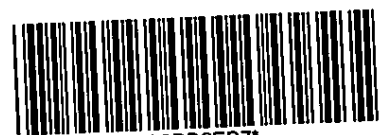


REGISTERED NUMBER: 03947900 (England and Wales)

REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012  
FOR  
PACNET NETWORK (UK) LTD

M R Salvage Limited  
Chartered Accountants  
and Registered Auditors  
7/8 Eghams Court  
Boston Drive  
Bourne End  
Buckinghamshire  
SL8 5YS

WEDNESDAY



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COMPANIES HOUSE

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**FOR THE YEAR ENDED 31 DECEMBER 2012**

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**PACNET NETWORK (UK) LTD**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**DIRECTORS:**

Mr Brett Larry Lay  
Ms Ho Pui Sin

**SECRETARY:**

Jordan Company Secretaries Limited

**REGISTERED OFFICE:**

20-22 Bedford Row  
London  
WC1R 4JS

**REGISTERED NUMBER:**

03947900 (England and Wales)

**AUDITORS:**

M R Salvage Limited  
Chartered Accountants  
and Registered Auditors  
7/8 Eghams Court  
Boston Drive  
Bourne End  
Buckinghamshire  
SL8 5YS

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

The directors present their report with the financial statements of the company for the year ended 31 December 2012

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of an investment holding company

**REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2012

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report

Mr Brett Larry Lay

Ms Ho Pui Sin

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

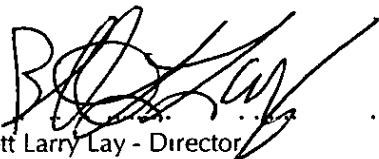
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2012

**AUDITORS**

The auditors, M R Salvage Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'Brett Lay', with a long horizontal stroke extending to the right.

Mr Brett Larry Lay - Director

Date 30/5/2013

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**PACNET NETWORK (UK) LTD**

We have audited the financial statements of Pacnet Network (UK) Ltd for the year ended 31 December 2012 on pages 6 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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**

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Basis of disclaimer of opinion on group financial statements**

Pacnet Network (UK) Limited is a subsidiary company of Pacnet Limited, a company incorporated in Bermuda. Pacnet Limited prepares audited group consolidated financial statements and, accordingly, Pacnet Network (UK) Limited has taken the exemption available under Section 401 Companies Act 2006 from the requirement to prepare and file group financial statements itself. In our opinion Pacnet Network (UK) Limited will not comply with all the conditions for the exemption set out in Section 401 Companies Act 2006 and should therefore prepare group financial statements in accordance with Section 399 Companies Act 2006.

**Opinion on company financial statements**

Notwithstanding the above paragraph, in our opinion the company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012, and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**PACNET NETWORK (UK) LTD**

**Matters on which we are required to report by exception**

In respect of the company financial statements we have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all of the information and explanations we require for our audit .

**Opinion on group financial statements**

As explained above in the paragraph 'Basis for disclaimer of opinion on group financial statements', the company has not prepared group financial statements as required by Section 399 Companies Act 2006, and accordingly we have not been able to carry out an audit of the group financial statements. We are therefore not able to express any opinion on the group financial statements.

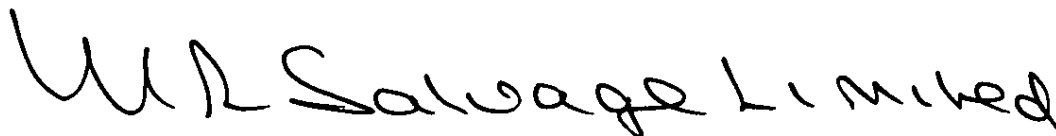
**Opinion on other matter prescribed by the Companies Act 2006**

Because group financial statements have not been prepared we are not able to express any opinion on whether the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception - group financial statements**

In respect of the group financial statements we report as follows in respect of the following matters

