

ORANGE HOLDINGS (UK) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2001



ORANGE HOLDINGS (UK) LIMITED

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the group and the company for the year ended 31 December 2001.

Principal activities, business review and future developments

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

The group's principal activities during 2001 were the operation and continuing development of a national digital wirefree personal communications 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 2001 (2000 - 99%). The Orange Personal Communications Services Limited subscriber base grew from 9.8 million at 31 December 2000 to 12.4 million at 31 December 2001. Turnover from Orange Personal Communications Services Limited increased from £2,553.0 million in 2000 to £3,397.2 million in 2001.

On 9 March 2001, Orange Cellular Services Limited sold its airtime reselling subscriber base and related trade debtors to Project Telecom plc for consideration of £13.9 million. As part of the sale agreement, Orange Cellular Services Limited continued to provide facilities management services for a period of 4 months after completion of the sale.

In December 2000, the directors announced their intention to close Orange Paging (UK) Limited. The network was terminated on 30 June 2001.

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

Events occurring after the end of the year are detailed in note 30.

Results for the year

The group profit for the year was £77.7 million (2000 - loss of £87.7m) on turnover of £3,358.3 million (2000 - £2,565.5 million).

Detailed results for the year are shown in the profit and loss account on page 5.

Dividends and transfer to reserves

No dividends were paid during the year (2000 - £nil). The directors do not recommend the payment of a final dividend (2000 - £nil).

The retained profit of £77.7 million (2000 - loss of £87.7 million) has been transferred to reserves.

ORANGE HOLDINGS (UK) LIMITED

DIRECTORS' REPORT (continued)

Directors

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

Ian C Gibson	(resigned 20 March 2001)
Graham E Howe	(resigned 31 August 2001)
Mark A Paterson	(resigned 26 March 2001)
Hans R Snook	(resigned 3 August 2001)
Mark E Wollner	
Charles J Allwood	(appointed 31 August 2001)
Philippe McAllister	(appointed 26 March 2001)
Michael D Newnham	(appointed 31 August 2001)

No director had any interest in the share capital of the company or any Orange plc group companies.

Research and development

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

The group is active in the forums which are developing the standards for future mobile communications services, with group representatives holding key positions. Orange is ensuring that group policy is in keeping with policies and strategies evolved from these forums.

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, career development and promotion wherever appropriate.

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 an intranet site, a series of employee roadshows and a management conference were held during the year. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through profit sharing schemes.

ORANGE HOLDINGS (UK) LIMITED

DIRECTORS' REPORT (continued)

Creditor payment policy

The group's policy concerning the payment of its trade creditors is to reflect local practice in the United Kingdom. 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 2001, the group's trade creditors represented 35 days (2000 - 31 days) equivalent of aggregate amounts invoiced by suppliers during the year. The company did not have any trade creditors during the year (2000 - £nil).

Political and charitable donations

The group has made charitable donations of £41,096 during the year (2000 - £50,050).

The group has made no political donations during the year (2000 - £nil).

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 group and of the profit or loss of the group 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 group will continue in business.

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 2001 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 group 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 group 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 reappointment will be proposed at the Annual General Meeting.

By order of the board



Alan Shedden
Company Secretary

Date: 26 June 2002

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

ORANGE HOLDINGS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ORANGE HOLDINGS (UK) LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement 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.

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 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.

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.

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 2001 and of the profit 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
1 Embankment Place
London
WC2N 6RH

Date: 26 June 2002

ORANGE HOLDINGS (UK) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>Notes</u>	<u>2001 £m</u>	<u>2000 £m</u>
TURNOVER	1,3	3,358.3	2,565.5
Cost of sales		<u>(2,275.3)</u>	<u>(1,858.8)</u>
GROSS PROFIT		1,083.0	706.7
Distribution costs		(431.5)	(339.0)
Administrative expenses		<u>(302.9)</u>	<u>(201.8)</u>
OPERATING PROFIT	4	348.6	165.9
Release of provision for closure	5	2.4	-
Provision in respect of sale or termination of business	5	-	(6.0)
Profit on sale of subscriber base	6	<u>1.8</u>	<u>-</u>
PROFIT BEFORE INTEREST AND TAXATION		352.8	159.9
Interest receivable and similar income	8	6.3	6.0
Interest payable and similar charges	9	<u>(281.4)</u>	<u>(253.6)</u>
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		77.7	(87.7)
Tax on profit/ (loss) on ordinary activities	12	<u>-</u>	<u>-</u>
PROFIT/ (LOSS) FOR THE YEAR	22	<u><u>77.7</u></u>	<u><u>(87.7)</u></u>

All activities relate to continuing operations.

The 2001 and 2000 profit and loss accounts include the results of Orange Paging (UK) Limited and Orange Cellular Services Limited which are classified as discontinued in the individual entity accounts. The turnover and operating profits of these entities are not considered material to the results of the Orange Holdings (UK) Limited group.

