Registered Number. 03014367

ORANGE HOME UK PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 DECEMBER 2006

ORANGE HOME UK Plc

REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2006

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Eric Abensur
Timothy Phillips (resigned 6 July 2006)
John Sills (resigned 29 January 2007)
Nicholas Taylor (appointed 29 January 2007 and resigned 25 July 2007)
Orange Limited (appointed 27 July 2007)

SECRETARY

Colin Caldwell
Charles Mowat (appointed 29 January 2007)

REGISTERED OFFICE

Verulam Point
Station Way
St Albans
AL1 5HE

BANKERS

HSBC Bank PLC
City of London
Corporate Office
PO Box 125
27-32 Poultry
London
EC2P 2BX

AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

ORANGE HOME UK PLC

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Orange Home UK Plc ("the Company") for the 11 months ended 31 December 2006 Comparative figures are for the 1 month ended 31 January 2006

Principal activities and review of the business

Orange Home UK Plc is an internet service provider in the UK and is the proprietor of one of the most popular internet portals in the country delivering an integrated offering of UK-focused content, e-commerce, tools and services

In anticipation of its re-branding, the Company changed its name from Wanadoo UK Plc to Orange Home UK Plc on 18 May 2006 On 1 June 2006, the Company re-branded its product offering to Orange

The company's financial and other performance indicators during the year were as follows

	11 months to 31 December 2006 £'000	Month to 31 January 2006 £'000	Change %
Turnover	117,108	21,389	448%
Operating (loss) / profit	(15,772)	118,000	-113%
(Loss) / profit after tax	(10,279)	117,565	-109%
Shareholders' funds	(14,982)	(5,021)	198%
Current assets as % current liabilities	68%	154%	-56%
Average number of employees	355	538	-34%

The Company reported a profit of £117,565,000 for the first month of 2006 due to the sale of broadband customer contracts to OHCS II - Serviços de Internet, Unipessoal, LDA (formerly Wanadoo Broadband Servicos de internet, LDA), a Company based in Madeira Portugal for £122,500,000

Staff numbers reduced significantly by the end of 2006 due to the migration of ex-Wanadoo employee onto Orange Personal Communications Services Limited employment contracts and the laying off as a result of restructuring

The strategy of the company is focused on the rollout and optimisation of the broadband access network, and the development of the capability to deliver multi-play products as a result The ongoing rollout of the network has required significant up-front investment and the company had not achieved the customer concentrations in the period required to enable an operating profit

Principal risks and uncertainties

We have a comprehensive risk management process in place, which is designed to identify, manage and mitigate business risk Regular reporting of these risks and the monitoring of actions and controls is conducted by the Board

External

The Orange brand value is directly impacted by the external environment and in particular the regulatory environment and competitive marketplace the company operates in

Level of competitive activity

The broadband market in the UK is highly competitive Competitive pressures are increasing as existing operators and other service providers seek to strengthen their market position Close monitoring of customer trends and competitor activity enables the Company to respond by developing innovative customer propositions and retention campaigns

Regulatory factors

The company's operations are subject to stringent regulatory requirements The company monitors regulatory developments and has a strong compliance regime Regular reviews and audits are carried out to ensure compliance

DIRECTORS' REPORT (continued)

Results for the period

The loss for 11 months ended 31 December 2006 was £10,279,000 (month ended 31 January 2006 profit £117,565,000)

Detailed results for the period are shown in the profit and loss account on page 8

Dividends and transfer to reserves

No dividends were paid during the period under review (month ended 31 January 2006 £Nil) The directors do not recommend the payment of a final dividend for the period under review (month ended 31 January 2006 £Nil)

The loss for the 11 month period to 31 December 2006 of £10,279,000 (month ended 31 January 2006 profit £117,565,000) has been transferred to reserves

Directors

The directors who held office during the period, and up to the date of signature, are given below

	date appointed	*date resigned*
Eric Abensur		
Timothy Phillips		6 July 2006
John Sills		29 January 2007
Nicholas Taylor	29 January 2007	25 July 2007
Orange Limited	27 July 2007	

