In December 1997, the Company entered into a revised senior debt facility, which provides for a secured term loan facility of up to £1,350.0 million with repayments due in instalments commencing in 2001, a revolving secured credit facility of up to £350.0 million and an overdraft facility of up to £50.0 million.

Borrowings may be made under the term loan facility until 31 December 2000 and are repayable in quarterly instalments from 31 March 2001 to 31 December 2005. Borrowings bear interest at a rate linked to LIBOR (3 month LIBOR at 31 December 2000 was 5.90%) plus a margin of between 1.0% and 0.4% and Bank of England reserve asset costs. Commitment fees were incurred of 0.35% or half the margin on the unutilised balance of the facility. The senior debt facility contains restrictive covenants including financial related covenants. The Company was in compliance with all covenants at 31 December 2000.

The loan from the parent undertaking to finance the purchase of the UMTS licence was made under a non-interest bearing facility agreement.

Defeased leases
In December 1995, Orange Personal Communications Limited ("OPCS"), a wholly owned subsidiary of the Company, entered into a sale and leaseback transaction whereby a significant portion of its digital network equipment and certain related licenced software, worth an estimated £450 million were sold. This arrangement was concluded in 1996, with two further drawdowns.

In December 1997, OPCS entered into a series of agreements in which it agreed to purchase as agent on behalf of certain entities (the lessors) and the lessors agreed to lease to it, network equipment and certain related licenced software worth an estimated £450 million. Drawdowns under these lease arrangements commenced in 1998 and continued throughout 1999, with a final drawdown in March 2000.

OPCS has deposited amounts equal to the present value of its rental obligations under its 1995 and 1997 leases with UK financial institutions ("the deposit banks") to secure letters of credit issued by these institutions to the lessors in order to secure its rental obligations. These funds, which totalled £761.7 million at 31 December 2000 (1999: £741.1 million) together with the interest earned thereon, will be used to settle its rental obligations under the leases.

If the 1995 leases terminate due to the insolvency of either of the deposit banks, OPCS's obligations to pay future rentals are replaced by an obligation to pay a termination sum under each finance lease. OPCS is protected from the risk of payment of such termination sums by guarantees from the former shareholders, Hutchison Whampoa and British Aerospace, and third party insurance cover. In respect of the 1997 leases, the lessors bear the risk in the event of the insolvency of the deposit banks. Consequently, OPCS would not be liable for the payment of any termination sum in the event of such insolvency.

This in-substance early extinguishment (defeasance) of each drawdown under the 1995 and 1997 finance leases result in the offset of the deposit amount and the proceeds received from the lessors, and the gain that results (net of provisions raised) has been reflected in the balance sheet as defeased lease deferred income that will be amortised to the profit and loss account as interest income over the lease term on a straight-line basis.

The rentals payable under the leases will vary if interest rates or tax rates change. OPCS and the Company's intermediate parent entity, Orange plc, have made provisions, based on management's assessment of likely outcomes, for possible future costs arising from such variations. This provision is included in the balance sheet within "Other creditors".

The debt falling due after more than one year is repayable as follows:

	2000		1999	
	Group	Company	Group (restated)	Company
	£m	£m	£m	£m
Between one and two years	265.3	261.6	76.3	72.6
Between two and three years	352.5	348.8	149.0	145.3
Between three and four years	483.3	479.6	197.5	193.8
Between four and five years	466.3	459.5	270.2	266.5
After five years	5,784.6	4775.6	2,065.7	1,254.9
Less : term loan facility fee	(12.3)	(12.3)	(16.0)	(16.0)
Total due for repayment after more than one year	7,339.7	6,312.8	2,742.7	1,917.1

19. Provisions for liabilities and charges – Group

	Closure provisions	Property provisions	Total
	£m	£m	£m
1 January 2000	-	7.7	7.7
Increase	6.0	-	6.0
Utilisation	-	(2.2)	(2.2)
31 December 2000	6.0	5.5	11.5

The provision for closure costs relates to direct costs to be incurred on the termination of the Group's paging business (note 4).

