

# **COLT Telecom Finance Limited**

## **Annual Report**

**For the year ended 31 December 2005**

Registered number: 4150069



# COLT Telecom Finance Limited

## Directors' report For the year ended 31 December 2005

The Directors present the report and audited financial statements of the Company for the year ended 31 December 2005.

### Principal activity

The Company's principal activity is to act as a finance company, in particular in respect of buying in group indebtedness on the market.

### Review of business and future developments

The Company continues to take advantage of opportunities offered by market conditions to acquire group debt on commercially advantageous terms, with the financial support of its ultimate parent company.

### Results and dividends

The loss on ordinary activities before taxation was £2,171 (2004: £123,405). The Directors do not recommend the payment of a dividend (2004: £nil).

### Directors

The Directors of the Company who held office during the period were:

M Sharif (resigned 8 November 2005)  
P Smee  
C Griffin Pain (appointed 5 July 2005)  
C Staveley (appointed 5 July 2005)  
P Price (appointed 8 November 2005)

No Director had any interests in the Company at 31 December 2005. The interests of the Directors who held office at the end of the financial year in COLT Telecom Group plc, the ultimate parent company, were as follows:

	At 1 January *	At 31 December
<b>Ordinary shares</b>		
P Smee	7,680	7,680
C Griffin Pain	8,000	8,000
<b>Share options</b>		
P Smee	78,000	85,500
C Griffin Pain	50,000	80,000
P Price	170,000	170,000
<b>Deferred bonus plan</b>		
P Smee	1,635	Nil

\* Or date of appointment if later

During the year, 30,000 share options were awarded to C Griffin Pain. 7,500 share options were awarded to P Smee and his deferred bonus plan options lapsed.

# **COLT Telecom Finance Limited**

## **Directors' report For the year ended 31 December 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.

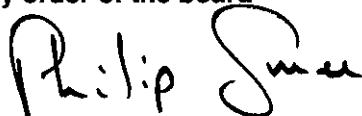
The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have 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.

### **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

**By order of the board**



**P Smees  
Director**

**29** September 2006

# COLT Telecom Finance Limited

## Independent auditors' report to the members of COLT Telecom Finance Limited

We have audited the financial statements of COLT Telecom Finance Limited for the year ended 31 December 2005, which comprise the profit and loss account, 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

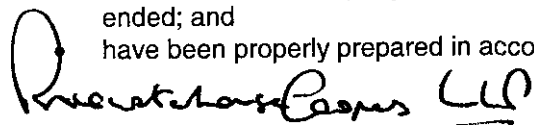
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

29 September 2006

# COLT Telecom Finance Limited

## Profit and loss account For the year ended 31 December 2005

	Notes	2005 £	2004 £
Administrative expenses	2	(2,171)	(15,286)
Operating loss		<u>(2,171)</u>	<u>(15,286)</u>
Interest receivable and similar income	4	--	536
Loss on currency translation		--	(108,655)
Loss on ordinary activities before taxation	2	<u>(2,171)</u>	<u>(123,405)</u>
Taxation	5	--	--
Loss for the year	9	<u>(2,171)</u>	<u>(123,405)</u>

All activities are regarded as continuing. The Company has no recognised gains and losses other than as above and therefore 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 equivalent.

The accompanying notes are an integral part of the financial statements.

# COLT Telecom Finance Limited

## Balance sheet As at 31 December 2005

	Notes	2005 £	2004 £
<b>Current assets</b>			
Debtors	6	<u>9,175,581</u>	<u>9,175,581</u>
Total assets		<u>9,175,581</u>	<u>9,175,581</u>
<b>Creditors</b>			
Amounts falling due within one year	7	27,548	25,377
<b>Capital and reserves</b>			
Called up share capital	8	2	2
Profit and loss account	9	<u>9,148,031</u>	<u>9,150,202</u>
Equity shareholders' funds	9	<u>9,148,033</u>	<u>9,150,204</u>
Total liabilities, capital and reserves		<u>9,175,581</u>	<u>9,175,581</u>

The accompanying notes are an integral part of the financial statements.