The group has no recognised gains or losses other than the profit/ (loss) above and therefore no separate statement of total recognised gains and losses has been presented.

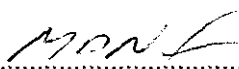
There is no difference between the profit/ (loss) on ordinary activities before taxation and the retained profit/ (loss) for the year stated above and their historical cost equivalents.

ORANGE HOLDINGS (UK) LIMITED

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2001

	Notes	2001 £m	2000 £m
FIXED ASSETS			
Intangible assets	13	4,096.6	4,096.6
Tangible assets	14	<u>2,189.6</u>	<u>1,837.7</u>
		6,286.2	5,934.3
CURRENT ASSETS			
Stocks	16	69.6	190.1
Debtors	17	646.6	726.2
Cash at bank and in hand		<u>69.0</u>	<u>37.4</u>
		785.2	953.7
CREDITORS: Amounts falling due within one year	18	<u>(1,136.1)</u>	<u>(957.3)</u>
NET CURRENT LIABILITIES		<u>(350.9)</u>	<u>(3.6)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,935.3	5,930.7
CREDITORS: Amounts falling due in more than one year	19	(7,261.6)	(7,339.7)
PROVISIONS FOR LIABILITIES AND CHARGES	20	<u>(5.5)</u>	<u>(11.5)</u>
NET LIABILITIES		<u>(1,331.8)</u>	<u>(1,420.5)</u>
CAPITAL AND RESERVES			
Called up equity share capital	21	30.7	30.7
Profit and loss account	22	<u>(1,362.5)</u>	<u>(1,451.2)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	23	<u>(1,331.8)</u>	<u>(1,420.5)</u>

These financial statements on pages 5 to 27 were approved by the board of directors on *26 June 2002* and are signed on its behalf by:



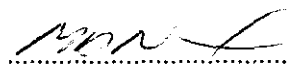
 Michael D Newnham
 Director

ORANGE HOLDINGS (UK) LIMITED

COMPANY BALANCE SHEET AT 31 DECEMBER 2001

	Notes	2001 £m	2000 £m
FIXED ASSETS			
Tangible assets	14	-	-
Investments	15	149.1	149.1
		149.1	149.1
CURRENT ASSETS			
Debtors	17	6,000.7	6,137.9
Cash at bank and in hand		52.2	9.6
		6,052.9	6,147.5
CREDITORS: Amounts falling due within one year	18	(296.3)	(162.5)
NET CURRENT ASSETS		5,756.6	5,985.0
TOTAL ASSETS LESS CURRENT LIABILITIES		5,905.7	6,134.1
CREDITORS: Amounts falling due in more than one year	19	(6,123.4)	(6,312.8)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(1.2)	(4.7)
NET LIABILITIES		(218.9)	(183.4)
CAPITAL AND RESERVES			
Called up equity share capital	21	30.7	30.7
Capital reserve	22	3.3	3.3
Profit and loss account	22	(252.9)	(217.4)
TOTAL EQUITY SHAREHOLDERS' FUNDS	23	(218.9)	(183.4)

These financial statements on pages 5 to 27 were approved by the board of directors on 26 June 2002 and are signed on its behalf by:



 Michael D Newnham
 Director

ORANGE HOLDINGS (UK) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>Notes</u>	<u>2001 £m</u>	<u>2000 £m</u>
Cash flow from operating activities	24	1,027.3	127.3
Return on investments and servicing of finance	25	(119.1)	(118.0)
Taxation		-	-
Capital expenditure and financial investment	25	(749.1)	(606.7)
Acquisitions and disposals	25	13.9	-
Financing	25	<u>(153.5)</u>	<u>619.6</u>
Increase in cash in the year	26	<u>19.5</u>	<u>22.2</u>
 Reconciliation of net cash flow to movement in net debt (note 26)			
		<u>2001 £m</u>	<u>2000 £m</u>
Increase in cash in the year		19.5	22.2
Cash outflow/ (inflow) from decrease/ (increase) in debt and lease financing		<u>153.5</u>	<u>(619.6)</u>
Change in net debt resulting from cash flows		173.0	(597.4)
Other non cash movements		<u>(200.0)</u>	<u>(4,138.1)</u>
Movement in net debt in the year		(27.0)	(4,735.5)
Opening net debt		<u>(7,373.4)</u>	<u>(2,637.9)</u>
Closing net debt		<u>(7,400.4)</u>	<u>(7,373.4)</u>

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

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 FRS 18, the directors have 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 the company for the year ended 31 December 2001.

(b) 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.