- we are unable to determine whether adequate accounting records have been kept,
- we are unable to determine whether the financial statements are in agreement with the accounting records and returns, or
- we are unable to determine whether certain disclosures of directors' remuneration specified by law are made, or
- we have not received all of the information and explanations we require for our audit

 M R Salvage Limited

John Taylor (Senior Statutory Auditor)  
for and on behalf of M R Salvage Limited  
Chartered Accountants  
and Registered Auditors  
7/8 Eghams Court  
Boston Drive  
Bourne End  
Buckinghamshire  
SL8 5YS

Date 17th June 2013

**PACNET NETWORK (UK) LTD (REGISTERED NUMBER: 03947900)**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 \$	2011 \$
<b>TURNOVER</b>		-	-
Administrative expenses		<u>10,155,453</u>	<u>(2,470,976)</u>
<b>OPERATING (LOSS)/PROFIT and (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	(10,155,453)	2,470,976
Tax on (loss)/profit on ordinary activities	4	<u>-</u>	<u>-</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u>(10,155,453)</u>	<u>2,470,976</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year

The notes form part of these financial statements

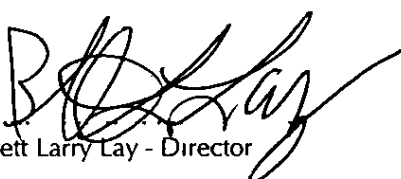


**PACNET NETWORK (UK) LTD (REGISTERED NUMBER: 03947900)**

**BALANCE SHEET**  
**31 DECEMBER 2012**

	Notes	2012 \$	2011 \$
<b>CREDITORS</b>			
Amounts falling due within one year	5	<u>224,808,149</u>	<u>214,652,696</u>
<b>NET CURRENT LIABILITIES</b>		<u>(224,808,149)</u>	<u>(214,652,696)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(224,808,149)</u>	<u>(214,652,696)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	3	3
Profit and loss account	7	<u>(224,808,152)</u>	<u>(214,652,699)</u>
<b>SHAREHOLDERS' FUNDS</b>	11	<u>(224,808,149)</u>	<u>(214,652,696)</u>

The financial statements were approved by the Board of Directors on **30/5/2013** and were signed on its behalf by

  
Mr Brett Larry Lay - Director

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**1 ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The accounts have been prepared on the going concern basis as the immediate holding company, Pacnet Network Limited, has given a letter of support to the company to guarantee that they agree to provide continuing financial support to the company and that the guarantee is irrevocable for at least 12 months from signing these accounts. Related companies Pacnet Network (Philippines) Inc, Pacnet Services (UK) Ltd and immediate parent company Pacnet Network Limited have undertaken not to recall within 12 months from the date of signing these accounts, amounts due to them totalling US\$224,789,012 that the company cannot repay out of its own cashflows.

**Accounting convention**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

**Preparation of consolidated financial statements**

The financial statements contain information about Pacnet Network (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 401 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its pen-ultimate holding company, Pacnet Limited, a company registered in Bermuda.

**Financial Reporting Standard number 1**

Exemption has been taken from preparing a cash flow statement on the grounds that the parent company includes the subsidiary in its financial statements.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Foreign currencies**

The financial statements have been prepared in United States dollars as this represents the functional currency of the company.

Assets and liabilities in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into US dollars at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

At 31 December 2012, the foreign-currency assets and liabilities, were translated into US dollars using rates obtained from the Wall Street Journal website. In previous years, the exchange rates were obtained from the Bank of England spot rates as at 31 December.

If the Bank of England spot rates had been used for this financial year, the loss before tax would have reduced by \$1,014,842 and net liabilities would have reduced by \$1,014,842.

