

Company Registration No. 04561783 (England and Wales)

Pacnet Services (UK) LTD

Annual Report and Financial Statements
For the year ended 30 June 2022



General

Pacnet Services (UK) LTD

Company information

Directors

James Lester

Registered Office

C/O Telstra Ltd 2nd Floor
Blue Fin Building
110 Southwark Street
London
SE1 0TA

Auditor

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

Pacnet Services (UK) LTD

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Pacnet Services (UK) LTD

Director's report

The directors present their annual report and the audited financial statements of Pacnet Services (UK) LTD (the "Company") for the financial year ended 30 June 2022.

Director's responsibilities statement

The directors are responsible for preparing the Director's 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 prepared 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 consisted primarily of the provision of telecommunication services to Telstra International Limited.

Results and dividends

The loss for the year ended 30 June 2022 amounted to £499,334 (2021: £546,151 profit).

The directors do not recommend the payment of a dividend (2021: Nil).

Directors

The directors who have held office during the year to the date of this report are as follows:

James Lester

Matthew Williams (resigned 7 July 2023)

Wisanka Amarasinghe (appointed 26 January 2022, resigned 9 June 2022)

Pacnet Services (UK) LTD

Directors' report (continued)

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.

The Company has not experienced any significant reduction in revenues or cash collections from customers arising from the Covid-19 pandemic; its supply chain has been maintained and operations have not been significantly disrupted by the need for remote working. At present, the directors believe that the Company is well placed to continue without significant adverse operational or financial impact. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19, the directors continue to monitor the situation closely and will regularly update their assessment of the impact of the pandemic.

Going concern

At June 30, 2022, the Company had net liabilities of £2,104,237, cash and cash equivalents of £361,142 and net current liabilities of £2,155,751. The majority of the Company's cash is held with the ultimate parent undertaking, Telstra Group Limited, under a group banking arrangement and is available upon demand. The Company meets its day to day working capital needs through cash generated from operations and by drawing down upon the amount held under the group banking arrangement.

As of the date of this report, the Company's cash and cash equivalent balance has not reduced compared to the balance at June 30, 2022. The Company's financial forecasts, which have been updated in the light of the COVID-19 pandemic, show that it is expected to remain cash positive for a period of at least 12 months to 31 July 2024. The directors have stress-tested these forecasts for plausible reductions in revenue and are confident that the Company will be able to remain in operation and meet its liabilities as they fall due in all reasonably foreseeable circumstances.

Further, the directors have received confirmation from the Company's ultimate holding company, Telstra Group Limited, that amounts totaling £6,557,724 owed by the Company to other companies within the group will not be required to be repaid, in whole or in part, for a period of at least 12 months to 31 July 2024.

Cash and cash equivalents include cash held with the ultimate parent undertaking, Telstra Group Limited under a group banking arrangement that is available upon demand.

In its results as at 30 June 2022, the ultimate parent Telstra Group Limited reported full-year revenue of AUD \$22 billion, underlying EBITDA of AUD \$7.3 billion and free cash flow of AUD \$3.9 billion. At 30 June 2022 the Group had undrawn committed borrowing facilities of AUD \$3.8 billion. The Group's full year guidance for the year-ended 30 June 2023 is for revenues in the range AUD \$23 to \$25 billion, underlying EBITDA in the range AUD \$7.8 to \$8 billion, and free cash flow in the range AUD \$2.6 to \$3.1 billion. Based on this information and on enquiries, the directors believe that Telstra Group Limited has the ability to provide financial support and meet group banking commitments to the Company for the going concern assessment period, which the directors regard as 12 months from the date of this report.

Taking into account the position of the ultimate parent, and their assessment of the impact of COVID-19 on the Company summarised in the Director's Report, the directors are of the view, to the best of their current knowledge, that the Company has access to sufficient cash resources and that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Pacnet Services (UK) LTD

Directors' report (continued)

Post balance sheet events

There were no significant events after 30 June 2022 that required adjustment to or disclosure in the financial statements.

Disclosure of information to auditor

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

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


Auditor

The auditor, Ernst & Young LLP, will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

Small companies exemptions

In preparing this report, the directors have taken advantage of the small companies exemption in Section 415A of the Companies Act 2006. The directors have also taken advantage of the exemption in Section 414B of the Companies Act 2006 and have not prepared a strategic report.