20. Provisions for liabilities and charges – Company

	Property provisions
	£m
1 January 2000	6.2
Utilisation	(1.5)
31 December 2000	4.7

Provisions for liabilities and charges relates to leased property that is sublet to third parties. Rental received from the subleases is lower than that paid under the head leases for the same properties. The future obligation under the lease contracts, being the difference between rentals payable and the sublease rentals receivable, has been provided for at its net present value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

21. Share capital

	2000 Number	2000 £m	1999 Number	1999 £m
Authorised 'A' ordinary shares of £1	1	-	1	-
Allotted, called up and fully paid 'A' ordinary shares of £1	1	-	1	-
Authorised 'B' ordinary shares of £1	20,975,793	21.0	20,975,793	21.0
Allotted, called up and fully paid 'B' ordinary shares of £1	20,975,793	21.0	20,975,793	21.0
Authorised 'C' ordinary shares of £1	9,681,135	9.7	9,681,135	9.7
Allotted, called up and fully paid 'C' ordinary shares of £1	9,681,135	9.7	9,681,135	9.7

22. Reserves – Group

	Profit and loss account £m
1 January 2000 as previously reported	(1,083.4)
Prior year adjustments (note 1) :	
Restatement for subscriber acquisition costs	(206.1)
Restatement for defeasance of finance leases	(74.0)
1 January 2000 restated	(1,363.5)
Loss for the year	(87.7)
31 December 2000	(1,451.2)

The cumulative net amount of goodwill at 31 December 2000 resulting from acquisitions to date, which has been written off directly to reserves, is £12.5 million (1999 - £12.5 million).

23. Reserves – Company

	Capital reserve £m	Profit and loss account £m	Total £m
1 January 2000	3.3	(184.2)	(180.9)
Loss for the year	-	(33.2)	(33.2)
31 December 2000	3.3	(217.4)	(214.1)

The capital reserve represents the excess of net liabilities over the cost of an acquisition in 1990.

24. Reconciliation of movements in shareholders' funds – Group

	2000 £m	1999 (restated) £m
Loss for the year	(87.7)	(197.4)
Opening deficit of equity shareholders' funds (as previously stated)	-	(996.5)
Prior year adjustments (note 1)	-	(174.3)
Opening deficit of equity shareholders' funds as restated	(1,332.8)	(1,170.8)
Goodwill reinstated	-	35.4
Closing deficit of equity shareholders' funds	(1,420.5)	(1,332.8)

25. Reconciliation of movements in shareholder's funds – Company

	2000 £m	1999 (restated) £m
Loss for the year	(33.2)	(112.7)
Opening deficit of equity shareholders' funds	(150.2)	(37.5)
Closing deficit of equity shareholders' funds	(183.4)	(150.2)

26. Reconciliation of operating profit to operating cashflows

	2000 £m	1999 (restated) £m
Operating profit	165.9	24.1
Depreciation	270.5	198.4
Goodwill reinstated in respect of continuing operations (note 3)	-	32.2
Loss on disposal of tangible fixed assets	-	0.4
Shares awarded to employees	-	4.3
Increase in stock	(116.4)	(45.8)
Increase in debtors	(341.5)	(120.0)
Decrease in provisions for liabilities and charges	(2.2)	(0.3)
Increase in creditors	151.0	178.0
	127.3	271.3

27. Analysis of cash flows for headings netted in the cash flow statement

	2000 £m	1999 £m
Returns on investments and servicing of finance:		
Interest received	2.3	0.3
Interest paid	(242.8)	(200.0)
Interest element of finance lease rental payments	-	(10.4)
Net cash outflow for returns on investments and servicing of finance	(240.5)	(210.1)
Capital expenditure and financial investment:		
Expenditure on tangible fixed assets	(503.6)	(358.7)
Expenditure on UMTS licence	(101.6)	-
Amounts paid as lessors' agent under finance leases	(1.5)	(154.4)
Purchase of ultimate parent undertaking shares by employee benefit trust	-	(2.1)
Net cash outflow for capital expenditure and financial investment	(606.7)	(515.2)
Financing:		
Amounts placed on deposit with deposit banks	(17.2)	(351.7)
Reimbursement of amounts paid as lessors' agent under finance leases	20.4	233.7
Debts due after more than one year :		
- long term bank loan drawdown	461.3	852.6
- long term bank loan repayment	-	(536.5)
- bank term loan arrangement fee	-	-
- loans from parent undertaking advanced	284.8	266.7
Capital element of finance lease rental payments	(7.2)	(2.2)
Net cash inflow from financing	742.1	462.6