(c) Turnover

Turnover includes:

- Amounts invoiced for airtime and related services supplied to subscribers, together with airtime income earned but not invoiced;
- Amounts invoiced for interconnect in respect of calls terminating on the Orange network, together with interconnect income earned but not invoiced;
- Connected handsets and related accessories supplied to both subscribers and intermediaries within the period;
- Income from pre-paid customers which is deferred in the balance sheet on purchase by the customer and released to the profit and loss account as calls are made.

Turnover excludes airtime income billed in advance and value added tax.

(d) Cost of sales

Cost of sales includes:

- Amortisation of capitalised network costs over the useful economic life of the asset;
- The difference between the cost of Orange handsets connected in the period to the group and the lower amount recoverable from sales to intermediaries, if any, together with any additional commission payments;
- Costs of leasing lines from other telecommunications operators;
- Interconnect costs of terminating calls on other networks;
- Costs of day to day network operation and maintenance.

(e) Stocks

Stocks comprise handsets and other goods for resale. Stocks of new handsets are held at the lower of average cost and net realisable value.

Any provision required to reduce stock from average cost to net realisable value is estimated by management on the basis of projected future sales of handsets into the distribution channels.

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

1. Accounting policies (continued)

(f) 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 and enhancement costs. Estimates of the level of overhead cost relating directly to network build or enhancement are made on a percentage basis at the cost centre level.

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

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
Networks	4 - 20 years
Computer equipment	3 - 5 years
Motor vehicles	4 years
Fixtures, fittings and equipment	5 - 6 years

The weighted average useful life of the network is 8.8 years.

The group selects its depreciation rates carefully and reviews them regularly to take account of any change in circumstances. When setting useful economic lives, the principal factors the group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

(g) Impairment

If a significant indicator of a possible impairment is noted, the need for any fixed asset impairment provision is assessed by comparison of the carrying value of the asset against the higher of net realisable value and value in use. The value in use is determined from estimated discounted future cash flows. Discount rates are based on the circumstances applicable in each case.

(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) Research and development costs

Research and development costs are charged to the profit and loss account as incurred.

(k) Advertising costs

All advertising costs are charged to the profit and loss account as incurred.

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

1. Accounting policies (continued)

(l) Gain on defeasance of finance leases

Gains, net of accruals for future variations in interest and tax rates raised by the group, 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.

Management's estimates of the accruals required for future movements in long term interest and tax rate variation are made on a 3 yearly basis using current available market predictions and in consultation with external experts.

(m) 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.

(n) 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.

(o) 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 line with the group accounting policy for the underlying assets. 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.

(p) Pension and other post retirement obligations

The group operates two defined contribution schemes for its eligible employees and directors. The group's contributions to the pension schemes are charged to the profit and loss account in the year to which they relate.

(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 the 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.

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

1. Accounting policies (continued)

(s) 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.

(t) 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.

(u) Share option and share purchase plans

The Orange Holdings (UK) Limited group operates several share option and share purchase plans for its eligible employees and directors. The amount recognised in the profit and loss account in respect of share awards is charged over the period to which the employee's performance relates.

(v) Liquid resources

Liquid resources comprise readily disposable current asset investments.

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2001**

2. Related party disclosures

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Orange S.A. group, an intermediate parent company, or investees of the Orange S.A. group.

3. 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. 'Orange UK' consists of the principal services and products offered under the Orange brand. 'Other UK' comprise of the paging and service provider activities of the group.

Turnover represents sales to third parties of goods and services within the United Kingdom and excludes VAT.

a) Turnover

	2001 £m	2000 £m
Orange UK	3,349.4	2,520.2
Other UK	8.9	45.3
	<u>3,358.3</u>	<u>2,565.5</u>

b) Operating profit

Orange UK	349.2	178.7
Other UK	(0.6)	(12.8)
	<u>348.6</u>	<u>165.9</u>

c) Net liabilities

Orange UK	(1,323.3)	(1,397.5)
Other UK	(8.5)	(23.0)
	<u>(1,331.8)</u>	<u>(1,420.5)</u>

4. Operating profit

	2001 £m	2000 £m
Operating profit is stated after charging:		
Auditors' remuneration		
- audit services	0.3	0.2
- non audit services	0.7	1.5
Depreciation of tangible fixed assets		
- owned	330.0	176.4
- leased	103.8	94.1
Employee costs (note 10)	294.8	215.2
Research and development costs	0.7	1.1
Operating lease rentals		
- land and buildings	22.1	7.5
- other	113.5	103.5
Loss on sale of fixed assets	<u>1.5</u>	<u>-</u>

A subsidiary undertaking, Orange Personal Communications Services Limited bore the audit fees on behalf of Orange Holdings (UK) Limited and all its subsidiary companies.

Audit fees charged in respect of the company were £10,000 (2000 - £10,000).

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

5. 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 2001, £2.4 million of this provision was released against operating losses (note 20).