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


James Lester (Jul 18, 2023 13:08 GMT+8)

James Lester
Director

Date: 18-Jul-2023

Independent auditor's report to the members of Pacnet Services (UK) LTD

Opinion

We have audited the financial statements of Pacnet Services (UK) LTD for the year ended 30 June 2022 which comprise the Statement of comprehensive (loss) / income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2022 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months to 30 June 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

Independent auditor's report to the members of Pacnet Services (UK) LTD (continued)

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for

Independent auditor's report to the members of Pacnet Services (UK) LTD (continued)

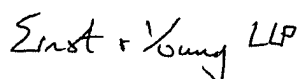
the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations. In addition, the company has to comply with laws and regulations related to its operations such as UK Bribery Act and Global Data Protection Regulations (GDPR).
- We understood how Pacnet Services (UK) LTD is complying with those frameworks by understanding the oversight of those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by challenging the company's policies and procedures on fraud risks.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
 - Consideration of fraud risks during the planning of and throughout our audit including making enquiries of management, the Head of Legal EMEA and UK Legal Counsel.
 - Enquiring of Management as to the risks of fraud and the controls in place.
 - Understanding the oversight by those charged with governance of management's controls over fraud risk including the whistleblowing processes.
 - Reviewing minutes from the Board of Directors.
 - Consideration of the effectiveness of management's controls designed to address the risk of fraud.
 - Determining an appropriate strategy to address those identified risks of fraud.
 - Considering the key management estimates for possible manipulation or evidence of possible management bias or excessive optimism.
 - We tested specific transactions back to source documentation or independent confirmations as appropriate.
 - Use of data analysis tools to analyse and sample journal entries for testing, outside of the identified fraud risks, to detect other unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 auditor's 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.

 Philip Young LLP

Philip Young (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 18 July 2023

Pacnet Services (UK) LTD

**Statement of comprehensive (loss) / income
For the financial year ended 30 June 2022**

	Note	2022 £	2021 £
Turnover	3	109,610	147,077
Other (losses) / income		(499,733)	574,215
Operating charges	4	(40,494)	(127,685)
Depreciation of tangible assets	8	(68,717)	(43,494)
Depreciation of right-of-use asset	9	-	(3,656)
Finance costs		-	(306)
(Loss) / profit before taxation	4	(499,334)	546,151
Taxation	7	-	-
(Loss) / profit for the financial year and total comprehensive (loss) / income for the year		(499,334)	546,151


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

Pacnet Services (UK) LTD

**Balance sheet
As at 30 June 2022**

	Note	2022 £	2021 £
Non-current assets			
Tangible assets	8	51,514	120,231
Right-of-use assets	9	-	-
		<u>51,514</u>	<u>120,231</u>
Current assets			
Debtors: amounts falling due within one year	10	4,208,951	4,212,275
Cash and cash equivalents		361,142	180,042
Total current assets		<u>4,570,093</u>	<u>4,392,317</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(6,725,844)	(6,117,451)
Lease liabilities	9	-	-
Net current liabilities		<u>(2,155,751)</u>	<u>(1,725,134)</u>
Non-current liabilities			
Lease liabilities	9	-	-
Net liabilities		<u>(2,104,237)</u>	<u>(1,604,903)</u>
Capital and reserves			
Called up share capital	12	5,000	5,000
Profit and loss account		(2,109,237)	(1,609,903)
Total equity		<u>(2,104,237)</u>	<u>(1,604,903)</u>

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


James Lester (Jul 18, 2023 13:08 GMT+8)

James Lester, Director

Date: 18-Jul-2023

Registered number: 04561783

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

Pacnet Services (UK) LTD

**Statement of changes in equity
For the year ended 30 June 2022**

	Called up share capital (Note 12) £	Profit and loss account £	Total equity £
At 1 July 2020	5,000	(2,156,054)	(2,151,054)
Total comprehensive income for the Year	-	546,151	546,151
At 30 June 2021	5,000	(1,609,903)	(1,604,903)
At 1 July 2021	5,000	(1,609,903)	(1,604,903)
Total comprehensive income for the Year	-	(499,334)	(499,334)
At 30 June 2022	5,000	(2,109,237)	(2,104,237)

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

Pacnet Services (UK) LTD

Notes to the financial statements For the financial year ended 30 June 2022

1. Accounting policies

1.1 Basis of preparation of financial statements

Pacnet Services (UK) LTD is a limited liability company incorporated in England and Wales. Its registered address is C/O Telstra UK Ltd, 2nd Floor, Blue Fin Building, 110 Southwark Street, London SE1 0TA. The Company is a private company limited by shares.

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 financial statements are presented in the Company's functional currency of Pounds Sterling ("£").

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 consolidated financial statements of Telstra Group Limited may be obtained from the Telstra Group corporate website (<https://www.telstra.com.au/aboutus/investors/financial-information/reports>).

