UKB Solutions Limited

Annual Report and Financial Statements

31 December 2015

Registered number: 04939176

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Company Information

Directors
Sir David Ford
Nicholas James Williams

Company secretary
Jordan Cosec Limited

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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London
WC2N 6RH

Registered office
20-22 Bedford Row
London
WC1R 4JS

Registered number
04939176

Chief Executive Officer's Statement

Introduction

UKB Solutions Limited ("UKB Solutions" or the "company") is the valued added distribution business of the UK based Relish Group of companies. The Relish Group is made up of UK Broadband Limited, UKB Networks Limited and Relish Networks Plc. UKB Solutions is an indirect wholly owned subsidiary of PCCW Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange"). Both UKB Networks Limited and Relish Networks Plc are the indirect wholly owned subsidiaries of HKT Limited, which is a subsidiary of PCCW Limited. The share stapled units jointly issued by HKT Trust and HKT Limited are listed on the HK Stock Exchange.

UKB Solutions is a specialist supplier of wireless and primarily wireless CCTV equipment and design solutions to businesses and local authorities. UKB Solutions also supplies wireless equipment to the Relish Group. Through its work with local authorities, the company also provides leads for wireless managed services that are delivered by other parts of the Relish Group.

Trading Overview

At the start of 2015, the company had a relatively narrow base of key customers. Early in the year the company lost two key accounts, one of which accounted for more than 10% of revenues. Other key account holders purchased, on average, 20% less products and services from the company in 2015 compared to 2014. Whilst new accounts were brought on during the year, these did not fully replace the revenue lost from existing accounts.

The two underlying issues in the year were the increase in the availability of equipment that is more easily configured by users on a self-install basis and the fact that most of UKB Solutions' key customers have now been trained to also self-install the more complex equipment too. These two factors have resulted in customers being able to undertake their own design and installation work and thus primarily just buying equipment from UKB Solutions instead of also purchasing design and installation services which they would have done in previous years. This has resulted in lower revenues and lower margins from each customer.

Trading Results

In the year ending 31st December 2015, revenue reduced by 5% to £1,708,500 (2014: £1,795,567) and operating margins decreased by 4% to 24% (2014: 28%) with cost of sales increasing by £14,178 to £1,300,559 (2014: £1,286,381).

The company's efforts to reduce costs started to bear fruit with administrative expenses, including staff costs but excluding depreciation, decreasing by 10% to £344,125 (2014: £397,698).

Profit for the financial year, after taxation, amounted to £63,816 (2014 Profit: £111,488) a decrease of 43%.

Outlook

In 2016 the company is taking three main steps to improve its business.

Firstly the company has continued to slim down its design resources in favour of increased focus on marketing and sales to new customers who require equipment only. Whilst this reduces margins, it increases total revenues to improve overall profitability. The company's key equipment vendors will be supporting this initiative with added marketing spend to support their respective technologies.

Secondly, it is developing its equipment supply services to the Relish Group, in particular to Relish Networks Plc, the fibre arm of the Group that was acquired by the Group in mid 2015, that requires equipment for its growing managed broadband campus services business.

Thirdly, the combination of increased external and internal customers gives UKB Solutions the opportunity to negotiate better rates with equipment manufacturers and improve margins.

Nicholas James Williams – Chief Executive Officer
22 September 2016

Directors' Report

For the year ended 31 December 2015

The directors present their report and audited financial statements for the year ended 31 December 2015 of UKB Solutions Limited (the "company").

Business review, principal activities and future developments
The principal activities of the company are the provision of wireless solutions including design and equipment supply. No significant changes in the principal activities are expected in the next 12 months.

Review of the financial performance and position of the business and key performance indicators (KPIs)
Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The business is measured by revenue and operation profit or loss before tax.

Principal risks and uncertainties
The principal business risks would be the loss of key customers and price reductions given competitive pressures in the market. The company manages these risks by maintaining strong relationships with key suppliers and customers.

Results and dividends
Profit for the financial year, after taxation, amounted to £63,816 (2014: £111,488). The directors do not recommend the payment of a dividend (2014: nil).

Strategic report: small companies exemptions
The company is entitled to small companies exemption in preparation of a strategic report according to s414B of the Company Act 2006.

Directors
The directors of the company who held office during the year and up to the date of signing the financial statements are as follows:
Sir David Ford
Nicholas James Williams

Political and charitable donations
During the year, the Company made no political or charitable contributions (2014: nil).

Going concern
The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of PCCW-HKT Limited ("PCCW-HKT"), an indirect wholly owned subsidiary of PCCW Limited ("PCCW"), which is the ultimate parent company of the company. The directors have received confirmation that PCCW-HKT intends to support the company for at least one year after these financial statements are signed.