28. Analysis of net debt

	At 1 January 2000 £m	Cash flow £m	Other non cash movements £m	At 31 December 2000 £m
Cash at bank and in hand	32.3	5.1	-	37.4
Overdrafts	(29.5)	17.1	-	(12.4)
	2.8	22.2	-	25.0
Debt due within 1 year	-	-	(129.8)	(129.8)
Debt due after 1 year	(2,640.7)	(746.1)	(3,867.9)	(7,254.7)
Finance leases	-	4.0	(17.9)	(13.9)
	(2,640.7)	(742.1)	(4,015.6)	(7,398.4)
	(2,637.9)	(719.9)	(4,015.6)	(7,373.4)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

Significant non-cash transactions
During the year the Group entered into finance lease arrangements in respect of assets that had a total capital value at the inception of the leases of £21.1 million. The ultimate parent undertaking provided £3,993.5 million of financing in respect of the purchase of the UMTS licence which was paid directly to the Radiocommunications Agency. A further £1.5 million of interest earned on the deposit held by the Radiocommunications Agency was set against the total licence cost.

29. Lease commitments – Group

Operating lease payments payable within one year of the balance sheet date were in respect of leases expiring:

	2000			1999		
	Land and buildings	Other	Total	Land and Buildings	Other	Total
	£m	£m	£m	£m	£m	£m
Within one year	-	47.4	47.4	-	26.7	26.7
Between two years and five	0.5	21.1	21.6	0.6	14.4	15.0
After five years	10.1	26.2	36.3	12.3	22.5	34.8
	10.6	94.7	105.3	12.9	63.6	76.5

30. Lease commitments – Company

The Company had no operating lease commitments at balance sheet date (1999: £nil)

31. Capital commitments

	2000		1999	
	Group	Company	Group	Company
	£m	£m	£m	£m
Contracts placed for capital expenditure but not provided for in the financial statements	153	-	112	-

32. Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8: "Related Party Transactions" relating to subsidiaries. Accordingly, the Company does not disclose transactions with Group members.

33. Financial support

It is the current intention of Orange plc to make available sufficient funds to allow the Group to meet its obligations as they fall due.

34. Contingent liabilities

The Company has, under a senior debt facility agreement, secured substantially all the assets of the Group.

After reviewing available information relating to other contingent liabilities and consulting with the Group's legal counsel, management considers that the outcome of each of these matters is unlikely to have a material effect on the Group's financial condition, results of operations or liquidity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

35. Ultimate parent undertaking

The immediate parent undertaking is Orange plc, a company incorporated in the United Kingdom, which is the smallest group to consolidate these financial statements. The ultimate parent undertaking and controlling party at 31 December 2000 is France Telecom S.A. which is the parent undertaking of the largest group to consolidate these financial statements.

The ultimate parent undertaking was previously Mannesmann A.G. until 12 April 2000 when Vodafone Group plc completed its acquisition of Mannesmann A.G. At this time Vodafone Group plc became the ultimate parent undertaking. On 30 May 2000, France Telecom S.A. made an offer to acquire Orange plc from Vodafone Group plc. This offer was accepted and the acquisition was completed on 22 August 2000 after regulatory approval was obtained. As a result France Telecom S.A. became the ultimate parent undertaking.

Copies of France Telecom S.A. consolidated financial statements can be obtained from the Company Secretary at 6 place d'Alleray, 75505 Paris Cedex 15, France.

36. Subsequent events

On 9 March 2001, Hutchison Cellular Services Limited, a wholly owned subsidiary of the Company, sold its airtime reselling subscriber base and related trade debtors to Project Telecommunications Limited for consideration of £13.9 million. As part of the sale agreement, Hutchison Cellular Services Limited will continue to provide facilities management services for a period of four months after completion of the sale.