

Company Registration No. 03947900 (England and Wales)

Pacnet Network (UK) Limited

Annual Report and Financial Statements
For the period from 1 January 2015 to 30 June 2016

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Pacnet Network (UK) Limited

Company Information

Directors

James Aloysius Fagan
Douglas James Rogerson

Company Secretary

John Matthew Joseph Gould

Registered Office

2nd floor Blue Fin Building
110 Southwark Street
London
SE1 OTA

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

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The directors present their strategic report for the 18 month period ended 30 June 2016.

Review of business

The profit for the period, after taxation, is \$23,625,907 (2014: \$12,710,265) which is mainly due to foreign exchange gains on intercompany balances.

The only function of the Company is to act as an investment holding company.

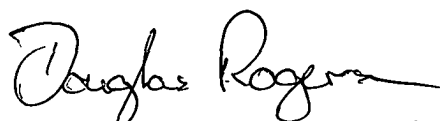
Given the straight forward nature of this entity, the Company's directors are of the opinion that an analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Due to the simple function of the entity, the Company has no significant exposure to credit risks, operational risks, market related risks and legal and regulatory risks.

The Company's main risk is foreign exchange risk on its liabilities to other group undertakings, which are payable in other currencies. However, this risk is managed at Group level.

This report was approved by the board and signed on its behalf:


29/3/2017

Douglas James Rogerson
Director

Pacnet Network (UK) Limited

Directors' Report

The directors present their annual report and the audited financial statements of Pacnet Network (UK) Limited (the "Company") for the financial period ended 30 June 2016. Company has changed its financial year-end from 31 December to 30 June. Accordingly, the current financial period covers the period of 18 months from 1 January 2015 to 30 June 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Principal Activity

The principal activity of the Company is to act as a holding Company.

Results and dividends

The profit for the 18 month period, after taxation, amounted to \$23,625,907 (2014: \$12,710,265).

The directors do not recommend the payment of a dividend. (2014: nil).

Directors

The directors who have held office during the period from 1 January 2015 to the date of this report are as follows:

James Aloysius Fagan
Douglas James Rogerson (appointed on 15 April 2015)

Future developments

The directors aim to maintain the current management policies and do not anticipate any significant change in the continuing activities of the company in the foreseeable future.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Strategic Report. Given the Company only acts as a holding Company and has received a letter of parental support from Telstra Corporation, its ultimate parent company, which confirms that Telstra Corporation will continue to provide financial support to the Company for a period of twelve months from the signing of the Auditor's Report in the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disclosure of information to auditors

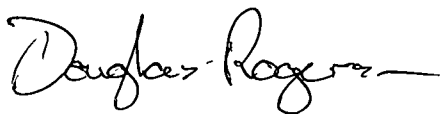
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors has taken all the steps that ought to have been taken as a directors in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

M R Salvage Limited resigned as auditor on 14 December 2015 and Ernst & Young LLP were appointed in their place. Ernst & Young LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

The report was approved by the board and signed on its behalf.



Douglas James Rogerson
Director
Date: 29/3/2017

Pacnet Network (UK) Limited

Independent Auditor's Report to the member of Pacnet Network (UK) Limited

We have audited the financial statements of Pacnet Network (UK) Limited for the period ended June 30, 2016, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 13. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 an auditors' report 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 auditor

As explained more fully in the Directors' Responsibilities Statement on page 2, 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 Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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 Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with those financial statements.

Pacnet Network (UK) Limited

Independent Auditor's Report to the member of Pacnet Network (UK) Limited (continued)

Matters on which we are required to report by exception

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 the information and explanations we require for our audit.



Neil Cullum (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP (Statutory Auditor)

London
Date: 31/01/2017

Pacnet Network (UK) Limited

Statement of Comprehensive Income
For the financial period from 1 January 2015 to 30 June 2016

	Note	1.1.2015 to 30.6.2016 \$	1.1.2014 to 31.12.2014 \$
Other operating income		27,218,229	12,553,913
Operating profit	4	27,218,229	12,553,913
Dividend income from associate undertaking		179,581	156,352
Profit before taxation		27,397,810	12,710,265
Taxation	6	(3,771,903)	--
Profit for the financial period/year and Total comprehensive income for the financial period/year		23,625,907	12,710,265

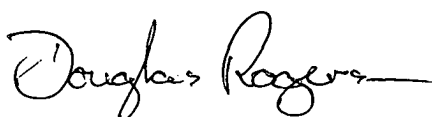
The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Pacnet Network (UK) Limited

**Balance Sheet
As at 30 June 2016**

	Note	30 June 2016 \$	31 December 2014 \$
Fixed Assets			
Investments	7	-	-
Current liabilities			
Other creditors	8	192,449,279	216,075,186
Net liabilities		192,449,279	216,075,186
Capital and reserves			
Called up share capital	9	3	3
Retained earnings		(192,449,282)	(216,075,189)
Total equity		(192,449,279)	(216,075,186)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Douglas James Rogerson
Director
Date 29/3/2017

Pacnet Network (UK) Limited

**Statement of Changes in Equity
For the period ended 30 June 2016**

	Called up share capital	Retained earnings	Total equity
	\$	\$	\$
At 1 January 2014	3	(228,785,454)	(228,785,451)
Total comprehensive income for the year	-	12,710,265	12,710,265
At 31 December 2014	<u>3</u>	<u>(216,075,189)</u>	<u>(216,075,186)</u>
At 1 January 2015	3	(216,075,189)	(216,075,186)
Total comprehensive income for the period	-	23,625,907	23,625,907
At 30 June 2016	<u>3</u>	<u>(192,449,282)</u>	<u>(192,449,279)</u>

1. Accounting policies

1.1 Basis of preparation of financial statements

Pacnet Network (UK) Limited is a limited liability company incorporated in England and Wales. Its registered address is 2nd Floor, Blue Fin Building, London SE1 0TA.