The Company is wholly owned by Wanadoo Plc During the period Wanadoo Plc was wholly owned by France Telecom SA

The directors' interests in shares of France Telecom SA are not required to be reported by the Company and accordingly are not disclosed

No director had a beneficial interest in the shares of the Company or any other undertaking in the Orange Group, or in any contract or arrangement (apart from contracts of service) to which the Company or any other group undertaking was a party during or at the end of the financial period

Research and development

There were no research and development activities undertaken by the Company during the period (month ended 31 January 2006 £Nil)

Future Prospects

The Company expects to continue to develop its business operations during 2007 and to grow its revenues further

Political and charitable contributions

The Company has not made any political or charitable donations during the period (month ended 31 January 2006 £Nil)

Events after the balance sheet date

On 01 January 2007, computer equipment (net book value of £39,042,000) and plant and machinery equipment (net book value of £944,000) was sold to Orange Personal Communications Services Limited for £39,986,000

Creditor payment policy

The Company'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 Company'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

The Company had trade creditors at 31 December 2006 of £23,313,000 (month ended 31 January 2006 £12,092,000)

DIRECTORS' REPORT (continued)

Employees

Orange in the United Kingdom is managed on a unified basis All UK group companies adhere to the employment policies and procedures issued from time to time by the UK Group Orange Personal Communications Services Limited hosts the employment contracts and operates the payroll on behalf of the Company and other holding companies in the UK The Company directs the activities and bears the costs of the relevant UK Group employees whose main activities relate to the object and operation of the Company

Employee involvement

Through Orange Personal Communications Services Limited, the Company ensures employees under its direction and control are fully informed and involved in the business Various communication methods are utilised including a quarterly employee magazine, an intranet site and regular meetings held between local management and their teams Employee feedback and opinion is actively canvassed in such meetings and also via an employee opinion survey ("people poll") which is conducted every six months Structured improvement plans are developed after each survey as a means of continual enhancement of the process of informing, involving and engaging employees in the future

During 2006, the UK Group continued to operate comprehensive consultative arrangements throughout the organisation These comprised 8 local employee consultative forums, (as some areas merged into larger directorate-level forums) and an overarching national employee consultative forum Each body is characterised by elected employee representatives regularly meeting with senior managers to discuss items of employee interest and issues arising from business proposals and changes

The Company's ultimate parent company, France Telecom S A also facilitates a European Works Council in which the Company, through Orange Personal Communications Services Limited, participates Elected employee representatives take part in consultative and information sharing activities at European level with management and as part of these arrangements, nine meetings and voice conferences of the France Telecom European Works Council were held in 2006

Equal opportunities and disabled employees

The Company strives to promote inclusivity and does not discriminate between employees or potential employees on grounds of race, ethnic origin, colour or nationality, disability, gender, sexual orientation, age, religion or belief

The Company is committed to valuing the diversity of its people and to improve and measure its performance it has established, through Orange Personal Communications Services Limited, collaborative working partnerships with a number of membership organisations including the UK Employers' Forum on Disability, Race for Opportunity, UK Employers Forum on Age, Working Families, Opportunity Now, Aurora and the Gender Trust

The Company will make every effort to ensure that known disabled employees, and those employees that become disabled during their employment, will be given appropriate levels of support Where practicable, reasonable adjustments will be considered to ensure disabled employees can continue in employment, maximise their potential and have equality of opportunity throughout their career with the company

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Re-appointment of auditor

In accordance with s385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company

By order of the board

Charles Mowat
Company Secretary

Date 27 July 2007

Verulam Point
Station Way
St Albans
AL1 5HE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 In preparing those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgments and estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

ORANGE HOME UK PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORANGE HOME UK PLC

