

REGISTERED NUMBER: 03947900 (England and Wales)

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

FOR

PACNET NETWORK (UK) LTD

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

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FOR THE YEAR ENDED 31 DECEMBER 2014

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PACNET NETWORK (UK) LTD
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTORS:

James Aloysius Fagan
Douglas James Rogerson

SECRETARY:

John Matthew Joseph Gould

REGISTERED OFFICE:

2nd Floor Blue Fin Building
110 Southwark Street
London
SE1 0TA

REGISTERED NUMBER:

03947900 (England and Wales)

AUDITORS:

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

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

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report for the year ended 31 December 2014

REVIEW OF BUSINESS

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

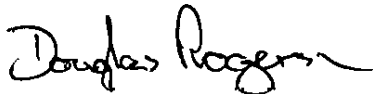
Given the straight forward nature of this entity alone, the company's directors are of the opinion that an analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business

PRINCIPAL RISKS AND UNCERTAINTIES

Due to the simple function of the entity alone, 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. The risk is managed at group level and by obtaining financial support by Pacnet Network Limited, the immediate holding company

ON BEHALF OF THE BOARD



Douglas James Rogerson - Director

Date 24/8/2015

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

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report with the financial statements of the company for the year ended 31 December 2014

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2014

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements

DIRECTORS

The directors who have held office during the period from 1 January 2014 to the date of this report are as follows

Brett Larry Lay - resigned 10 December 2014

James Aloysius Fagan - appointed 10 December 2014

Douglas James Rogerson was appointed as a director after 31 December 2014 but prior to the date of this report

Ms Ho Pui Sin ceased to be a director after 31 December 2014 but prior to the date of this report

DISCLOSURE IN THE STRATEGIC REPORT

Items required under Schedule 7 to be disclosed in the directors' report have been set out in the Strategic Report in accordance with s.414C(11) CA 2006

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

PACNET NETWORK (UK) LTD (REGISTERED NUMBER 03947900)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

AUDITORS

The auditors, M R Salvage Limited, will be proposed for re-appointment

ON BEHALF OF THE BOARD



Douglas James Rogerson - Director

Date 24/8/2015

**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 2014 on pages seven to twelve. 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 three, 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 Strategic Report and the Report of the Directors 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.

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 2014, 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 Strategic Report and 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 Strategic Report and 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 BSc FCA ATII (Senior Statutory Auditor)
for and on behalf of M R Salvage Limited
Chartered Accountants
and Statutory Auditors
7/8 Eghams Court
Boston Drive
Bourne End
Buckinghamshire
SL8 5YS

Date

28th August 2015

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

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$	2013 \$
TURNOVER		-	-
Administrative expenses		<u>(12,553,913)</u>	<u>3,977,302</u>
OPERATING PROFIT/(LOSS)	3	12,553,913	(3,977,302)
Income from participating interests	10	<u>156,352</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		12,710,265	(3,977,302)
Tax on profit/(loss) on ordinary activities	4	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>12,710,265</u>	<u>(3,977,302)</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 profit for the current year and the loss for the previous year

The notes form part of these financial statements

PACNET NETWORK (UK) LTD (REGISTERED NUMBER 03947900)

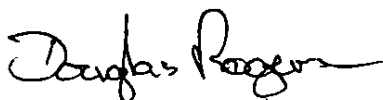
BALANCE SHEET
31 DECEMBER 2014

	Notes	2014 \$	2013 \$
CREDITORS			
Amounts falling due within one year	5	<u>216,075,186</u>	<u>228,785,451</u>
NET CURRENT LIABILITIES		<u>(216,075,186)</u>	<u>(228,785,451)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(216,075,186)</u>	<u>(228,785,451)</u>
CAPITAL AND RESERVES			
Called up share capital	6	3	3
Profit and loss account	7	<u>(216,075,189)</u>	<u>(228,785,454)</u>
SHAREHOLDERS' FUNDS	12	<u>(216,075,186)</u>	<u>(228,785,451)</u>