Directors' Report (continued)

For the year ended 31 December 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 income statement 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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board,

Sir David Ford

Director

22 September 2016

Report on the financial statements

Our opinion

In our opinion, UKB Solutions Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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. With respect to the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Neil Proudlove

Neil Proudlove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 September 2016

Income Statement
For the year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	2	1,708,500	1,795,567
Cost of sales		(1,300,559)	(1,286,381)
Gross profit		407,941	509,186
Administrative expenses	3	(344,125)	(397,698)
Operating profit		63,816	111,488
Profit on ordinary activities before taxation		63,816	111,488
Tax on profit on ordinary activities	4	-	-
Profit for the financial year and comprehensive income		**63,816**	**111,488**

The results above are derived from continuing operations.

The company has no other comprehensive income other than the profit for the financial year above and therefore, no separate statement of comprehensive income is presented.

Statement of Financial Position
As at 31 December 2015

	Note	2015	2014
		£	£
Current assets			
Cash at bank and in hand		43,296	56,092
		43,296	56,092
Creditors: Amounts falling due within one year	7	(377,253)	(453,865)
Net current liabilities		(333,957)	(397,773)
Total assets less current liabilities		(333,957)	(397,773)
Net liabilities		(333,957)	(397,773)
Capital and reserves			
Called-up share capital	8	100,000	100,000
Share premium account		1,006,942	1,006,942
Retained earnings		(1,441,067)	(1,504,883)
Other reserves		168	168
Total shareholders' deficit		(333,957)	(397,773)

The financial statements on pages 7 to 14 were approved by the board of directors and signed on its behalf by Sir David Ford on 22 September 2016.

Director

Registered number: 04939176

Statement of Changes in Equity
As at 31 December 2015

	Share capital	Share premium	Other components of equity	Accumulated losses	Total equity
	£	£	£	£	£
At 1 January 2014	100,000	1,006,942	168	(1,616,371)	(509,261)
Profit for the financial year	-	-	-	111,488	111,488
At 31 December 2014	100,000	1,006,942	168	(1,504,883)	(397,773)
Profit for the financial year	-	-	-	63,816	63,816
At 31 December 2015	100,000	1,006,942	168	(1,441,067)	(333,957)

1 Accounting policies

a) Basis of accounting and presentation of financial statements, including going concern

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006; Financial Reporting Standard 101 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently.

At 31 December 2015 the company had net current liabilities and net liabilities of £333,957 (2014: £397,773). The directors of PCCW-HKT Limited ("PCCW-HKT"), an indirect wholly owned subsidiary of PCCW Limited ("PCCW"), which is the company's ultimate parent company, have confirmed that they will not seek repayment of the amounts owed to PCCW-HKT for a period of at least 12 months from the date of signing these financial statements, such that the company can continue to settle third party liabilities as they fall due. The directors of PCCW-HKT are committed to provide the necessary level of financial support to enable the company to pay its debts as they become due and believe PCCW-HKT has the financial resources to fulfil that commitment.

The Board has reviewed the company's financial position to ensure that it has adequate resources to continue in operational existence for the foreseeable future. The Directors have prepared profit and cash flow projections for a period of more than one year from the date of signing the financial statements. In the preparation of these projections, the Board has considered the trading results of the company subsequent to the period end and the ability of the Board to secure additional funding for capital expenditure, including support from PCCW-HKT.

b) Transition to FRS 101

The company has elected to apply FRS 101 'Reduced Disclosure Framework' in its financial statements for the year ended 31 December 2015 for the first time.

FRS 101 grants elections and certain exemptions from its full requirements when preparing the first financial statements that conform to FRS 101. There is no change to the comparable historical financial information in accordance with FRS 101 as at 1 January 2014 and as at, and for the year ended, 31 December 2014. FRS 101 grants elections and certain exemptions from its full requirements when preparing the first financial statements that conform to FRS 101.

c) Exemptions

The company has taken advantage of certain disclosure exemptions in FRS 101 and Company Act 2006, Section 400, in part because its financial statements are included in the publicly available consolidated financial statements of PCCW, a company incorporated in Hong Kong. Copies of the financial statements are available to the public and may be obtained from their website www.pccw.com.

FRS 101 disclosure exemptions relate to:

- the presentation of a third or opening statement of financial position at the date of transition to FRS 101 and related notes;
- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of full compliance with adopted IFRSs;
- new IFRSs that have been issued but are not yet effective and which have not been applied by the company;
- financial instruments disclosures required by IFRS 7 'Financial Instruments: Disclosures';
- disclosures required by IFRS 13 'Fair Value Measurement';
- capital management disclosures;
- comparative information for the movements from the beginning to the end of the year in respect of the number of shares, and certain other additional comparative information; and
- certain related party disclosures on key management compensation and transactions entered into between two or more wholly-owned members of a group.