The following principal accounting policies have been applied:

1.2 FRS 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;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- 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 and 18A 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.

Pacnet Services (UK) LTD

Notes to the financial statements For the financial year ended 30 June 2022

1. Accounting policies (continued)

1.3 Going concern

At June 30, 2022, the Company had net liabilities of £2,104,237, cash and cash equivalents of £361,142 and net current liabilities of £2,155,751. The majority of the Company's cash is held with the ultimate parent undertaking, Telstra Group Limited, under a group banking arrangement and is available upon demand. The Company meets its day to day working capital needs through cash generated from operations and by drawing down upon the amount held under the group banking arrangement.

As of the date of this report, the Company's cash and cash equivalent balance has not reduced compared to the balance at June 30, 2022. The Company's financial forecasts, which have been updated in the light of the COVID-19 pandemic, show that it is expected to remain cash positive for a period to 31 July 2024. The directors have stress-tested these forecasts for plausible reductions in revenue and are confident that the Company will be able to remain in operation and meet its liabilities as they fall due in all reasonably foreseeable circumstances.

Further, the directors have received confirmation from the Company's ultimate holding company, Telstra Group Limited, that amounts totaling £6,557,724 owed by the Company to other companies within the group will not be required to be repaid, in whole or in part, for a period of at least 12 months to 31 July 2024.

Cash and cash equivalents include cash held with the ultimate parent undertaking, Telstra Group Limited under a group banking arrangement that is available upon demand.

In its results as at 30 June 2022, the ultimate parent Telstra Group Limited reported full-year revenue of AUD \$22 billion, underlying EBITDA of AUD \$7.3 billion and free cash flow of AUD \$3.9 billion. At 30 June 2022 the Group had undrawn committed borrowing facilities of AUD \$3.8 billion. The Group's full year guidance for the year-ended 30 June 2023 is for revenues in the range AUD \$23 to \$25 billion, underlying EBITDA in the range AUD \$7.8 to \$8 billion, and free cash flow in the range AUD \$2.6 to \$3.1 billion. Based on this information and on enquiries, the directors believe that Telstra Group Limited has the ability to provide financial support and meet group banking commitments to the Company for the going concern assessment period, which the directors regard as 12 months from the date of this report.

Taking into account the position of the ultimate parent, and their assessment of the impact of COVID-19 on the Company summarised in the Director's Report, the directors are of the view, to the best of their current knowledge, that the Company has access to sufficient cash resources and that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Accounting policies (continued)

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 year 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 year-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 'Operating charges'.

1.5 Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Terrestrial Transmission Equipment	-	10% on cost
Computer Hardware Equipment	-	20% on cost

1.6 Cash and cash equivalents

Cash and cash equivalents include cash held with the ultimate parent undertaking, Telstra Group Limited, under a group banking arrangement that is available upon demand, cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subject to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

1.7 Debtors

Trade debtors are recognised and carried at the lower of their original invoiced and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Under IFRS 9, the company records expected credit losses ("ECLs") on all of its financial assets measured at amortised cost or at fair value through other comprehensive income ("FVOCI"). The Company uses the individual assessment method to assess the collectability of trade receivables for determination of expected credit losses.

Accounting policies (continued)

1.8 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.

1.9 Revenue

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue comprises a mark-up on recoverable costs in accordance with the terms of the Company's intra-group agreement with Telstra International Limited. Revenue is recognised at the point in time when the right to expenditure is established.

1.10 Current and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit or deferred tax liabilities will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it related to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

Pacnet Services (UK) LTD

Notes to the financial statements For the financial year ended 30 June 2022

1. Accounting policies (continued)

1.11 Leases

As lessee

The Company applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- **Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Colocation racks	-	0-3.5 years
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If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

- **Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are presented separately in the balance sheet.

Pacnet Services (UK) LTD

Notes to the financial statements For the financial year ended 30 June 2022

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 notes 6 and 7.

3. Turnover

The turnover represents charges in respect of telecommunications services provisioned to Telstra International Limited.

100% of turnover is attributable to geographical markets outside the United Kingdom (2021: 100%).

4. (Loss) / Profit before taxation

The (loss) / profit before taxation is stated after charging:

	2022	2021
	£	£
Foreign exchange loss / (gain)	503,875	(566,848)
Auditor's remuneration	20,000	19,993
Depreciation of tangible assets	68,717	43,494
Depreciation of right-of-use asset	-	3,656
Impairment on intercompany receivable	-	33,600

Auditor's remuneration was paid/payable for the audit of the financial statements of the Company. No non-audit services were rendered.

5. Employees and directors' remuneration

The Company had no employees other than the directors (2021: Nil).