6. Profit on sale of subscriber base

Other income of £1.8 million relates to the disposal of the customer database by Orange Cellular Services Limited. This represents a profit of £12.8 million recorded by Orange Cellular Services Limited less £11.0 million goodwill which was previously written off directly against reserves.

7. Profit attributable to the parent company

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 £35.5 million (2000 – loss of £33.2 million).

8. Interest receivable and similar income

	2001 £m	2000 £m
Bank interest receivable	2.7	2.3
Defeased lease gain amortised	3.6	3.7
	<u>6.3</u>	<u>6.0</u>

9. Interest payable and similar charges

	2001 £m	2000 £m
Bank loans and overdrafts	123.7	132.8
Finance leases	1.4	-
Interest paid to parent undertaking	136.2	120.8
Defeased lease interest (note 19)	20.1	-
	<u>281.4</u>	<u>253.6</u>

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

10. Employees

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

	<u>2001</u> <u>Number</u>	<u>2000</u> <u>Number</u>
Telecommunications	<u>10,706</u>	<u>10,033</u>

The aggregate payroll costs of these persons were as follows:

	<u>2001</u> <u>£m</u>	<u>2000</u> <u>£m</u>
Wages and salaries	260.2	191.6
Social security costs	23.9	16.7
Other pension costs	<u>10.7</u>	<u>6.9</u>
	<u>294.8</u>	<u>215.2</u>

The group operates several employee share option and share ownership plans that allows employees to purchase shares in Orange S.A. In accordance with Urgent Issues Task Force Abstract 17 "Employee Share Schemes", the company has taken advantage of the exemptions contained therein in respect of accounting for discounts arising on the grant of options in the company's Inland Revenue approved share option and share ownership schemes.

Employers' National Insurance and similar taxes arise on the exercise of certain share options. In accordance with Urgent Issues Task Force Abstract 25 a provision is made, calculated using the market price at the balance sheet date, pro- rated over the vesting period of the options.

During 2001, the Orange S.A. board of directors approved the following new share option and share ownership plans described below:

Share Option Plans

Orange Sharesave Plan – The Sharesave Plan is designed for employees and executive directors of the company in the United Kingdom. The options, which may be options to subscribe for new shares or to acquire existing shares, can be exercised after an eligible employee has agreed to save a fixed monthly amount for three or five years, the maximum monthly saving being £250. This plan is fully approved by the Inland Revenue.

Orange International Share Option Plan – This plan has been set up to facilitate the holding of shares in Orange S.A. by eligible bona fide employees and executive directors of subsidiaries of any group company who are not residents of France, as of the allocation date. This plan is partly approved by the Inland Revenue. United Kingdom residents have been granted options under the approved part of the plan up to approved limits, allocations above these limits have been granted in the unapproved part of the plan. Options have been allocated under three tranches, one for all such employees and for certain members of management (Tranche I), one for certain members of management (Tranche II) and one for United Kingdom residents of certain subsidiaries (Tranche III). Options granted under Tranche I are exercisable between the third and tenth anniversary of the grant. Options under Tranche II are exercisable between the first and tenth anniversary of the grant and options granted under Tranche III are exercisable over time with the earliest exercise date being 12 February 2001 and the last exercise date being 1 March 2004.

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

10. Employees (continued)

Share Ownership Plans

Orange Sharepurchase Plan – The Sharepurchase Plan, which is established under a trust in an approved statutory form, was put in place for eligible employees in the United Kingdom. Voting rights attributable may not be directly exercisable while shares are held in the trust. However, the participants may be allowed to direct the trustees as to how to direct those voting rights. This plan is fully approved by the Inland Revenue. Employees can purchase shares via:

- Partnership Shares- Eligible employees can acquire the company's "partnership shares", via the trust, up to £1,500 or to 10% of annual pre-tax salary each year.
- Matching Shares- One free share is offered for every two partnership shares purchased by the employees, up to an annual limit of £750 worth of matching shares.
- Free shares- The company may grant free shares up to £3,000 per employee per year. The group will not be operating this part of the plan.

Matching and free shares must be held in the trust for three years (if an employee withdraws partnership shares before this time, the matching and free shares are forfeited). At 31 December 2001, the trust held 108,467 matching shares with a market value of 9.98 Euros per share (based on the average share price for December 2001 as quoted on Euronext Paris).

Dividends paid on the partnership, matching or free shares will either be paid to the participants or re-invested in the purchase of additional shares to be held in the Sharepurchase plan for a period of three years.

Restricted Share Plan – This plan was established at the beginning of the public offering process and was designed for certain key employees, principally in the United Kingdom. Participants were allocated a number of shares which will vest in three equal tranches, as long as the participant is an employee of the group at the relevant vesting date. During the restricted period, shares are held offshore by the Orange Employee Benefit Trust. Employees are not required to contribute to the cost of these shares. The company is not required to contribute to the cost of these shares.