We have audited the company's financial statements for the 11 months ended 31 December 2006, which comprise the Profit and Loss Account, the Balance Sheet, Reconciliation of Shareholders' Funds and the related notes 1 to 25 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing of the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' 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 2006, and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP
Registered Auditor
1 More London Place
London
SE1 2AF

Ernst & Young LLP

30 July 2007

ORANGE HOME UK PLC

PROFIT AND LOSS ACCOUNT
For 11 months ended 31 December 2006

	Note	11 months ended 31 December 2006 £'000	Month ended 31 January 2006 £'000
Turnover	3	117,108	21,389
Cost of sales		(53,204)	(11,974)
Gross profit		63,904	9,415
Other operating income	5	7,516	122,500
Distribution expenses		(50,485)	(11,434)
Administrative expenses		(30,255)	(2,481)
Other operating expenses		(5,516)	-
Impairment of fixed asset investment		(936)	-
Operating (loss) / profit	4	(15,772)	118,000
Loss of sale of tangible fixed assets		(87)	-
Interest payable & similar charges	6	(2,443)	(472)
(Loss) / profit on ordinary activities before taxation		(18,302)	117,528
Taxation credit on (loss) / profit on ordinary activities	9	8,023	37
(Loss) / profit for the financial period		(10,279)	117,565

All activities relate to continuing operations

There are no recognised gains or losses for the current and previous financial periods other than as stated in the profit and loss account Accordingly, no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents

RECONCILIATION OF SHAREHOLDERS' FUNDS
For the 11 months ended 31 December 2006

	11 months to 31 December 2006 £'000	Month to 31 January 2006 £'000
(Loss) / profit for the financial period	(10,279)	117,565
Movement on the share-based payment plan	318	41
Total movement during the period	(9,961)	117,606
Shareholders' fund at the beginning of the period	(5,021)	(122,627)
Shareholders' fund at the end of the period	(14,982)	(5,021)

ORANGE HOME UK PLC

BALANCE SHEET
As at 31 December 2006

	Note	**31 December 2006 £'000**	**31 January 2006 £'000**
Fixed assets			
Tangible assets	*10*	39,986	24,763
Investments	*11*	97	1,033
		40,083	25,796
Current assets			
Stock	*12*	610	174
Debtors	*13*	118,152	232,860
Cash at bank and in hand		298	2,241
		119,060	235,275
Creditors: due within one year	*14*	(174,125)	(152,493)
Net current liabilities		(55,065)	82,782
Total assets less current liabilities		(14,982)	108,578
Creditors. due after more than one year	*15*	-	(113,599)
Net liabilities		(14,982)	(5,021)
Capital and reserves (including non-equity interests)			
Called up share capital	*16*	252	252
Share premium account	*17*	158,632	158,632
Equity settled stock option plan liability	*23*	830	512
Profit and loss account	*17*	(174,696)	(164,417)
Equity shareholders' deficit		(14,982)	(5,021)
Attributable to equity shareholders		(15,132)	(5,171)
Attributable to non-equity shareholders		150	150
		(14,982)	(5,021)

These financial statements on pages 8 to 20 were approved by the Board of Directors on 27 July 2007 and signed on its behalf by

Eric Abensur

Director

ORANGE HOME UK PLC
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2006

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards The particular accounting policies adopted are described below

The principal accounting policies have been applied consistently throughout the period under review and preceding period

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention The financial statements include the results of the Company for the 11 months ended 31 December 2006 Comparative figures are for the month ended 31 January 2006

1.2 Change in accounting period

The year end date was changed to 31 December 2006 to coincide with the accounting period for the France Telecom Group

1 3 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period

1 4 Revenue recognition

Turnover comprises revenue from ISP subscriptions, connectivity, online advertising and e-commerce, stated net of sales tax and agency commissions

ISP subscription revenues are recognised rateably over the period to which the revenue relates Discounts given to customers during a contract period with the Company are spread evenly over the duration of the contract