The directors are remunerated by Telstra Group Limited, Telstra Singapore Pte Ltd and Telstra UK Limited. It is not practicable to determine the proportion of remuneration which relates to their qualifying services as directors of this Company (2021: £Nil).

6. Deferred tax

As of 30 June 2022, a potential deferred tax asset of £125,866 (2021: £38,000) in respect of deductible temporary differences including 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 tax losses may be utilised in future periods through the generation of future taxable profits.

Pacnet Services (UK) LTD

**Notes to the financial statements
For the financial year ended 30 June 2022**

7. Taxation

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2022 nor the year ended 30 June 2021.

Factors affecting the tax charge

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 30 June 2022 and 2021 are as follows:

	2022	2021
	£	£
(Loss) / profit on ordinary activities before tax	(499,334)	546,151
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	(94,873)	103,769
Effects of:		
Capital allowances for the year less than depreciation	10,379	4,999
Increase in / (Utilisation of) unrecognized tax losses	84,494	(108,768)
Tax charge	—	—

Factors that may affect future tax charges

The Chancellor announced in the Budget on 3 March 2021 that the main rate of UK Corporation tax for the years starting 1 April 2021 and 1 April 2022 would remain at 19% and increase to 25% from 1 April 2023, this results in an increase in the rate applied recognized deferred tax asset from 19% to 25% in the prior year. The tax rate is unchanged in the current year. Unrecognized deferred tax totals £125,866 (2021: £38,000).

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**Notes to the financial statements
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8. Tangible assets

	Terrestrial transmission equipment £	Computer hardware equipment £	Total £
Cost			
At 30 June 2021	627,595	59,725	687,320
At 30 June 2022	<u>627,595</u>	<u>59,725</u>	<u>687,320</u>
Depreciation			
At 30 June 2021	507,364	59,725	567,089
Charge for the year	68,717	-	68,716
At 30 June 2022	<u>576,080</u>	<u>59,725</u>	<u>635,805</u>
Net book value			
At 30 June 2022	<u>51,514</u>	<u>-</u>	<u>51,515</u>
At 30 June 2021	<u>120,231</u>	<u>-</u>	<u>120,231</u>

9. Leases

The Company had lease contracts for colocation racks used in its operations, the leases were novated to fellow group company Telstra Limited during the year ended 30 June 2021. The lease terms of colocation racks are generally dependent on the contractual terms set out in the agreement.

Below are the carrying amounts of lease liabilities and the movements during the year:

	2022 £	2021 £
At 1 July	-	111,510
Accretion of interest	-	306
Payments	-	-
Released on novation of leases	-	(111,816)
At 30 June	<u>-</u>	<u>-</u>
	2022 £	2021 £
Current	-	-
Non-current	-	-
	<u>-</u>	<u>-</u>

Pacnet Services (UK) LTD

Notes to the financial statements
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9. Leases (Continued)

The following are the amounts recognised in profit or loss:

	<u>2022</u> £	<u>2021</u> £
Depreciation expense of right-of-use assets	-	3,656
Interest expense on lease liabilities	-	306
(Gain) on novation of leases	-	(5,796)
Total amount recognised in profit or loss	<u>-</u>	<u>(1,834)</u>

10. Debtors: amounts falling due within one year

	<u>2022</u> £	<u>2021</u> £
Other receivables	-	14,149
Amounts owed by group undertakings	4,208,951	4,198,126
	<u>4,208,951</u>	<u>4,212,275</u>

All amounts owed by group undertakings are unsecured, interest-free and repayable on demand.

11. Creditors: amounts falling due within one year

	<u>2022</u> £	<u>2021</u> £
Trade creditors	-	3,676
Amounts owed to group undertakings	6,557,724	5,961,924
Accrued expenses	168,120	151,851
	<u>6,725,844</u>	<u>6,117,451</u>

All amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

12. Called up share capital

	<u>2022</u> £	<u>2021</u> £
Authorised		
50,000 – Ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid		
5,000 – Ordinary shares of £1 each	5,000	5,000

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

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**Notes to the financial statements
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13. Immediate and ultimate holding companies

The immediate holding undertaking is Pacnet Global Corporation (S) Pte. Ltd., incorporated in Singapore.

The ultimate holding undertaking of the smallest and largest group which includes the Company and for which publicly available Group financial statements are prepared is Telstra Group Limited. Copies of these financial accounts can be obtained from Level 28, 242 Exhibition Street, Melbourne Victoria 3000 Australia.

14. Post balance sheet events

There were no significant events after 30 June 2022 that required adjustment to or disclosure in the financial statements.