Lucent Technologies Capital Ireland

Directors' Report and Financial Statements

Year ended 30 September 2005

LUCENT TECHNOLOGIES CAPITAL IRELAND

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2005

LUCENT TECHNOLOGIES CAPITAL IRELAND

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 30 September 2005

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DIRECTORS AND OTHER INFORMATION

DIRECTORS	Patrick Brady Patrick Clark *(appointed 1 May 2005)* Richard Pitceathly *(appointed 1 May 2005)*
SECRETARY & REGISTERED OFFICE	Patrick Clark, Optimus, Windmill Hill Business Park, Swindon, Wiltshire SN5 6PP
REGISTERED NUMBER OF INCORPORATION	04031846
BANKERS	Deutsche Bank AG, Herengracht 450 – 454, 1017 CA Amsterdam, The Netherlands
AUDITORS	PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, George's Quay, Dublin 2

DIRECTORS' REPORT
for the year ended 30 September 2005

The directors present their report and audited financial statements for the year ended 30 September 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors confirm that suitable accounting policies have been used and applied consistently They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2005 and that applicable accounting standards have been followed

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

STATEMENT OF DISCLOSURES OF INFORMATION TO AUDITORS
The directors confirm that

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The company operates in Dublin, Ireland and its principal activity is the provision of financing facilities to members of Lucent

The level of business during the period and the financial position as at 30 September 2005 were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future

PROFIT DIVIDENDS AND RESERVES	*€'000*
Profit for the year amounted to	45

DIRECTORS' REPORT
for the year ended 30 September 2005 (Continued)

DIRECTORS

The names of the persons who were directors at any time during the year ended 30 September 2005 are set out below Unless indicated otherwise they served as directors for the entire year

Patrick Brady
Ray McGann (resigned 14 April 2005)
Richard Pitceathly (appointed 1 May 2005)
Patrick Clark (appointed 1 May 2005)

DIRECTORS' AND SECRETARY'S INTERESTS

The beneficial interests, including the interests of spouses and minor children, of the directors and secretary in office at 30 September 2005 in the shares of Lucent Technologies Inc , were as follows

	2005		*2004 (or date of appointment if later)*	
	Shares	*Options*	*Shares*	*Options*
Director				
Patrick Brady	388	–	388	–
Richard Pitceathly	–	98,879	–	98,979

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

On behalf of the Board

Directors

P. Clark

Date

15th February 2007

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUCENT TECHNOLOGIES CAPITAL IRELAND

We have audited the financial statements of Lucent Technologies Capital Ireland for the year ended 30 September 2005 which comprise the Profit and Loss Account, Statement of Movement in Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed

We read the 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 Audited 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

PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUCENT TECHNOLOGIES CAPITAL IRELAND (Continued)

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 30 September 2005 and of its profit for the year then ended, and

- have been properly prepared in accordance with the Companies Act 1985

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

15 February 2007

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2005

	Note	*2005* *€'000*	*2004* *€'000*
Interest receivable and similar income	2	71	260
Administration expenses		(8)	(135)
Operating profit and profit on ordinary activities before taxation	3	63	125
Taxation	4	(18)	1,670
Profit for the financial year		45	1,795

STATEMENT OF MOVEMENT IN PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2005

	2005 *€'000*	*2004* *€'000*
Opening balance	(16,119)	(17,914)
Profit for the year retained	45	1,795
Retained at 30 September 2005	(16,074)	(16,119)

In arriving at the profit for the year, all amounts dealt with above relate to continuing operations

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented All of the above profits are in respect of continuing operations

There is no difference between the profit on ordinary activities before taxation and the retained profit stated above, and their historical cost equivalents

BALANCE SHEET
at 30 September 2005

	Note	*30 September 2005 €'000*	*30 September 2004 €'000*
CURRENT ASSETS			
Debtors	5	7,000	-
Cash at bank and in hand		190	7,120
		7,190	7,120
CREDITORS (amounts falling due within one year)	6	(35)	(10)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,155	7,110
CAPITAL AND RESERVES			
Called up share capital	7	3,841	3,841
Capital reserve	8	19,388	19,388
Profit and loss account		(16,074)	(16,119)
Equity shareholders' funds	8	7,155	7,110

On behalf of the Board

Directors

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

1 ACCOUNTING POLICIES

The significant accounting policies adopted by the company are as follows

(a) *Basis of preparation*
The financial statements have been prepared in accordance with accounting standards generally accepted in the United Kingdom ('UK GAAP'), which are those published by the Institute of Chartered Accountants in England and Wales and issued by the Accounting Standards Board