Senior Managers' Long Term Bonus Plan - This plan is designed for certain key employees. Participants are allocated a number of shares which will vest in accordance with their agreed vesting schedule as long as the participant is an employee of the group at the relevant vesting date. During the restricted period, shares are held offshore by the Orange Employee Benefit Trust. Employees are not required to contribute to the cost of these shares. Orange Personal Communications Services Limited has not contributed to the cost of these shares but will bear the cost of employers' National Insurance on vesting.

11. Directors' emoluments

The emoluments of the directors of the company were as follows:

	2001 £	2000 £
Aggregate emoluments (including benefits)	1,840,321	27,335,005
Contributions to defined contribution pension scheme	70,304	55,246
	<u>1,910,625</u>	<u>27,390,251</u>
Highest paid director:		
Aggregate emoluments (including benefits)	736,125	17,496,718
Contributions to defined contribution pension scheme	33,480	-
	<u>769,605</u>	<u>17,496,718</u>

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

11. Directors' emoluments (continued)

The Orange Holdings (UK) Limited group is managed on a unified basis. Orange Personal Communications Services Limited pays the directors' emoluments on behalf of Orange Holdings (UK) Limited and all of its subsidiary companies. The details above represent the directors' emoluments for the whole Orange Holdings (UK) Limited group.

This differs to 2000 when an allocation was made of the directors' emoluments for their services to the company. The aggregate allocated emoluments, excluding pension contributions, for the year ended 31 December 2000 amounted to £2,206,009. The aggregate allocated pension contributions were £27,382. The allocated emoluments, excluding pension contributions, of the highest paid director were £1,289,683. The aggregate allocation of pension contributions of the highest paid director was £10,960.

Mr G Howe is also a director of an intermediate parent company, Orange plc. His emoluments are excluded from the details above as it is not practical to split his remuneration between the services provided to Orange plc and other group companies. His remuneration is fully disclosed in the financial statements of Orange plc.

During the year seven directors (2000 – five) participated in the two group defined contribution pension schemes.

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 six directors in September 2000 and to five directors in February 2001. The payment made in February 2001 has been included in the emoluments disclosed above.

12. Tax on profit/ (loss) on ordinary activities

The Corporation tax charge for the year is £nil (2000 - £nil). At 31 December 2001, the group had significant losses available to carry forward to offset against future taxable profits.

The directors estimate that at 31 December 2001 the group had deferred tax assets of approximately £288.2 million (2000 - £308.3 million) calculated at the corporation tax rate of 30% (2000 - 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:

	2001 £m	2000 £m
Tax losses	217.4	172.8
Capital allowances	33.4	116.0
Other timing differences deferred	37.4	19.5
Total net deferred tax assets	288.2	308.3

ORANGE HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

13. Intangible assets – Group

	UMTS Licence £m
Cost and net book value	
At 1 January and 31 December 2001	<u>4,096.6</u>

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.

The UMTS licence acquired in 2000 to operate mobile services in the United Kingdom provides an allocation of frequency spectrum and the right to deliver mobile services until 31 December 2021.

In accordance with United Kingdom Financial Reporting Standards 10 and 11, the company has reviewed the carrying value of its UMTS licence and related infrastructure fixed assets by reference to the net present value of future cash flows expected to arise from the provision of services utilising this spectrum. Factors considered in the review include; the demand for and speed of take up of UMTS services, the availability and functionality of network infrastructure and mobile devices, operating cost and capital expenditure requirements and the behaviour of competitors and regulatory authorities, all of which are, by their nature, subject to uncertainty which consequently affects estimations of future profits and cash flows. The directors have concluded that no impairment charge is required at 31 December 2001.

14. Tangible assets – Group

	Freehold land and buildings £m	Short term Leasehold Improvements £m	Networks £m	Fixtures, Fittings and Equipment £m	Total £m
Cost					
1 January 2001	25.8	32.0	2,335.8	342.2	2,735.8
Additions	8.1	7.7	637.7	133.8	787.3
Disposals	-	-	-	(6.6)	(6.6)
31 December 2001	<u>33.9</u>	<u>39.7</u>	<u>2,973.5</u>	<u>469.4</u>	<u>3,516.5</u>
Depreciation					
1 January 2001	4.3	11.2	732.5	150.1	898.1
Charged in the year	0.8	0.2	353.6	79.2	433.8
Disposals	-	-	-	(5.0)	(5.0)
31 December 2001	<u>5.1</u>	<u>11.4</u>	<u>1,086.1</u>	<u>224.3</u>	<u>1,326.9</u>
Net book amount					
31 December 2001	<u>28.8</u>	<u>28.3</u>	<u>1,887.4</u>	<u>245.1</u>	<u>2,189.6</u>
31 December 2000	<u>21.5</u>	<u>20.8</u>	<u>1,603.3</u>	<u>192.1</u>	<u>1,837.7</u>

Networks include assets held under finance leases with a cost of £925.0 million at 31 December 2001 (2000 - £901.3 million). The accumulated depreciation on these assets was £451.5 million at 31 December 2001 (2000 - £348.9 million). Network assets include capitalised interest of £17.8 million (2000 - £17.8 million) with a net book value of £6.1 million (2000 - £7.2 million).