Connectivity revenues represent Orange Home's share of the net termination payment made by a call-originating public telecommunications operator to the carrier terminating the call The revenue is received net of any costs from the carrier terminating the call and there are no other related costs Revenue from connectivity is recognised when the service is provided

Advertising revenues are recognised rateably over the period in which the advertisement is displayed provided that no significant obligations remain at the end of the period and collection of the resulting debtor is probable Orange Home occasionally takes part in barter advertising deals whereby partners' banner advertisements are shown in unsold space on Orange Home's sites, in exchange for Orange Home banners appearing in unsold space on their sites Both the revenue and cost elements of these transactions are deemed to be £Nil

Sponsorship revenue is recognised rateably over the contract period or the period to which the payment relates All other e-commerce revenue is recognised as earned

1 5 Research and development

With the exception of the cost of building websites for new businesses, part of which are capitalised, the development of new products and enhancements to existing products are charged to profit and loss account as they are incurred

1 6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and, where appropriate, provision for impairment or estimated loss on disposal Depreciation is provided to write off the costs of the assets by equal instalments over their estimated useful lives The rates used are

Freehold property	- 3% per annum
Fixtures, fittings and equipment	- between 10% and 33 3% per annum
Website build costs	- between 25% and 50% per annum

Depreciation is not charged until assets are complete and ready to use The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

1 7 Investments

Fixed asset investments are stated at cost less provision for impairment

1. **ACCOUNTING POLICIES (continued)**

1 8 Impairments
In accordance with FRS 11, the company has reviewed the carrying value of all of its investment for indicators of impairment in their value Where evidence of impairment is considered to have been significant a provision has been made against the carrying value of these investments so to reflect the net realisable value of these investment The net realisable value is calculated on the basis of the continuing cash flows that are expected to be generated from these investments less any debt Discount rates are based on the circumstances applicable in each case

1 9 Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more, tax, with the exception of deferred tax assets, which are only recognised to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

1.10 Operating leases
Rentals payable under property leases are charged to the profit and loss account in equal installments up to each market rent review date, throughout the lease term Lease incentives are recognised over the full length of the lease term

1.11 Foreign exchange
Transactions in foreign currencies are recorded at the rate ruling at the date of transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at each balance sheet date at the month-end exchange rate and the resulting transaction differences are taken to profit and loss account

1.12 Post retirement benefits
The parent Company operates a defined contribution scheme for its eligible employees The Company's contributions are charged to the profit and loss account as they become payable

1.13 Cash flow statement
The Company has taken advantage of the exemption in Financial Reporting Standard 1 (FRS) A cash flow statement has not been prepared as the Company was, throughout the period, a wholly owned subsidiary of France Telecom SA, registered in France, which prepares a group cash flow statement

1.14 Stock
Stock is stated at the lower of cost and net realisable value Stock consists of modems bought for resale

1.15 Provision for liabilities
A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

1.16 Consolidated accounts
Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a Company registered in England and Wales Accordingly the Company's financial statements present information about it as an individual undertaking and not as a group

1.17 Share based payments
Equity settled transactions
In accordance with FRS20 "Share based payments", the cost of the employee share offer corresponds to the fair value of the rights to shares at the grant date The value of stock options is determined by reference to the exercise price, the life of the options, the current price of the underlying shares, the expected share price volatility, expected dividends and the risk-free interest rate over the life of the options The amount is recognized in administrative expenses on a straight line basis over the period between the grant date and the exercise date – corresponding to the vesting period – and in equity

2 GOING CONCERN

The financial statements have been prepared on a going concern basis Orange Home UK Plc is reliant on the future financial support from the parent company, France Telecom SA In order for this financial report to be prepared on the going concern basis, the directors have received a letter of financial support from the parent company This letter states that the parent company will provide a loan of up to £75,000,000 to Orange Home UK Plc to enable it to pay its debts as and when they fall due, up to 31 July 2008 The parent company believes that it has the financial resources to fulfil this commitment