1 Accounting policies (Continued)

d) Taxation

Tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is recognised in equity or other comprehensive income. The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of each deferred tax asset is reviewed at each reporting period end and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. Tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretations of tax legislation and uncertainties surrounding the application of tax legislation. In situations where uncertainties exist, provision is made for contingent tax liabilities and assets on the basis of management judgement following consideration of the available relevant information.

e) Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate at the end of the reporting period. Exchange gains and losses on the settlement of trading transactions and the revaluation of monetary assets and liabilities are included in income statement.

f) Pensions

The company makes defined contributions to the UK BROADBAND Group Personal Pension. This is a group stakeholder scheme. Contributions are charged to income statement as they become payable. Differences between contributions payable in the year and contributions actually paid during the year are shown as either accruals or prepayments in the statement of financial position.

g) Turnover

Revenues comprise amounts charged for provision of wireless equipment and design solutions, net of trade discounts and value added tax. The revenue is recognised when the goods are delivered or where services are rendered.

Contract service revenue is invoiced in accordance with the agreement and is initially deferred and included in trade and other payables. The revenue is recognised when the service is provided.

1 Accounting policies (Continued)

h) Financial assets

All of the company's financial assets are classified as loans and receivables. All financial assets are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets categorised as loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost.

i) Trade receivables

Trade receivables, classified as loans and receivables, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

j) Trade payables

Trade payables, classified as other liabilities, are initially recognised at fair value less transaction costs and subsequently at amortised cost using the effective interest method.

k) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An instrument will be classified as a financial liability when there is a contractual obligation to deliver cash or another financial asset to another enterprise. Instruments that are settled through the delivery of a variable number of equity shares are classified as financial liabilities.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

m) Leases

Lease payments under the operating lease are recognised as expense on a straight-line basis over the lease term. The company only has operating leases.

n) Critical accounting estimates and judgements

The preparation of the financial information in conformity with FRS101 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are both readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. There are no significant judgements in applying accounting policies for the company.

2 Turnover

The principal activities of the company are the provision of wireless solutions including design and equipment supply.

Turnover represents amounts charged for provision of wireless equipment and design solutions to businesses and local authorities during the year.

3 Administrative expenses

Administrative expenses included the following charges:

	2015	2014
	£	£
Outsourced personnel costs (note 5)	250,071	325,385
Travelling and expenses	9,109	7,150
Rent and rates	23,195	28,211
Audit fees	27,031	25,000
Others	34,719	11,952
	344,125	397,698

4 Tax on profit on ordinary activities

The company generated a profit chargeable to UK corporation tax which was offset by the tax losses brought forward, and there was no unprovided deferred tax liability at 31 December 2015 (2014: nil). The company has tax losses carried forward of approximately £1.6million (2014: £1.7million) available to set off against any future taxable profit.

	2015	2014
	£	£
Profit on ordinary activities before tax	63,816	111,488
UK Corporation Tax on the profit for the year at an effective rate of 20.4% (2014: 22%)	13,018	24,527
Temporary difference not recognised	(371)	(487)
Tax loss not recognised	(12,647)	(24,040)
Tax on profit on ordinary activities	-	-

5 Staff costs

	2015	2014
	£	£
Wages and Salaries	189,590	264,028
Social security costs	23,633	31,244
Bonuses	7,866	7,708
Pension costs	28,982	22,405
Total	250,071	325,385

6 Directors' remuneration

No directors have been remunerated by the company for their services during the year (2014: nil).

7 Creditors: amounts falling due within one year

	2015	2014
	£	£
Amounts owed to group undertakings	342,603	417,366
Accruals and deferred income	34,650	36,499
	377,253	453,865

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

8 Called up share capital

	2015	2014
Authorised:	£	£
100,000 (2014: 100,000) ordinary shares of £1 each	100,000	100,000

	2015	2014
Allotted and fully paid:	£	£
100,000 (2014: 100,000) ordinary share of £1 each	100,000	100,000

9 Ultimate controlling party and related party transactions

UK Broadband Limited, which is incorporated in the United Kingdom, is the immediate holding company of the company (100% effective holding). The directors regard PCCW, a company incorporated in Hong Kong, as the ultimate parent company and the ultimate controlling party. PCCW is the only parent company to prepare consolidated financial statements and copies of the financial statements are available to the public and may be obtained from their website www.pccw.com.

The company is an indirect wholly-owned subsidiary of PCCW, and its financial performance is included in PCCW group's consolidated financial statements. It has therefore taken advantage of the exemption in FRS101 from disclosing related party transactions with entities which are wholly-owned by the PCCW group.