Fixtures, fittings and equipment include assets held under finance leases of £17.1 million (2000 - £2.7 million) at 31 December 2001. Such assets had accumulated depreciation of £3.9 million (2000 - £2.7 million) at 31 December 2001.

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

14. Tangible assets – Company (continued)

	Short term Leasehold Improvements £m	Fixtures, Fittings and Equipment £m	Total £m
Cost			
1 January 2001 and 31 December 2001	<u>4.3</u>	<u>2.1</u>	<u>6.4</u>
Depreciation			
1 January 2001 and 31 December 2001	<u>4.3</u>	<u>2.1</u>	<u>6.4</u>
Net book amount			
31 December 2001 and 31 December 2000	<u>-</u>	<u>-</u>	<u>-</u>

15. Investments – Company

Shares in subsidiary companies:

	£m
Cost	
At 1 January 2001 and 31 December 2001	<u>149.1</u>

Details of the principal subsidiary undertakings, all of which are wholly owned, either directly or indirectly, are as follows:

Name of company	Country of incorporation and operation	Principal activities
Orange Personal Communications Services Limited	England	Personal communications network operator
Orange Cellular Services Limited (formerly Hutchison Cellular Services Limited)	England	Cellular telephone service provider
Orange 3G Limited	England	UMTS licence holder
Orange Retail Limited	England	Operator of retail outlets
Orange Paging (UK) Limited (formerly Hutchison Paging (UK) Limited)	England	Paging network operator
The Point Telecommunications Limited (formerly Hutchison Personal Communications Limited)	England	Dormant
Orange Mobile Services Limited (formerly Hutchison Mobile Services Limited)	England	Dormant
Orange Euromessage Limited (formerly Hutchison Euromessage Limited)	England	Dormant
Orange Mobile Data (UK) Limited (formerly Hutchison Mobile Data (UK) Limited)	England	Dormant
Orange Information Services (UK) Limited (formerly Hutchison Information Services (UK) Limited)	England	Dormant
Orange Communications Services Limited	England	Dormant
Orange Direct Limited	England	Dormant
Orange Personal Communications Limited	England	Dormant
Orange World Limited (formerly Orange Services Limited)	England	Dormant
Wirefree Communications Limited	England	Dormant
Orangedot Limited	England	Dormant
The Point (Paddington Basin) Limited	England	Dormant

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

ORANGE HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

16. Stocks – Group

	2001 £m	2000 £m
Finished goods and goods for resale	69.6	190.1

Stocks principally comprise handsets for use with the Orange network.

17. Debtors

	2001 Group £m	Company £m	2000 Group £m	Company £m
Trade debtors	255.7	-	291.8	-
Amounts due from parent undertaking	134.0	84.1	175.5	170.7
Amounts due from subsidiary undertakings	-	5,916.3	5.1	5,966.9
Other debtors	97.8	-	97.9	-
Prepayments and accrued income	159.1	0.3	155.9	0.3
	<u>646.6</u>	<u>6,000.7</u>	<u>726.2</u>	<u>6,137.9</u>

Amounts due from subsidiary undertakings include £5,916.3 million (2000 - £5,966.9 million) which is due to the company after more than one year. Other debtors include £1.4 million (2000 - £0.8 million) which is due to the group after more than one year.

18. Creditors: amounts falling due within one year

	2001 Group £m	Company £m	2000 Group £m	Company £m
Bank overdrafts	24.5	12.2	12.4	2.3
Obligations under finance leases	21.0	-	10.7	-
Trade creditors	183.4	-	250.0	-
Amounts owed to parent undertaking	0.6	-	10.4	-
Senior debt facility borrowings	259.5	259.5	129.8	129.8
Other creditors	151.3	0.3	74.1	0.3
Taxation and social security	39.4	7.3	14.7	6.4
Deceased lease deferred income	3.7	-	3.7	-
Accruals and deferred income	452.7	17.0	451.5	23.7
	<u>1,136.1</u>	<u>296.3</u>	<u>957.3</u>	<u>162.5</u>

Other creditors includes a pension scheme creditor of £1.5 million (2000 - £1.3 million).