**Investments**

Investments in subsidiaries, joint ventures and associated companies are stated at cost less accumulated impairment losses in the company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Due to the lack of records to support investments at cost, all investments have been written down to a nil value in prior years.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**2 STAFF COSTS**

There were no staff costs for the year ended 31 December 2012 nor for the year ended 31 December 2011

**3 OPERATING (LOSS)/PROFIT**

The operating loss (2011 - operating profit) is stated after charging/(crediting)

	2012 \$	2011 \$
Foreign exchange losses/(gains)	10,138,550	(2,494,921)
Auditors' remuneration	<u>6,090</u>	<u>5,720</u>
Directors' remuneration	<u>-</u>	<u>-</u>

**4 TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011

**Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2012 \$	2011 \$
(Loss)/profit on ordinary activities before tax	<u>(10,155,453)</u>	<u>2,470,976</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2011 - 26%)	(2,437,309)	642,454
Effects of		
Utilisation of tax losses	-	(642,454)
Losses carried forward	<u>2,437,309</u>	<u>-</u>
Current tax charge	<u>-</u>	<u>-</u>

**5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012 \$	2011 \$
Trade creditors	93	-
Amounts owed to group undertakings	224,789,012	214,638,305
Accrued expenses	<u>19,044</u>	<u>14,391</u>
	<u>224,808,149</u>	<u>214,652,696</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**6 CALLED UP SHARE CAPITAL**

Number	Allotted, issued and fully paid Class	Nominal value £1	2012 \$	2011 \$
2	Ordinary		<u>3</u>	<u>3</u>

**7 PROFIT AND LOSS ACCOUNT**

	\$
At 1 January 2012	(214,652,699)
Deficit for the year	<u>(10,155,453)</u>
At 31 December 2012	<u>(224,808,152)</u>

**8 IMMEDIATE AND ULTIMATE PARENT COMPANIES**

The company's immediate parent company is Pacnet Network Ltd, incorporated in Bermuda

The ultimate holding company is Pacnet International Limited, incorporated in Bermuda

**9 CONTINGENT LIABILITIES**

As at 31 December 2012, the shares and assets of the Company have been pledged to various groups of lenders, as security for US\$300 million (2011 US\$300 million) 9 25% senior secured guaranteed notes and a US\$30 million secured facility which bear interest of LIBOR plus 4 0% margin (2011 US\$50 million secured facility which bear interest of LIBOR plus 2 9% to 4 0% margin) Both the senior secured guaranteed notes and secured facility are due in 2015 and were issued and obtained respectively by Pacnet Limited, the Company's intermediate holding Company

**10 RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, not to disclose related party transactions with wholly owned subsidiaries within the group

**11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2012 \$	2011 \$
(Loss)/profit for the financial year	<u>(10,155,453)</u>	<u>2,470,976</u>
Net (reduction)/addition to shareholders' funds	(10,155,453)	2,470,976
Opening shareholders' funds	<u>(214,652,696)</u>	<u>(217,123,672)</u>
Closing shareholders' funds	<u>(224,808,149)</u>	<u>(214,652,696)</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**12 SIGNIFICANT SUBSIDIARIES HELD BY THE COMPANY**

Name of company	Principal activities	Country of incorporation	Equity holding (2012)	Equity holding (2011)
Pacnet Services (Japan) Corp	Telecommunication services	Japan	57.8%	57.8%
Pacnet Network (Philippines) Inc	Construction, management and monitoring, operations, administration and maintenance of cable landing stations, specified cable segments, transmission equipment and ancillaries relating to said cable landing stations	Philippines	100%	100%
Pacnet Network (Korea) Ltd	Telecommunication services	Korea	100%	100%

All of the above investments have been fully impaired

**13 DEFERRED TAX**

A potential deferred tax asset of approximately \$4,070,000 (2011: \$1,767,000) in respect of losses, has not been recognised on the grounds that there is insufficient evidence at the current time that the asset will be recoverable in the foreseeable future. The losses may be utilised in future periods through the generation of future taxable profits.

**14 ASSOCIATES & JOINT VENTURES HELD BY COMPANY**

Name	Country of Incorporation	Proportion of Class of Shares Held by Company
Dacom Crossing Corporation	Korea	49% (2011: 49%)
Asia Netcom Philippines (Corporation)	Philippines	40% (2011: 40%)
Digitel Crossing Inc (Philippines)	Philippines	48% (2011: 48%)