

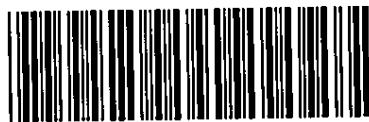
# **COLT Telecom Finance Limited**

## **Annual Report**

**For the year ended 31 December 2006**

Registered number: 4150069

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# COLT Telecom Finance Limited

## Directors' report For the year ended 31 December 2006

The Directors present the report and audited financial statements of the Company for the year ended 31 December 2006

### Business review

The Company's principal activity is to act as a finance company within the group comprising COLT Telecom Group Limited (formerly COLT Telecom Group plc) and its subsidiaries ("the Group"). COLT Telecom Group Limited is a company incorporated in England and Wales. The results of the Company are included in the consolidated financial statements of COLT Telecom Group Limited for the year ended 31 December 2006.

The Company has not traded on its own account during the period and, in the opinion of the Directors, this situation is unlikely to change in the foreseeable future.

The principal risks and uncertainties facing the Company are integrated with the principal risks and uncertainties facing the Group and are not managed separately. Details of the risks and uncertainties facing the Group and an analysis of the performance of the Group, including key performance indicators, can be found in the consolidated Group annual report which does not form part of this report. The Group annual report is available from the Company's registered office, as set out in note 9 to the financial statements.

For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company.

### Results and dividends

The loss on ordinary activities before taxation was £3,489 (2005: loss of £2,171). The Directors do not recommend the payment of a dividend (2005: £nil).

### Directors

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

P Smee  
C Griffin Pain  
C Staveley  
P Price

No Director had any interests in the Company at 31 December 2006. The interests (adjusted for the one-for-three share consolidation in the ultimate parent company) of the Directors who held office at the end of the financial year in COLT Telecom Group S.A., the ultimate parent company, were as follows:

| Ordinary shares | At 1 January | At 31 December |
|-----------------|--------------|----------------|
| P Smee          | 2,560        | 3,427          |
| C Griffin Pain  | 2,666        | 4,050          |
| C Staveley      | --           | 82,309         |
| Share options   |              |                |
| P Smee          | 28,500       | 16,832         |
| C Griffin Pain  | 26,666       | 26,666         |
| P Price         | 56,666       | 56,666         |

During the year, no share options were awarded to Directors. 11,668 of P Smee's share options were cancelled during the year.

# **COLT Telecom Finance Limited**

## **Directors' report**

**For the year ended 31 December 2006**

### **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 in the preparation of the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 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.

### **Disclosure of information to auditors**

Each person who is a director at the date of approval of this report confirms that

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 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.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

### **Auditors**

The Company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as Auditors of the Company pursuant to Section 386 of the Companies Act 1985. However, pursuant to Section 253 (2) of the Companies Act 1985, any member or the Auditors of the Company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the Company not later than 28 days after the despatch of the accounts to the members.

**By order of the board**



**P Smee  
Director**

**29 August 2007**

# 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 2006, 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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). 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 whether the financial statements have been 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### 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 2006 and of its loss for the year then ended,
- 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.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

29 August 2007

## COLT Telecom Finance Limited

### Profit and loss account For the year ended 31 December 2006

|   | Notes | 2006<br>£      | 2005<br>£      |
|---|-------|----------------|----------------|
| Administrative expenses                     | 2     | (3,489)        | (2,171)        |
| Loss on ordinary activities before taxation |       | <u>(3,489)</u> | <u>(2,171)</u> |
| Taxation                                    | 4     | --             | --             |
| Loss for the year                           | 7     | <u>(3,489)</u> | <u>(2,171)</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.