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

	2001 Group £m	Company £m	2000 Group £m	Company £m
Senior debt facility borrowings	1,278.6	1,278.6	1,537.1	1,537.1
Loan owed to parent undertaking	5,876.9	4,844.8	5,717.6	4,775.7
Obligations under finance leases	8.9	-	3.2	-
Deceased lease deferred income	64.2	-	67.8	-
Other creditors	33.0	-	14.0	-
	<u>7,261.6</u>	<u>6,123.4</u>	<u>7,339.7</u>	<u>6,312.8</u>

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

19. Creditors: amounts falling due in more than one year (continued)

There is no fixed repayment plan on the parent undertaking loan.

Senior debt

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 were 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 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 2001.

Defeased leases

In December 1995, Orange Personal Communications Services Limited, 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 licensed software, worth £450.0 million were sold. This arrangement was concluded in 1996, with two further drawdowns.

In December 1997, Orange Personal Communications Services Limited 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 licensed software worth £430.7 million. Drawdowns under these lease arrangements commenced in 1998 and continued throughout 1999, with a final drawdown in March 2000.

Orange Personal Communications Services Limited has deposited amounts equal to the present value of its rental obligations under its 1995 and 1997 leases with United Kingdom 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 £758.9 million at 31 December 2001 (2000 - £761.7 million) together with the interest earned thereon, will be used to settle its rental obligations under the leases.

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. Orange Personal Communications Services Limited has made provisions, based on management's assessment of likely outcomes, for possible future costs arising from such variations. This provision of £31.9 million (2000 - £12.6 million) has been reflected in the balance sheet as accruals and deferred income, the charge to increase the provision in the year is shown in note 9. It was previously agreed that Orange plc, an intermediate parent undertaking, would meet any extra cost in respect of the 1995 lease. It has now been agreed between Orange Personal Communications Services Limited and Orange plc that Orange Personal Communications Services Limited will bear the cost of any such change. The effect of this was an increase in the provision of £15.9 million.

ORANGE HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

19. Creditors: amounts falling due in more than one year (continued)

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

	2001		2000	
	Group £m	Company £m	Group £m	Company £m
Between one and two years	355.9	346.1	265.3	261.6
Between two and three years	482.3	475.8	352.5	348.8
Between three and four years	471.1	467.4	483.3	479.6
Between four and five years	3.7	-	466.3	459.5
After five years	5,959.3	4,844.8	5,784.6	4,775.6
Less : term loan facility fee	(10.7)	(10.7)	(12.3)	(12.3)
Total due for repayment after more than one year	<u>7,261.6</u>	<u>6,123.4</u>	<u>7,339.7</u>	<u>6,312.8</u>

20. Provisions for liabilities and charges – Group

	Closure provisions £m	Property provisions £m	Total £m
At 1 January 2001	6.0	5.5	11.5
Utilisation	-	(0.1)	(0.1)
Release	<u>(2.4)</u>	<u>(3.5)</u>	<u>(5.9)</u>
At 31 December 2001	<u>3.6</u>	<u>1.9</u>	<u>5.5</u>

The provision for closure costs relates to direct costs to be incurred on the termination of the group's paging business (note 5).

Provisions for liabilities and charges – Company

	Property provisions £m
At 1 January 2001	4.7
Release	<u>(3.5)</u>
At 31 December 2001	<u>1.2</u>

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

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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21. Share capital

	2001		2000	
	Number	£m	Number	£m
Authorised 'A' ordinary shares of £1	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Allotted, called up and fully paid 'A' ordinary shares of £1	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Authorised 'B' ordinary shares of £1	<u>20,975,793</u>	<u>21.0</u>	<u>20,975,793</u>	<u>21.0</u>
Allotted, called up and fully paid 'B' ordinary shares of £1	<u>20,975,793</u>	<u>21.0</u>	<u>20,975,793</u>	<u>21.0</u>
Authorised 'C' ordinary shares of £1	<u>9,681,135</u>	<u>9.7</u>	<u>9,681,135</u>	<u>9.7</u>
Allotted, called up and fully paid 'C' ordinary shares of £1	<u>9,681,135</u>	<u>9.7</u>	<u>9,681,135</u>	<u>9.7</u>

22. Reserves – Group

	Profit and loss account £m
At 1 January 2001	(1,451.2)
Goodwill reinstated (note 6)	11.0
Profit for the year	<u>77.7</u>
At 31 December 2001	<u>(1,362.5)</u>

The cumulative net amount of goodwill at 31 December 2001 resulting from acquisitions to date, which has been written off directly to reserves, is £1.5 million (2000 - £12.5 million).