3 SEGMENTAL INFORMATION

Turnover represents amounts derived from the provision and services which fall within the Company's ordinary activities after deduction of sales taxes, agency commission and partner revenue share The Company is engaged in one line of business as a UK Internet portal All turnover is derived from activities in the UK

4. OPERATING (LOSS) / PROFIT

	11 months ended 31 December 2006 £'000	Month ended 31 January 2006 £'000
Operating (loss) / profit is stated after charging		
Depreciation	7,789	720
Rentals paid under operating leases		
- other	957	40
- broadband network	2,033	146
Auditors' remuneration - audit fees	90	55
Unrealised exchange gains	(140)	(7)

The profit and loss account includes unrealised exchange gains of £140,000 (month ended 31 January 2006 gains of £7,000) arising from unsettled short-term monetary items The directors consider this disclosure necessary in order for the financial statements to give a true and fair view

5 OTHER OPERATING INCOME

Other operating income for 11 months to 31 December 2006 was £7,516,000 £2,000,000 was a settlement received from a supplier for liquidated damages The remaining £5,516,000 was re-branding income received from Orange Personal Communications Services Limited for the re-branding from Wanadoo

Other operating income for the month to 31 January 2006 was £122,500,000 On 31 January 2006, the Company sold a number of its customer contracts to OHCS II - Serviços de Internet, Unipessoal, LDA (formerly Wanadoo Broadband Servicos de internet, LDA), a Company based in Madeira Portugal for £122 5m These were broadband customer contracts whose internet service was being provided over the BT IPstream network In accordance with FRS 10 'Goodwill and Intangibles, the customers base was not previously recognised as a separate intangible asset because they were not purchased separately from a business or part of business acquisition and was not internally generated

6 NET INTEREST

	11 months ended 31 December 2006 £'000	Month ended 31 January 2006 £'000
Group loan interest payable	(2,370)	(469)
Other Interest payable	(73)	(3)
	(2,443)	(472)

7. EMPLOYEES

During 2006 the Company integrated with Orange UK Group All ex-Wanadoo staff gradually migrated into Orange Personal Communications Services Limited's payroll All employment contacts are now hosted by Orange Personal Communications Services Limited Orange Personal Communications Services Limited operates the payroll on behalf of the Company and other holding companies in the UK The Company directs the activities and bears the costs of the relevant UK Group employees whose main activities relate to the objective and operation of the Company

7. EMPLOYEES (Continued)

The average number of persons under the direction and management of the Company during the period was as follows

	11 months ended 31 December 2006 £'000	Month ended 31 January 2006 £'000
Staff costs for the period were		
Wages and salaries	22,818	2,217
Social security costs	2,588	214
Other pension costs	850	67
	26,256	2,498

	Number	Number
Average number of persons employed		
- sales and distribution	277	417
- administration	78	121
	355	538

8. DIRECTORS' REMUNERATION

	11 months ended 31 December 2006 £'000	Month ended 31 January 2006 £'000
Aggregate emoluments (including benefits)	448	47
Pension contribution to defined contribution schemes	3	2
	451	49

Mr Abensur and Mr Sills were paid by the Company until September 2006 From October 2006 they were transferred onto Orange Personal Communications Services Limited's payroll Mr Phillips was paid by the Company until June 2006 and then was transferred onto Orange Personal Communications Services Limited's payroll The above emoluments only relate to the proportion of emoluments / pension being paid by the Company

During the period two directors (month ended 31 January 2006 none) participated in the Group's defined contribution pension scheme

9. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in year	11 months ended 31 December 2006 £'000	Month ended 31 January 2006 £'000
UK corporation tax credit on loss for the year	(3,891)	-
Adjustment in respect of prior periods	(1,877)	(1,190)
Total current tax credit (note 9 (b))	(5,768)	(1,190)
UK deferred tax		
Origination and reversal of timing differences	(2,255)	1,153
Total tax credit on (loss) / profit on ordinary activities	(8,023)	(37)

