

COLT Telecom Finance Sweden

**Annual Report for the 8 month period ended
31 December 2002**

Registered no: 4421628



COLT Telecom Finance Sweden

Report and Financial Statements for the 8 month period ended 31 December 2002

	Pages
Directors' report	3
Report of the Independent Auditors	5
Profit and loss account	6
Balance Sheet	7
Notes to the Financial Statements	8

COLT Telecom Finance Sweden

Directors' Report for the 8 month period ended 31 December 2002

The Directors present the report and audited financial statements of the Company for the 8 month period ended 31 December 2002.

Principal activities

The Company's principal activity is to act as a finance company for transactions denominated in Swedish Kroner. The profit and loss account for the 8 months is set out on page 6.

Review of business and future developments

The company's loss for the period is SKr286,018,570. The company will continue to act as a finance company for transactions denominated in Swedish Kroner.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the Company who held office during the period are given below:

L. M. Ingeneri (appointed on 22 April 2002 and resigned 30 June 2002)
P D. Manning (appointed 22 April 2002 and resigned on 25 July 2002)
M A. Jenkins (appointed on 22 April 2002)
G N Small (appointed 22 April 2002)

The Directors had no interests in the Company at 31 December 2002. M A Jenkins is also a director of COLT Telecom Group plc, the ultimate parent company and his interests that company and other group companies are disclosed in that company's financial statements.

The interests of the other director in the share capital of group companies were as follows:

	Shares 31 December 2002	Shares 22 April 2002*
COLT Telecom Group PLC		
G N Small	1,536	1,536

* at date of appointment.

COLT Telecom Finance Sweden

Directors' report for the 8 month period ended 31 December 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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.

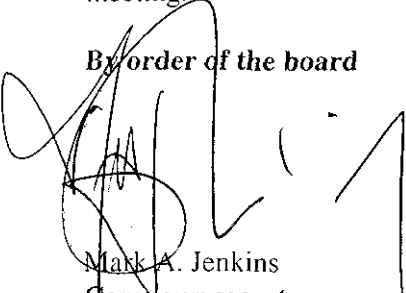
The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2002 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as 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



Mark A. Jenkins
Company secretary
Date:

29/1/04

COLT Telecom Finance Sweden

Report of the Independent Auditors to the members of COLT Telecom Finance Sweden

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

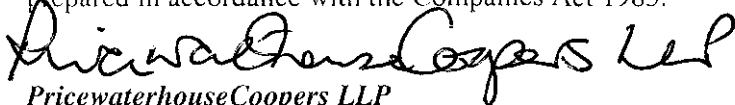
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

Date: 29/1/04

COLT Telecom Finance Sweden

Profit and loss account for the 8 months ended 31 December 2002

	Notes	8 Months 31 December 2002 SKr
Administrative expenses	2	(303,670,785)
Operating loss		(303,670,785)
Interest receivable and similar income	4	17,652,706
Interest payable and similar charges		(491)
Loss on ordinary activities before taxation		(286,018,570)
Tax on loss on ordinary activities		-
Loss for the period		(286,018,570)

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.

COLT Telecom Finance Sweden

Balance Sheet

	Notes	31 December 2002 SKr
Current assets		
Debtors	6	335,243,221
Cash at bank and in hand		5,797,543
		<hr/>
Total assets		341,040,764
		<hr/>
Capital and reserves		
Called up share capital	7	627,059,334
Retained loss for the period	8	(286,018,570)
		<hr/>
Equity shareholders' funds		341,040,764
		<hr/>

The financial statements on pages 6 to 10 were approved by the Board on 29-1-2003 and were signed on its behalf by:



Gerard N. Small

Director

COLT Telecom Finance Sweden

Notes to the Financial Statements for the 8 month period ended 31 December 2002

1. Principal accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention, the accounting policies set out below, and in accordance with applicable Accounting Standards in the United Kingdom. During the year the Company has adopted FRS19 'Deferred Tax'. The impact of adopting FRS 19 had no material impact on the company results.

Related Party Disclosures

The Company has taken advantage of the exemption provided by Financial Reporting Standard Number 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.

Cashflow Statements

The Company has taken advantage of the exemption offered by Financial Reporting Standard Number 1 (Revised) and has not produced a cashflow statement as it is a more than 90% owned subsidiary of a parent publishing consolidated financial statements.

2. Operating loss

During 2002, COLT Telecom Group plc, the Company's ultimate parent company, announced that given the downturn in the telecommunications industry and overall economic environment it was prudent to take further action to ensure that its asset base remained aligned with the realities of the market. As a result the Group has completed an assessment of the net asset base of the company's fellow subsidiary undertakings.

A provision of SKr303,670,785 was made against the Company's debtor balance. This provision is based upon management's best estimate of the excess of total losses in fellow subsidiary undertakings at 31 December 2002 over the investment value held by the group. The actual outcome may differ and management estimates may alter to reflect changes in the economic, technological and competitive environment in which the Company's fellow subsidiaries operate.

The Company's audit fees have been paid by a group company.

3. Director's Emoluments

No director received emoluments from the Company during the year. P D Manning and L M. Ingeneri were directors and M A Jenkins is a director of COLT Telecom Group plc, the ultimate parent company and their emoluments are disclosed in the financial statements of that company. No director exercised share options relating to COLT Telecom Group plc during the period.

COLT Telecom Finance Sweden

4. Interest receivable and similar income

	8 Months 31 December 2002 SKr
Group undertakings:	
Fellow subsidiary Undertaking	17,568,690
Interest from banks and similar income	84,016
	<u>17,652,706</u>

5. Taxation

a) Analysis of charge in period

There is no tax charge arising in the period ended 31 December 2002 due to the availability of Group Relief from group companies. No payment is required for the Group Relief claimed.

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:

	2002 SKr
Loss on ordinary activities before tax	<u>(286,018,570)</u>
Loss on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30%	(85,805,571)
Effects of:	
Permanent difference on taxable profits	91,101,236
Utilisation of tax losses under a claim for Group Relief	<u>(5,295,665)</u>
Current tax charge for the period	<u>-</u>

6. Debtors

	2002 SKr
Amounts falling due within one year	
Amounts owed by Group undertakings:	
Parent Undertaking	335,236,670
Prepayments and accrued income	6,551
	<u>335,243,221</u>

COLT Telecom Finance Sweden

Notes to the Financial Statements for the 8 month period ended 31 December 2002

7. Called up share capital

	22 April 2002	31 December 2002
	SKr	SKr
Authorised		
750,000,000 ordinary shares of 1 SKr each	100	750,000,000
Allotted, called up and fully paid		
627,059,334 ordinary shares of 1 SKr each	100	627,059,334

8. Reconciliation of equity shareholders' funds

	SKr
At 22 April 2002	100
New share capital subscribed	627,059,234
Loss for the period	(286,018,570)
At 31 December 2002	341,040,764

9. Ultimate parent company and controlling party

The ultimate and immediate holding company and controlling party is COLT Telecom Group plc, a company registered in England and Wales.

Copies of COLT Telecom Group plc's consolidated financial statements are available from the company's registered address at Beaufort House 15 Botolph Street, London EC3A 7DT.

COLT Telecom Group plc is the parent undertaking of the largest and smallest group to consolidate these accounts.