

**ORANGE HOLDINGS (UK) LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED**

**31 DECEMBER 2005**



ORANGE HOLDINGS (UK) LIMITED  
ANNUAL REPORT FOR THE YEAR ENDED  
31 DECEMBER 2005

CONTENTS

	PAGE NO.
DIRECTOR'S REPORT	1 - 2
INDEPENDENT AUDITORS' REPORT	3
PROFIT AND LOSS ACCOUNT	4
BALANCE SHEET	5
NOTES TO THE FINANCIAL STATEMENTS	6-12

## **DIRECTOR'S REPORT**

The sole director presented its annual report and the audited financial statements of the Company for the year ended 31 December 2005.

### **Principal activities, business review and future developments**

The principal activity of the Company is that of a holding Company.

### **Results for the year**

The profit for the year was £9,893 million (2004: loss £66 million) on turnover of £nil (2004: £nil).

Detailed results for the year are shown in the profit and loss account on page 4.

### **Dividends and transfer to reserves**

A dividend of £7,471 million was paid during the year (2004: £nil). The director does recommend the payment of a final dividend (2004: £nil).

The retained profit of £2,422 million (2004: loss £66 million) has been transferred to reserves.

### **Directors**

The director who held office during the year, and up to the date of signature, is given below:

Orange Limited (formerly Orange plc)

No personal director had any interest in the share capital of the Company or Orange Limited and its subsidiaries.

### **Statement of director's responsibilities**

Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires 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 director confirms that suitable accounting policies have been used and applied consistently. It also confirms that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

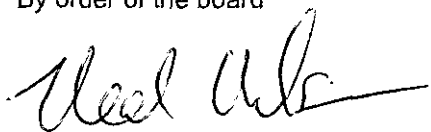
Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DIRECTOR'S REPORT (continued)**

Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office.

By order of the board

A handwritten signature in black ink, appearing to read 'Neil White', written over a horizontal line.

For and on behalf of Orange Limited, director

Date: 2.10.06

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

## **Independent Auditors' Report**

### **To the sole member of Orange Holdings (UK) Limited**

We have audited the Company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's sole member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditors' 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The director is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Director's 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 director's remuneration and other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

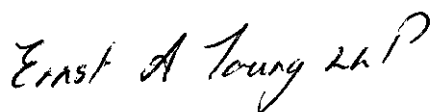
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered auditor



1 More London Place  
London, SE1 2AF

Date: 2 October 2006

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

	<u>Notes</u>	<u>2005 £m</u>	<u>2004 £m</u>
Administrative expenses		-	(5)
<b>OPERATING (LOSS)/PROFIT</b>	<b>3</b>	<b>-</b>	<b>(5)</b>
Loan waiver	4	(3)	-
Disposal of investments	11	9,923	-
Interest receivable and similar income	5	3	15
Interest payable and similar charges	6	(15)	(76)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>9,908</b>	<b>(66)</b>
Tax on profit/(loss) on ordinary activities	9	(15)	-
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>9,893</b>	<b>(66)</b>
Dividend paid		(7,471)	-
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>	<b>18</b>	<b>2,422</b>	<b>(66)</b>

All activities relate to continuing operations.

The Company has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

**BALANCE SHEET AT 31 DECEMBER 2005**

	Notes	2005 £m	2004 £m
<b>FIXED ASSETS</b>			
Tangible assets	10	-	-
Investments	11	-	31
		-	31
<b>CURRENT ASSETS</b>			
Debtors	12	1,913	4,502
		1,913	4,502
<b>CREDITORS: Amounts falling due within one year</b>		-	-
<b>NET CURRENT ASSETS</b>		1,913	4,502
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,913	4,533
<b>CREDITORS: Amounts falling due after more than one year</b>	13	(11)	(5,053)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	(1)	(1)
<b>NET ASSETS/(LIABILITIES)</b>		1,901	(521)
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	16	31	31
Profit and loss account	17	1,870	(552)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	18	1,901	(521)

These financial statements on pages 4 to 12 were approved by the director on 2.10.06 and are signed on its behalf by:



Neal Milsom  
For and on behalf of Orange Limited, director

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**1. Accounting policies**

*(a) Accounting convention*

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

In accordance with Financial Reporting Standard 18 "Accounting Policies", the director has reviewed the accounting policies set out below and are of the opinion that they are appropriate for the purpose of giving a true and fair view of the results of Orange Holdings (UK) Limited for the year ended 31 December 2005.