The financial statements were approved by the board on <sup>29</sup>September 2006  
and signed on its behalf by



**P Smee**  
Director

# COLT Telecom Finance Limited

## Notes to the financial statements For the year ended 31 December 2005

### 1. Principal accounting policies

#### Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The Directors believe that it is appropriate for the financial statements to be prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The principal accounting policies are set out below.

#### Change in accounting policy

The Company has adopted FRS 25 'Financial instruments: disclosure and presentation' in these financial statements. There was no impact as a result of adopting the presentation requirements of the standard. The Company has taken advantage of the exemption provided by FRS 25 for subsidiary undertakings of which 90% or more of the voting rights are controlled within the group of an ultimate parent that publishes consolidated financial statements which comply with the disclosure requirements of the standard, and therefore the disclosure requirements of the standard have not been adopted in these financial statements.

#### Related party disclosures

The Company has taken advantage of the exemption provided by FRS 8 for subsidiary undertakings of which 90% or more of the voting rights are controlled within the group of the ultimate parent which publishes its consolidated financial statements and has not disclosed transactions with other group companies.

#### Cash flow statements

The Company has taken advantage of the exemption offered by FRS 1 (revised) and has not produced a cash flow statement as it is a more than 90% owned subsidiary of a parent publishing consolidated financial statements.

### 2. Loss on ordinary activities before taxation

Tax fees of £2,171 (2004: £15,286) were paid to the Company's auditors in the year. The Company's audit fees have been paid by a group company.

The Company had no employees during the years ended 31 December 2004 and 31 December 2005.

### 3. Directors' emoluments

No Director received emoluments in respect of services provided to the Company during the year (2004: £nil). No Directors exercised share options in the ultimate parent company during the year (2004: £nil).

### 4. Interest receivable and similar income

	2005 £	2004 £
Bank interest receivable	—	536

# COLT Telecom Finance Limited

## Notes to the financial statements For the year ended 31 December 2005

### 5. Taxation

#### a) Analysis of charge in period

There is no tax charge arising in the years ended 31 December 2005 and 2004 due to the Company having no taxable profits for the period. Losses are surrendered to other group companies as group relief. No payment is required for the group relief surrendered.

#### b) Factors affecting tax charge for period

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

	2005 £	2004 £
Loss on ordinary activities before tax	<u>(2,171)</u>	<u>(123,405)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(651)	(37,022)
Effects of:		
Surrender of tax losses under a claim for group relief	651	37,022
Current tax charge for the year	<u>--</u>	<u>--</u>

### 6. Debtors

	At 31 December 2005 £	At 31 December 2004 £
Due from parent company	<u>9,175,581</u>	<u>9,175,581</u>

### 7. Creditors

	At 31 December 2005 £	At 31 December 2004 £
Due to parent company	<u>27,548</u>	<u>25,377</u>

# COLT Telecom Finance Limited

## Notes to the financial statements For the year ended 31 December 2005

### 8. Called up share capital

	At 31 December 2005 £	At 31 December 2004 £
<b>Authorised</b>		
100 (2004: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
2 (2004: 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 9. Reconciliation of movement in equity shareholders' funds

	Share Capital £	Profit and loss account £	Total £
At 1 January	2	9,150,202	9,150,204
Loss for the year	--	(2,171)	(2,171)
At 31 December	<u>2</u>	<u>9,148,031</u>	<u>9,148,033</u>

### 10. Ultimate parent company and controlling party

The Company's immediate parent company is COLT Telecom Group Limited. With effect from 30 June 2006, the Company's ultimate parent company and controlling party became COLT Telecom Group S.A., a company registered in Luxembourg, following a Scheme of Arrangement involving the Company's former ultimate parent company, COLT Telecom Group plc. COLT Telecom Group S.A. is the parent undertaking of the largest group to consolidate these financial statements.

COLT Telecom Group plc was converted to a private limited company on 30 June 2006 and is the parent undertaking of the smallest group to consolidate these financial statements. Copies of COLT Telecom Group plc consolidated financial statements for years ended 31 December 2005 and prior are available from the Company's registered office at Beaufort House, 15 St. Botolph Street, London EC3A 7QN. Copies of COLT Telecom Group S.A.'s future financial statements will be available from its registered office at Kansallis House, Place de l'Etoile, L-1479, Luxembourg, or from the Company's registered office as set out above.