(b) Factors affecting tax charge for the year

The tax assessed on the (loss) / profit on ordinary activities for the period is higher than (month ended 31 January 2006 lower than) the standard rate of corporation tax in the UK of 30% (month ended 31 January 2006 30%) The differences are reconciled below

9 **TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES (Continued)**

	11 months ended 31 December 2006 £'000	Month ended 31January 2006 £'000
(Loss) / profit on ordinary activities before tax	(18,302)	117,528
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (month ended 31 January 2006 30%)	(5,491)	35,258
Effects of		
Expenses not deductible for tax purposes	511	28
Decelerated capital allowances	2,339	37
Movements in other timing differences	(1,266)	-
Capital disposals	(256)	-
Unrelieved capital losses carried forward	272	-
Unprovided tax losses now recognised	-	(35,323)
Adjustment in respect of prior periods	(1,877)	(1,190)
Total current tax (note 9(a))	(5,768)	(1,190)

(c) Deferred tax

The deferred tax asset provided in the accounts is as follows	11 months ended 31 December 2006 £'000	Month ended 31January 2006 £'000
Decelerated capital allowances	4,371	829
Short term timing differences	-	1,287
Total provided deferred tax asset (included in Debtors note 13)	4,371	2,116

The movements in deferred tax during the period were as follows	£'000
Deferred tax asset provided at 1 February 2006	2,116
Amount credited to the profit and loss account	2,255
Deferred tax asset provided at 31 December 2006	4,371

The company has an unrecognised deferred tax asset of £7,168,000 consisting of trading losses of £5,154,000 and capital losses of £2,014,000 These losses have not been recognised as the recognition criteria set out in FRS 19 have not been met

10 **TANGIBLE FIXED ASSETS**

	Freehold property £000	Computer equipment £'000	Plant and machinery £'000	Total £'000
Cost				
At 01 February 2006	4,262	39,522	5,380	49,164
Additions	-	26,285	168	26,453
Disposals	(4,262)	(38)	-	(4,300)
At 31 December 2006	-	65,769	5,548	71,317
Depreciation				
At 01 February 2006	829	19,383	4,189	24,401
Charge for the period	24	7,350	415	7,789
Disposals	(853)	(6)	-	(859)
At 31 December 2006	-	26,727	4,604	31,331
Net book value				
At 31 January 2006	3,433	20,139	1,191	24,763
At 31 December 2006	-	39,042	944	39,986

All tangible fixed assets have been valued at historical cost

ORANGE HOME UK PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
As at 31 December 2006

11 FIXED ASSET INVESTMENTS

	Subsidiaries £'000	Other shares £'000	Total £'000
Cost			
At 01 February 2006	41,829	466	42,295
At 31 December 2006	41,829	466	42,295
Provision			
At 01 February 2006	40,796	466	41,262
Impairment during the year	936	-	936
At 31 December 2006	41,732	466	42,198
Net book value			
At 31 January 2006	1,033	-	1,033
At 31 December 2006	97	-	97

The Company's direct subsidiary undertakings at 31 December 2006 are listed below Percentages shown relate to the proportion of ordinary share capital held by the Company

Freeserve Investments Limited (100%)

Strike Off 4 Limited and Freeserve com Limited were dissolved on 06 June 2006

On 9 May 2006 the Company bought F3B Property Company Limited from Freeserve Investments Limited for £1,794,556 and then made an application to dissolve F3B Property Company Limited F3B Property Company Limited was dissolved on 12 December 2006

12. STOCK

	31 December 2006 £'000	31 January 2006 £'000
Finished goods and goods for resale	610	174

13. DEBTORS

	31 December 2006 £'000	31 January 2006 £'000
Due within one year:		
Trade debtors	8,010	4,486
Other debtors	21,794	12,823
Deferred tax	4,371	2,116
Prepayments and accrued income	18,211	6,686
Amounts due from other Group companies	65,766	206,749
	118,152	232,860