*(b) Consolidation*

The Company is exempt from preparing group financial statements under Section 228 of the Companies Act 1985 as it is a wholly owned subsidiary undertaking of France Telecom S.A., whose accounts are publicly available. Accordingly, these financial statements present information about the Company and not its group.

*(c) Investments*

Investments, held as fixed assets, comprise of equity shareholdings and are stated at cost less any permanent diminution in value.

*(d) Finance costs*

Finance costs represent interest charges on inter-company borrowings, and external overdraft facilities and are charged to the profit and loss account as incurred.

*(e) Deferred taxation*

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**2. Cash flow statement and related party disclosures**

The Company is a wholly owned subsidiary of France Telecom S.A. whose results are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996), The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the France Telecom S.A. group, the ultimate parent company, or investees of the France Telecom S.A. group.

**3. Operating profit/(loss)**

The auditor's remuneration of £27,107 (2004: £30,000) has been borne and paid for by Orange Personal Communications Limited, a fellow subsidiary undertaking of the France Telecom S.A. group.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**4. Loan waiver**

The Company waived its right to the collection of a loan £2,577,000 due from Orange 3G Limited, a fellow subsidiary of Orange Limited.

**5. Interest receivable and similar income**

	2005 £m	2004 £m
Interest received from group undertakings	3	15

**6. Interest payable and similar charges**

	2005 £m	2004 £m
Bank loans and overdrafts	-	1
Interest paid to parent undertaking	15	75
	15	76

**7. Employees**

The Company had no employees in 2005 and as a result no employee costs have been incurred (2004: nil).

**8. Directors' emoluments**

Orange Limited and its subsidiaries are managed on a unified basis. Orange Personal Communications Services Limited pays the director's emoluments on behalf of Orange Limited and all of its subsidiary companies. The director's emoluments for Orange Holdings (UK) Limited are included within the total directors' emoluments disclosed in the accounts of Orange Limited, as it is not practical to split their emoluments between the services provided to Orange Limited and its subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**9. Tax on profit on ordinary activities**

	2005 £m	2004 £m
<b>Corporation tax</b>		
Corporation tax charge for the year	-	-
<b>Deferred tax</b>		
Timing differences, origination and reversal	(15)	-
<b>Tax on profit on ordinary activities</b>	(15)	-

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

	2005 £m	2004 £m
Profit/(Loss) on ordinary activities before tax	9,908	(66)
Profit/(Loss) on ordinary activities multiplied by standard rate in the UK (30%) (2004: 30%)	2,972	(20)
Factors affecting the charge:		
Non taxable disposal of investments	(2,977)	-
Permanent differences	20	-
Utilisation of tax losses brought forward	(15)	-
Tax losses surrendered to fellow group members	-	20
<b>Corporation tax charge for the year</b>	-	-

The elements of deferred taxation are shown in note 15.

**10. Tangible assets**

	Short term Leasehold Improvements £m	Fixtures, Fittings and Equipment £m	Total £m
<b>Cost</b>			
1 January 2005 and 31 December 2005	4	2	6
<b>Depreciation</b>			
1 January 2005 and 31 December 2005	4	2	6
<b>Net book amount</b>			
31 December 2005 and 31 December 2004	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**11. Investments**

	Shares in subsidiary undertakings £m
<b>Cost</b>	
1 January 2005	218
Disposal	(170)
31 December 2005	48
<b>Amounts provided</b>	
1 January 2005	(187)
Disposal	139
31 December 2005	(48)
<b>Net book value</b>	
31 December 2004	31
31 December 2005	-

Details of the principal subsidiary undertakings at 31 December 2005, all of which are wholly owned, are as follows:

Name of Company	Country of incorporation and operation	Principal activities
Orange Retail Limited	England	Operator of retail outlets
Orange Paging (UK) Limited	England	Not trading
Orange 3G Limited	England	Not trading

On 22<sup>nd</sup> April 2005, the Company has transferred its ownership in Orange Personal Communications Services Limited to Orange Limited, its immediate parent undertaking, for a consideration of £9,953 million.