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The Company transitioned from previous UK GAAP with effect from January 1, 2014. Information on the impact of first time adoption of FRS 101 is given in note 13.

The Company has taken advantage of the exemption in s401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it is a wholly owned indirect subsidiary of Telstra Corporation Limited which prepares consolidated financial statements in which the Company is included.

The financial statements are presented in the Company's functional currency of United States dollars ("\$").

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Further information is given in note 2 below.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1. Accounting policies (continued)

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Strategic Report. Given the Company only acts as a holding Company and has received a letter of parental support from Telstra Corporation, its ultimate parent company, which confirms that Telstra Corporation will continue to provide financial support to the Company for a period of twelve months from the signing of the Auditor's Report in the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'Administrative expenses'.

1.5 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.

1.6 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.7 Dividend Income

Dividend income is recognised when the shareholder's right to receive payment is established provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Pacnet Network (UK) Limited

Notes to the Financial Statements

For the financial period from 1 January 2015 to 30 June 2016

2. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 12.

3. Staff costs

The Company has no employees. (2014: nil).

4. Operating profit

This is stated after (crediting)/charging:

	1.1.2015 to 30.6.2016 \$	1.1.2014 to 31.12.2014 \$
Foreign exchange gain	(27,224,796)	(12,589,622)
Auditors' remuneration	13,936	6,463

5. Directors' emoluments

None of the directors received any remuneration in respect of their qualifying services as directors of the Company during the year. (2014: nil).

6. Taxation

Corporation tax

	1.1.2015 to 30.6.2016 \$	1.1.2014 to 31.12.2014 \$
Current tax on profit for the period/year	3,771,903	-
Total current tax / Taxation	3,771,903	-

Pacnet Network (UK) Limited

Notes to the Financial Statements

For the financial period from 1 January 2015 to 30 June 2016

6. Taxation (continued)

Factors affecting the tax charge

The tax assessed for the eighteen months period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	1.1.2015 to 30.6.2016 \$	1.1.2014 to 31.12.2014 \$
Profit before tax	27,397,810	12,710,265
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014: 21%)	5,479,562	2,669,156
Effects of:		
Expenses not deductible for tax purposes	1,796	1,642
Income not taxable for tax purposes	(35,916)	(32,834)
Utilisation of tax losses	(1,673,539)	(2,637,964)
	3,771,903	-

7. Investments in subsidiaries, associates and joint ventures

\$

Net book value as of 30 June 2016 and 31 December 2014

-

All of the investments have been fully impaired in prior year.

Details of investments are as follows:

Name of company	Principal activities	Holding	2016 %	2014 %
<i>Subsidiary undertakings:</i>				
Pacnet Services (Japan) Corp.	Telecommunication services	Direct	57.8	57.8
Pacnet Network (Philippines) Inc.	Telecommunication services	Direct	100	100
Pacnet Network (Korea) Ltd.	Telecommunication services	Direct	100	100
<i>Joint ventures:</i>				
Dacom Crossing Corporation	Telecommunication services	Direct	49	49
Asia Netcom Philippines Corporation	Investment Properties	Indirect	40	40
Digitel Crossing Inc. (Philippines)	Telecommunication services	Indirect	48	48

Pacnet Network (UK) Limited

Notes to the Financial Statements

For the financial period from 1 January 2015 to 30 June 2016

8. Other creditors

	30 June 2016	31 December 2014
	\$	\$
Amounts owed to group undertakings	188,653,777	216,058,154
Accrued expenses	23,599	17,032
Taxation	3,771,903	--
	192,449,279	216,075,186

9. Share capital

	30 June 2016	31 December 2014
	£	£
Authorised		
1,000 – Ordinary shares of £1 each	1,000	1,000

	30 June 2016	31 December 2014
	\$	\$
Allotted, called up and fully paid		
2 – Ordinary shares of £1 each	3	3

10. Immediate and ultimate parent companies

The Company's immediate parent company is Pacnet Network Limited, incorporated in Bermuda. The ultimate holding company is Telstra Corporation Limited, incorporated in Australia.

11. Contingent liabilities

As at 31 December 2014, the shares and assets of the Company had been pledged to various groups of lenders, as security for US\$350 million (2013: \$350 million) 9.00% senior secured guaranteed notes due 2018 and a US\$50 million (2013: US\$50 million) secured term loan facility which bore interest of LIBOR plus 4.00% to 4.25% margin (2013: interest of LIBOR plus 4.25% to 4.50% margin). Both the senior notes and secured facility were due in 2018 (2013: due in 2018) and were issued and obtained respectively by Pacnet Limited, the Company's intermediate holding company.

Both the senior notes and secured facility have been fully repaid during the 18 month period ended 30 June 2016 and the pledge of the shares and assets of the Company has been released as of 30 June 2016.

12. Deferred tax

The unutilized tax losses of \$1,673,539 has been utilized in the current period.

13. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the eighteen months period ended 30 June 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014 the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101.

There were no financial impacts of adopting FRS 101 on either total equity or profit after tax as reported under previous UK GAAP. The only changes within the financial statements relates to disclosure requirements.