14 CREDITORS – amounts falling due within one year

	31 December 2006 £'000	31 January 2006 £'000
Bank overdraft	48	-
Trade creditors	23,313	12,092
Amounts owed to other Group undertakings	140,136	99,278
Other creditors	2,270	4,141
Accruals and deferred income	8,358	36,982
	174,125	152,493

14. CREDITORS – amounts falling due within one year (Continued)

The Company had an overdrawn bank balance of £48,000 at 31 December 2006 (month ended 31 January 2006 £Nil) The bank overdraft is not secured on any of the Company's assets

15. CREDITORS – due after more than one year

	31 December 2006 £'000	31 January 2006 £'000
Group Loan – France Telecom	-	113,599
	-	113,599

16 SHARE CAPITAL

	31 December 2006 £'000	31 January 2006 £'000
Authorised·		
1,500,000,000 Ordinary shares of 0 01 pence each	150	150
150,000 Preference shares of £1 00 each	150	150
	300	300
Called up, allotted and fully paid		
1,016,191,954 Ordinary shares of 0 01 pence each	102	102
150,000 Preference shares of £1 00 each	150	150
	252	252

17. MOVEMENT IN RESERVES

	Equity settled stock option plan liability £'000	Share premium account £'000	Profit and loss account £'000
As at 01 February 2006	512	158,632	(164,417)
Movement in the period	318	-	(10,279)
As at 31 December 2006	830	158,632	(174,696)

18 FINANCIAL COMMITMENTS

	31 December 2006 £'000	31 January 2006 £'000
Capital commitments		
Contracted for but not provided	3,609	4,281

19 CONTINGENT LIABILITIES / ASSETS

The Company had £496,109 of e-commerce deals and £1,480,937 of advertising deals commitments which were not provided at the period end

The Company had no contingent liabilities at 31 December 2006 (31 January 2006 £Nil)

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20 OPERATING LEASE COMMITMENTS

At 31 December 2006 the Company was committed to the following payments dunng 2006 in respect of operating leases

	31 December 2006		31 January 2006	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Leases which expire				
Within one year	1,051	7,112	1,051	24,436
Within two to five years	2,624	708	3,338	2,741
Over five years	1,488	-	1,738	-
	5,163	7,820	6,127	27,177

21 POST RETIREMENT BENEFITS

The Company's permanent employees are eligible to join a defined contribution scheme The cost of contributions made by the Company to this scheme was £850,000 in the 11 month period (month ended 31 January 2006 £69,000) There are no outstanding contributions to be made to the scheme for the period

22 RELATED PARTY TRANSACTIONS

From 13 February 2001 the Company has been a member of the group headed by France Telecom SA, a company incorporated in France Accordingly, the Company has taken advantage of the exemption in Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with other members of the France Telecom SA Group

23. SHARE-BASED PAYMENTS

23 1 France Telecom

Following the purchase of minority shares in Wanadoo, France Telecom exchanged Wanadoo share options for France Telecom stock options in September 2004, at a ratio of 7 France Telecom S A shares for 18 Wanadoo S A shares There was a further adjustment in September 2005 following a France Telecom increase in share capital

Under the UK element of the share option plan all options have 10-year terms and are equity-settled, although they were temporarily settled by cash from 9 March 2004 to 1 September 2004

No options have been granted since November 2003 and all options under the share options plans have now vested Options were granted to UK employees between 2001 and 2003

The number of options exercisable at 31 December 2006 was 165,310

23 2 Employee Share Offers

Following the sale of France Telecom shares by the French State in June 2005, employees were offered the opportunity to purchase France Telecom shares at a discounted price In the UK shares were offered at a price of £13 40 The shares were delivered on 7 November 2005 and are subject to a 2-year holding period, during which the shares cannot be disposed of in any way If the shares are held for 3 years from date of delivery, France Telecom will provide free bonus shares on an allocation of 1 Free France Telecom share for each 5 shares purchased and held for 3 years The maximum number of bonus shares available is 63 25 employees participated in this offer