Reserves – Company

	Capital reserve £m	Profit and loss account £m	Total £m
At 1 January 2001	3.3	(217.4)	(214.1)
Loss for the year	<u>-</u>	<u>(35.5)</u>	<u>(35.5)</u>
At 31 December 2001	<u>3.3</u>	<u>(252.9)</u>	<u>(249.6)</u>

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

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

23. Reconciliation of movements in equity shareholders' funds – Group

	2001 £m	2000 £m
Profit / (loss) for the year	77.7	(87.7)
Opening deficit of equity shareholders' funds	(1,420.5)	(1,332.8)
Goodwill reinstated (note 6)	11.0	-
Closing deficit of equity shareholders' funds	<u>(1,331.8)</u>	<u>(1,420.5)</u>

Reconciliation of movements in equity shareholder's funds – Company

	2001 £m	2000 £m
Loss for the year	(35.5)	(33.2)
Opening deficit of equity shareholders' funds	(183.4)	(150.2)
Closing deficit of equity shareholders' funds	<u>(218.9)</u>	<u>(183.4)</u>

24. Reconciliation of operating profit to operating cashflows

	2001 £m	2000 £m
Operating profit	348.6	165.9
Depreciation	433.8	270.5
Decrease/ (increase) in stocks	120.5	(116.4)
Decrease/ (increase) in debtors	79.6	(341.5)
Increase in creditors	47.8	151.0
Decrease in provisions for liabilities and charges	(6.0)	(2.2)
Loss on disposal of tangible fixed assets	1.5	-
Other	1.5	-
	<u>1,027.3</u>	<u>127.3</u>

ORANGE HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

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

	2001 £m	2000 £m
Returns on investments and servicing of finance:		
Interest received	2.7	2.3
Interest paid	(121.8)	(120.3)
Net cash outflow for returns on investments and servicing of finance	(119.1)	(118.0)
Capital expenditure and financial investment:		
Expenditure on tangible fixed assets	(749.1)	(503.6)
Expenditure on UMTS licence	-	(101.6)
Amounts paid as lessors' agent under finance leases	-	(1.5)
Net cash outflow for capital expenditure and financial investment	(749.1)	(606.7)
Acquisitions and disposals:		
Sale of customer database	13.9	-
Financing:		
Amounts placed on deposit with deposit banks	-	(17.2)
Reimbursement of amounts paid as lessors' agent under finance leases	-	20.4
Debts due after more than one year :		
- long term bank loan drawdown	-	461.3
- long term bank loan repayment	(131.4)	-
- loans from parent undertaking advanced	-	162.3
Capital element of finance lease rental payments	(22.1)	(7.2)
Net cash (outflow)/ inflow from financing	(153.5)	619.6

26. Analysis of net debt

	At 1 January 2001 £m	Cash flow £m	Other non cash movements £m	At 31 December 2001 £m
Cash at bank and in hand	37.4	31.6	-	69.0
Overdrafts	(12.4)	(12.1)	-	(24.5)
	25.0	19.5	-	44.5
Debt due within 1 year	(129.8)	129.8	(259.5)	(259.5)
Debt due after 1 year	(7,254.7)	1.6	97.6	(7,155.5)
Finance leases	(13.9)	22.1	(38.1)	(29.9)
	(7,398.4)	153.5	(200.0)	(7,444.9)
	(7,373.4)	173.0	(200.0)	(7,400.4)

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

27. Financial commitments

Amounts due under operating leases – Group

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

	2001			2000		
	Land and buildings £m	Other £m	Total £m	Land and Buildings £m	Other £m	Total £m
Within one year	0.2	52.5	52.7	-	47.4	47.4
Between two and five years	3.2	17.1	20.3	0.5	21.1	21.6
After five years	21.2	31.1	52.3	10.1	26.2	36.3
	<u>24.6</u>	<u>100.7</u>	<u>125.3</u>	<u>10.6</u>	<u>94.7</u>	<u>105.3</u>

Amounts due under operating leases – Company

The company had no operating lease commitments at balance sheet date (2000 - £nil).

Capital expenditure - Group

	2001 £m	2000 £m
Contracts placed for capital expenditure not provided for in the accounts	<u>161.8</u>	<u>153.3</u>

28. 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.

29. 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 group's financial condition, results of operations or liquidity.

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

30. Events occurring after the year end

On 26 March 2002, the UMTS licence held by Orange 3G Limited, a subsidiary company, was cancelled by the Radiocommunications Agency and reissued for the same spectrum to Orange Personal Communications Services Limited, another subsidiary company. The consideration for the licence was settled between Orange 3G Limited and Orange Personal Communications Services Limited. On 27 March 2002, Orange Holdings (UK) Limited loaned £4,096,603,891 to Orange Personal Communications Services Limited. Orange Personal Communications Services Limited paid Orange 3G Limited the cash equivalent to the balance sheet value of the licence. Orange 3G Limited used this money to repay up to £4,096,603,891 of its creditor to Orange Holdings (UK) Limited.

ORANGE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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31. Ultimate parent undertaking

The immediate parent undertaking is Orange plc. The ultimate parent undertaking and controlling party at 31 December 2001 is France Telecom S.A. which is the parent undertaking of the 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 Company Secretary at 6 place d'Alleray, 75505 Paris Cedex 15, France.