(b) *Income recognition*
Interest income and expense is recognisable on an accruals basis

(c) *Foreign currencies*
Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rate in effect at the balance sheet date, or at the hedge rate where appropriate and all transactions have been translated at the exchange rate in effect at the time of the transaction, or at the hedge rate where appropriate All exchange differences are dealt with in arriving at profit before taxation

(d) *Derivative financial instruments*
All derivative transactions undertaken are for hedging purposes Derivative transactions are accounted for on an accruals basis, consistent with the assets and liabilities being hedged

(e) *Current Taxation*
Corporation tax is calculated on the results of the period

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 right to pay less tax, with the exception that deferred tax assets are recognised only 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

Timing differences are differences between profit as computed for taxation purposes and taxation as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2005 (Continued)

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	*2004*
	€'000	*€'000*
This can be analysed as follows		
Group companies	–	–
Third party	71	260
	71	260

3 OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005	*2004*
	€'000	*€'000*
This is stated after charging		
Director's remuneration	–	–
Auditors' remuneration	7	10

4 TAXATION

	2005	*2004*
	€'000	*€'000*
(a) Analysis of charge/(credit) for the period		
Corporation tax	18	–
Overprovision in respect of prior years	–	(2,715)
Withholding tax	–	1,045
	18	(1,670)

(b) Factors affecting tax charge/(credit) for the period

The tax assessed for the period is lower than that calculated using the standard rate of tax in the Republic of Ireland
The differences are explained below

	2005	*2004*
	€'000	*€'000*
Profit on ordinary activities before tax	63	125
Profit on ordinary activities multiplied by the standard rate of corporation tax in the Republic of Ireland of 12 5%	8	16
Overprovision in respect of prior years	–	(2,715)
Withholding tax	–	1,045
Tax on passive income	10	–
Other	–	–
Tax losses utilised	–	(16)
Current tax charge for the period	18	(1,670)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2005 (Continued)

4 TAXATION (continued)

A potential deferred tax asset of approximately €273,000 (2004 €281,000) has not been recognised due to uncertainty over the existence of suitable future taxable profits from which such an asset might be realised

5 DEBTORS (amounts falling due within one year)	*2005* *€'000*	*2004* *€'000*
Loans to group undertakings	7,000	-

The loan has a zero rate of interest

6 CREDITORS (amounts falling due within one year)	*2005* *€'000*	*2004* *€'000*
Sundry creditors	35	10

7 CALLED UP SHARE CAPITAL	*2005* *€'000*	*2004* *€'000*
Authorised		
1,000,000,000 ordinary shares of €1 each	1,000,000	1,000,000
Issued and fully paid		
3,841,101 ordinary shares of €1 each	3,841	3,841

8 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS	*2005* *€'000*	*2004* *€'000*
Opening balance	7,110	98,316
Share repurchase (nominal value of shares)	-	(112,389)
Discount on share repurchase	-	19,388
Profit for the financial year	45	1,795
Closing shareholders' funds	7,155	7,110

On 19 August 2004, the Board of Directors approved payment of €93 million out of the capital of the company as defined in Sections 171 and 172 of the Companies Act, 1985, in respect of the redemption of shares from Lucent Technologies International Inc and Lucent Technologies Ireland Holdings at the price of €0 82748499 for each share of €1 nominal value

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2005 (Continued)

9 PARENT COMPANY AND CONTROLLING PARTY

Lucent Technologies Inc , which is incorporated in Delaware, USA, is the company's immediate and ultimate parent company and controlling party The smallest and largest groups in which the results of the company are consolidated is that headed by Lucent Technologies Inc Copies of the group financial statements of Lucent Technologies Inc , are available from Lucent Technologies Inc , 600 Mountain Avenue, Murray Hill, NJ 07974

10 EMPLOYEES

The company currently has no employees

11 CASH FLOW STATEMENT

The directors availed of the exemption in Financial Reporting Standard No 1 (Revised 1996) "Cash Flow Statements" which permits wholly owned subsidiaries of a company, whose financial statements are available to the public and which include the subsidiary, not to produce a cash flow statement

12 RELATED PARTY DISCLOSURES

The directors have availed of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures" which permits wholly owned subsidiaries not to disclose transactions and balances between group undertakings which are eliminated on consolidation

13 REPORTING CURRENCY

The currency used in these financial statements is the euro, the functional currency of the company, which is denoted by the symbol "€"

14 APPROVAL OF THE FINANCIAL STATEMENTS

The directors approved the financial statements on 15th February 2007