The financial statements were approved by the Board of Directors on
signed on its behalf by

24/8/2015

and were



Douglas James Rogerson - Director

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The accounts have been prepared on a going concern basis, as the officers of the ultimate parent company, Telstra Corporation Limited, have given a letter of support to the company to guarantee that they agree to provide continuing financial support to the company during their ownership for at least 12 months from signing these accounts

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) Ltd 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 penultimate 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 penultimate company, Pacnet Limited, 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

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

2 STAFF COSTS

There were no staff costs for the year ended 31 December 2014 nor for the year ended 31 December 2013

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2014**

3 OPERATING PROFIT/(LOSS)

The operating profit (2013 - operating loss) is stated after (crediting)/charging

	2014	2013
	\$	\$
Foreign exchange differences	(12,589,622)	3,963,180
Auditors' remuneration	<u>6,463</u>	<u>6,179</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 2014 nor for the year ended 31 December 2013

Factors affecting the tax charge

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

	2014	2013
	\$	\$
Profit/(loss) on ordinary activities before tax	<u>12,710,265</u>	<u>(3,977,302)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2013 - 23%)	2,669,156	(914,779)
Effects of		
Expenses not deductible for tax purposes	1,642	-
Income not taxable for tax purposes	(32,834)	-
Utilisation of tax losses	(2,637,964)	-
Losses carried forward	<u>-</u>	<u>914,779</u>
Current tax charge	<u>-</u>	<u>-</u>

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	\$	\$
Trade creditors	-	180
Amounts owed to group undertakings	216,058,154	228,772,414
Accrued expenses	<u>17,032</u>	<u>12,857</u>
	<u>216,075,186</u>	<u>228,785,451</u>

6 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid
Number Class:

		Nominal value	2014	2013
			\$	\$
2	Ordinary	£1	<u>3</u>	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2014

7 RESERVES

	Profit and loss account \$
At 1 January 2014	(228,785,454)
Profit for the year	<u>12,710,265</u>
At 31 December 2014	<u>(216,075,189)</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

Since the year end, the ultimate parent company has changed to Telstra Corporation Limited (see Note 11)

9 CONTINGENT LIABILITIES

As at 31 December 2014, the shares and assets of the company have 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 bear interest of LIBOR plus 4.00% to 4.25% margin (2013 bear interest of LIBOR plus 4.25% to 4.50% margin). Both the senior notes and secured facility are due in 2018 (2013 due in 2018) 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 other group undertakings.

During the year, the company received \$156,352 of dividends from its associate undertaking, Dacom Crossing Corporation. This is disclosed as income from participating interests in the financial statements on page 7.

11 POST BALANCE SHEET EVENTS

On 15 April 2015, upon acquisition of the company's penultimate holding company, Pacnet Limited, by Telstra Holdings Pty Limited, the ultimate holding company of the company has changed to Telstra Corporation Limited, incorporated in Australia.

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 \$	2013 \$
Profit/(loss) for the financial year	<u>12,710,265</u>	<u>(3,977,302)</u>
Net addition/(reduction) to shareholders' funds	12,710,265	(3,977,302)
Opening shareholders' funds	<u>(228,785,451)</u>	<u>(224,808,149)</u>
Closing shareholders' funds	<u>(216,075,186)</u>	<u>(228,785,451)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2014

13. SIGNIFICANT SUBSIDIARIES HELD BY THE COMPANY

Name of company	Principal activities	Country of incorporation	Equity holding (2014)	Equity holding (2013)
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

14. DEFERRED TAX

A potential deferred tax asset of approximately \$1,674,000 (2013 \$4,814,000) 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.

15. ASSOCIATES & JOINT VENTURES HELD BY COMPANY

Name	Country of Incorporation	Proportion of Class of Shares Held by Company
Dacom Crossing Corporation	Korea	49% (2013: 49%)
Asia Netcom Philippines Corporation	Philippines	40% (2013: 40%)
Digitel Crossing Inc (Philippines)	Philippines	48% (2013: 48%)