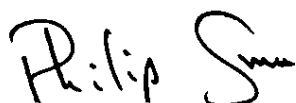
# COLT Telecom Finance Limited

## Balance sheet As at 31 December 2006

|   | Notes | 2006<br>£        | 2005<br>£        |
|---|-------|------------------|------------------|
| <b>Current assets</b>                   |       |                  |                  |
| Debtors                                 | 5     | <u>9,177,331</u> | <u>9,175,581</u> |
| Total assets                            |       | <u>9,177,331</u> | <u>9,175,581</u> |
| <b>Capital and reserves</b>             |       |                  |                  |
| Called up share capital                 | 6     | 2                | 2                |
| Profit and loss account                 | 7     | <u>9,144,542</u> | <u>9,148,031</u> |
| Equity shareholders' funds              | 7     | <u>9,144,544</u> | <u>9,148,033</u> |
| <b>Creditors</b>                        |       |                  |                  |
| Amounts falling due within one year     | 8     | 32,787           | 27,548           |
| Total liabilities, capital and reserves |       | <u>9,177,331</u> | <u>9,175,581</u> |

The accompanying notes are an integral part of the financial statements

The financial statements on pages 4 to 8 were approved by the board on 27 August 2007 and signed on its behalf by



P Smees  
Director

# **COLT Telecom Finance Limited**

## **Notes to the financial statements For the year ended 31 December 2006**

### **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.

#### **Financial instruments presentation**

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 £3,489 (2005: £2,171) were paid to the Company's auditors in the year. The Company's audit fees of £2,407 (2005: £2,035) have been paid by a group company.

The Company had no employees during the years ended 31 December 2005 and 31 December 2006.

### **3. Directors' emoluments**

No Director received emoluments in respect of services provided to the Company during the year (2005: £nil). No Directors exercised share options in the ultimate parent company during the year (2005: nil). 11,668 of P Smee's share options in the ultimate parent company were cancelled during the year.

# COLT Telecom Finance Limited

## Notes to the financial statements For the year ended 31 December 2006

### 4. Taxation

#### a) Analysis of charge in period

There is no tax charge arising in the years ended 31 December 2006 and 2005 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:

|   | 2006<br>£      | 2005<br>£      |
|---|----------------|----------------|
| Loss on ordinary activities before tax  | <u>(3,489)</u> | <u>(2,171)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%) | (1,047)        | (651)          |
| Effects of:   |                |                |
| Surrender of tax losses under a claim for group relief  | 1,047          | 651            |
| Current tax charge for the year   | <u>--</u>      | <u>--</u>      |

### 5. Debtors

|   | At 31 December<br>2006<br>£ | At 31 December<br>2005<br>£ |
|---|-----------------------------|-----------------------------|
| Amounts due from immediate parent company | <u>9,177,331</u>            | <u>9,175,581</u>            |

Amounts due from immediate parent company are unsecured, interest free and due within less than one year.

### 6. Called up share capital

|  | At 31 December<br>2006<br>£ | At 31 December<br>2005<br>£ |
|--|-----------------------------|-----------------------------|
| <b>Authorised</b>                          |                             |                             |
| 100 (2005: 100) ordinary shares of £1 each | <u>100</u>                  | <u>100</u>                  |
| <b>Allotted, called up and fully paid</b>  |                             |                             |
| 2 (2005: 2) ordinary shares of £1 each     | <u>2</u>                    | <u>2</u>                    |



# COLT Telecom Finance Limited

## Notes to the financial statements For the year ended 31 December 2006

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

|                   | Share Capital | Profit and loss<br>account | Total            |
|-------------------|---------------|----------------------------|------------------|
|                   | £             | £                          | £                |
| At 1 January      | 2             | 9,148,031                  | 9,148,033        |
| Loss for the year | --            | (3,489)                    | (3,489)          |
| At 31 December    | <u>2</u>      | <u>9,144,542</u>           | <u>9,144,544</u> |

### 8. Creditors

|   | At 31 December<br>2006<br>£ | At 31 December<br>2005<br>£ |
|---|-----------------------------|-----------------------------|
| Amounts due to immediate parent company | <u>32,787</u>               | <u>27,548</u>               |

Amounts due to immediate parent company are unsecured, interest free and due within less than one year

### 9. Ultimate parent company and controlling party

The Company's immediate parent company is COLT Telecom Group Limited (formerly COLT Telecom Group plc). On 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 31 December 2006 financial statements are 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.