On 21st December 2005, the Company has transferred its ownership in Orange Cellular Services Limited to Orange Limited, its immediate parent undertaking, for consideration of £821,000.

On 21st December 2005, the Company has transferred its ownership in Orange Payment Handling Services Limited to Orange Limited, its immediate parent undertaking, for consideration of £324,000.

**12. Debtors**

	2005 £m	2004 £m
Amounts due from group undertakings	1,911	4,485
Deferred taxation (note 15)	2	17
	<u>1,913</u>	<u>4,502</u>

Amounts due from subsidiary undertakings include £1,910 million (2004: £4,401 million) which is due to the Company after more than one year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**13. Creditors: amounts falling due after more than one year**

	2005 £m	2004 £m
Amounts owed to group companies	<u>11</u>	<u>5,053</u>

**14. Provisions for liabilities and charges**

	Property provisions £m
At 1 January 2005 and 31 December 2005	<u>1</u>

Provisions for liabilities and charges relate 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 paid and the sublease rentals received, has been provided for at its net present value.

**15. Deferred taxation**

	£m
At 1 January 2005	17
Movement in the year	<u>(15)</u>
At 31 December 2005	<u>2</u>

The deferred tax asset in the financial statements is analysed as follows:

	2005 £m	2004 £m
Tax losses	<u>2</u>	<u>17</u>
	<u>2</u>	<u>17</u>

A deferred tax asset of £2 million has been recognised at 31 December 2005 (2004: £17 million). The director is of the opinion that the level of profits to be generated in the current and future years by Orange Holdings (UK) Limited and its subsidiaries, make it more likely than not that the asset will be recovered.

A deferred tax asset of £19 million (2004: £19 million) has not been recognised in respect of the Company's unrelieved tax losses. Currently, these losses are restricted as to usage.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**16. Share capital**

	2005		2004	
	Number	£m	Number	£m
Authorised 'A' ordinary shares of £1 allotted, called up and fully paid 'A' ordinary shares of £1	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Authorised 'B' ordinary shares of £1 allotted, called up and fully paid 'B' ordinary shares of £1	<u>20,975,793</u>	<u>21</u>	<u>20,975,793</u>	<u>21</u>
	<u>20,975,793</u>	<u>21</u>	<u>20,975,793</u>	<u>21</u>
Authorised 'C' ordinary shares of £1 allotted, called up and fully paid 'C' ordinary shares of £1	<u>9,681,135</u>	<u>10</u>	<u>9,681,135</u>	<u>10</u>
	<u>9,681,135</u>	<u>10</u>	<u>9,681,135</u>	<u>10</u>

**17. Profit and Loss Account**

	£m
At 1 January 2005	(552)
Profit for the year	<u>2,422</u>
At 31 December 2005	<u>1,870</u>

**18. Reconciliation of movements in equity shareholder's funds**

	2005 £m	2004 £m
Profit/(loss) for the year	2,422	(66)
Net increase/(decrease) in equity shareholders' funds	<u>2,422</u>	<u>(66)</u>
Opening equity shareholders' funds	(521)	(455)
Closing of equity shareholders' funds	<u>1,901</u>	<u>(521)</u>

**19. Financial support**

It is the current intention of Orange Limited, the immediate parent undertaking, to make available sufficient funds to allow the Company to meet its obligations as they fall due.

**20. Contingent liabilities**

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 contingent liabilities is unlikely to have a material effect on the Company's financial condition, results of operations or liquidity.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**21. Ultimate parent undertaking**

The immediate parent undertaking at 31 December 2005 was Orange Limited. Orange Limited is a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party at 31 December 2005 was France Telecom S.A. which is the parent undertaking of the smallest and largest group to consolidate these financial statements. France Telecom S.A. is a company incorporated in France. Copies of France Telecom S.A. consolidated financial statements can be obtained from the General Counsel at 6 Place d'Alleray, 75505 Paris Cedex 15, France.