A similar share offering was made in 2004, following the sale of shares by the French State in September 2004 The purchase price for UK employees was £10 68, and the shares were delivered on 20 January 2005 Bonus shares were allocated on a 1 4 ratio The maximum number of bonus shares available is 81 31 employees participated in this offer

No employee share offers were made during 2006

23 SHARE-BASED PAYMENTS (Continued)

23 3 Share Incentive Plan

In September 2005, the France Telecom Purchase Incentive Plan and trust was established under the Income Tax (Earnings & Pensions) Act 2003, and formally approved by HM Revenue & Customs This allows eligible employees to acquire shares in France Telecom S A

Employees can acquire shares via

Partnership Shares- Eligible employees can purchase monthly "partnership shares", via the trust, up to £1,500 or to 10% of annual pre-tax salary each year
Matching Shares- One matching share is offered for every partnership share purchased by the employees, up to the value of £50 per month
Free Shares- Free shares can be offered up to £3,000 per employee in any tax year This part of the plan has not been operated
Dividend Shares – The company can grant dividend shares up to £1,500 in any tax year

During 2006 under the partnership share agreement signed by all participants, dividends were paid directly to participants in cash From March 2007 the partnership share agreement has permitted purchase of dividend shares if the participant elects to reinvest the net dividend received The first dividend shares were purchased in June 2007

The matching shares are subject to forfeiture in certain circumstances for the first twelve months of acquisition, and are required to remain in the trust for three years

The first purchase of partnership shares and the first allocation of matching shares under the plan were made in December 2005

23 4 Movements in stock options during the year

Details of the stock option plans granted to the Company's employees can be summarised as follows for the 2006 financial period

	11 months to 31 December 2006	Month to 31 January 2006
Options outstanding at the beginning of the period	**253,876**	**280,257**
Granted	-	-
Exercised	(27,442)	(17,103)
Lapsed	(44,017)	(9,278)
Expired	(17,107)	-
Options outstanding at the end of the period	**165,310**	**253,876**

23 5 Fair value of options granted and options re-measured during the period

France Telecom has measured the fair value of goods or services received from employees during the year based on the fair value of the equity instruments granted

All the fair values of stock granted in 2006 were calculated using a binominal model which reflects the expected behaviour of grantees and also assumes that all the options will be exercised once the value of underlying shares reaches twice the exercise price

The assumptions used to measure fair value are as follows

	France Telecom SA plans
Price of underlying at the grant date	18 00 euros
Exercise price	23 46 euros
Expected volatility	22 00%
Option term (contractual or expected)	9 88 years
Turnover rate (annual)	1 50%
Expected dividend payout rate	6 00%
Risk-free yield	3 75%

23 SHARE-BASED PAYMENTS (Continued)

	11 months to 31 December 2006		Month to 31 January 2006	
	Expense for the year £000	Liability recognised £000	Expense for the year £000	Liability recognised £000
Former Wanadoo stock option plans	318	830	41	512

24. PARENT COMPANY

The Company's immediate parent is Wanadoo Plc

In the opinion of the directors, the Company's ultimate parent and controlling party is France Telecom SA, a company incorporated in France Copies of the group financial statements of France Telecom SA may be obtained from the registered office of France Telecom SA at 6, Place d'Alleray, 75505, Paris, Cedex 15, France

25. EVENTS AFTER BALANCE SHEET DATE

On 01 January 2007, computer equipment (net book value of £39,042,000) and plant and machinery equipment (net book value of £944,000) was sold to Orange Personal Communications Services Limited for £39,986,000

Following the reduction to 28% of the mainstream corporation tax rate announced in Budget 2007, the amount of benefit received from the reversal of the Company's recognised deferred tax asset will be reduced from £4,371,000 to £4,080,000 Similarly, the level of unrecognised deferred tax asset will be reduced from £7,168,000 to £6,690,000 No adjustments to the recognised or unrecognised deferred tax assets have been made in these financial statements These changes will be recognised in the financial statements for the year ending 31 December 2007