

Company Registration No. 2822455

REACH EUROPE LTD

Report and Financial Statements

31 December 2012



REACH EUROPE LTD

REPORT AND FINANCIAL STATEMENTS 2012

| CONTENTS | Page |
|--|-------------|
| Officers and professional advisers | 1 |
| Directors' report | 2 |
| Directors' responsibilities statement | 3 |
| Independent auditor's report | 4 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Notes to the financial statements | 8 |

REACH EUROPE LTD

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Adrian Crow
Larm Kang Fong

SECRETARY

Jordan Company Secretaries Limited

REGISTERED OFFICE

50-52 Paul Street
London
EC2A 4LB

BANKERS

HSBC Bank plc
Leeds DSC
Arlington Business Centre
Millshaw Park Lane
Leeds
LS11 0PA

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge

DIRECTOR'S REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

The directors' report has been prepared in accordance with the provisions of the Companies Act 2006 relating to small companies

PRINCIPAL ACTIVITY

The principal activity of the company was to provide telecommunication services to a company within the Reach Ltd group. The company has ceased to trade in 2011. Accordingly the financial statements are prepared on a basis other than that of a going concern.

DIRECTORS

The directors who served throughout the year were as follows

Adrian Crow
Lam Kang Fong

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting

SMALL COMPANY PROVISIONS

The above report has been prepared in accordance with the provisions of the Companies Act 2006 relating to small companies

Approved by the Board of Directors
and signed on behalf of the Board



Adrian Crow
Director

7 January 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 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,
- state whether applicable accounting standards have been followed, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REACH EUROPE LTD

We have audited the financial statements of Reach Europe Ltd for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 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.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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.

Emphasis of matter - Financial statements prepared on a basis other than that of a going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REACH EUROPE LTD (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report



Andrew Swarbrick BA FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

10 January 2014

REACH EUROPE LTD

PROFIT AND LOSS ACCOUNT Year ended 31 December 2012

| | Notes | £ | 2012 £'000 | £ | 2011 £'000 |
|--|-------|-------------|--------------------|----------|-----------------------|
| Turnover | 1,2 | | 830 | | 2,521 |
| Cost of sales | | | <u>(836)</u> | | <u>(1,795)</u> |
| Gross (loss) profit | | | (6) | | 726 |
| Administrative expenses | | | | | |
| - non exceptional | | (43) | | (637) | |
| - exceptional profit on disposal of fixed assets | 5 | - | | 370 | |
| - write off of intercompany debt | | - | | (7,700) | |
| - write back of onerous lease provision | | - | | 505 | |
| - other exceptional items | 5 | <u>(67)</u> | | <u>-</u> | |
| Total administrative expenses | | | (110) | | (7,462) |
| Other operating income | | | <u>43</u> | | <u>167</u> |
| Operating loss | 5 | | (73) | | (6,569) |
| Interest receivable and similar income | 6 | | - | | 13 |
| Interest payable and similar charges | 6 | | <u>(1)</u> | | <u>(1)</u> |
| Loss on ordinary activities before taxation | | | (74) | | (6,557) |
| Tax on loss on ordinary activities | 7 | | <u>-</u> | | <u>-</u> |
| Loss for the financial year | 12 | | <u><u>(74)</u></u> | | <u><u>(6,557)</u></u> |

All activities derive from discontinued operations

The profit and loss account contains the only gains and losses of the company for the current and prior years
Accordingly no statement of total recognised gains and losses is prepared

BALANCE SHEET
31 December 2012

| | Notes | 2012 £'000 | 2011 £'000 |
|--|-------|---------------|---------------|
| Fixed assets | | | |
| Assets under construction | 8 | - | 83 |
| Current assets | | | |
| Debtors | 9 | 146 | 304 |
| Cash at bank and in hand | | 5 | 370 |
| | | 151 | 674 |
| Creditors amounts falling due within one year | 10 | (142) | (674) |
| Net current assets | | 9 | - |
| Total assets less current liabilities | | 9 | 83 |
| Capital and reserves | | | |
| Called up share capital | 11 | 30 612 | 30 612 |
| Profit and loss account | 12 | (30,603) | (30,529) |
| Shareholders' funds | 13 | 9 | 83 |

The financial statements of Reach Europe Ltd, registered number 2822455 were approved by the Board of Directors and authorised for issue on *7 January 2014*

Signed on behalf of the Board of Directors



Adrian Crow
Director

REACH EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and historical cost accounting rules

In 2011, certain assets, and therefore the company's trade, were sold to Telstra Limited and the company has ceased to trade. The company has continued to incur some expenses as contracts are novated to the new business owner. These have been recharged to the parent company in accordance with the existing agreement. As required by FRS18 Accounting Policies, the financial statements have been prepared on a basis other than that of a going concern.

The financial statements do not include any provision for the future costs terminating the business of the company except to the extent that such were committed at the balance sheet date.

Turnover

Turnover represents the value of telecommunications services, excluding value added tax, supplied by the company.

Assets under construction

Assets under construction are stated at cost, net of any provision for impairment.

No depreciation is charged on assets under construction.

Foreign currency translation

Income and expense items denominated in foreign currencies are translated into sterling at the rates of exchange ruling on the date of transaction. Monetary assets and liabilities recorded in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Differences on translation are included in the profit and loss account.

Pensions costs - defined contribution schemes

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

REACH EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2012

2. TURNOVER

A business and geographical analysis of turnover, results and net assets has not been disclosed, as the directors believe this would be seriously prejudicial to the interests of the company

3. DIRECTORS' EMOLUMENTS

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Aggregate amount of emoluments paid to or receivable by directors in respect of their qualifying services | - | 26 |
| Pension contributions to defined contribution scheme | - | 1 |
| | <u>-</u> | <u>27</u> |
| | No. | No |
| The number of directors to whom retirement benefits are accruing under a defined contribution scheme | - | 1 |

4. STAFF COSTS (including directors)

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Wages and salaries | - | 264 |
| Social security costs | - | 19 |
| Other pension costs | - | 10 |
| | <u>-</u> | <u>293</u> |
| | No. | No. |
| The average number of persons employed during the year, excluding directors, was as follows | | |
| Sales and customer services | - | 2 |
| Administrative | - | 1 |
| Operations | - | 1 |
| | <u>-</u> | <u>4</u> |

REACH EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2012

5. OPERATING LOSS

The following have been charged (credited) in arriving at operating loss

| | 2012 £'000 | 2011 £'000 |
|---|-------------------|-------------------|
| Depreciation of owned tangible fixed assets | - | 44 |
| Auditor's remuneration - audit fees | 9 | 18 |
| Profit on disposal of fixed assets | - | (370) |
| Foreign exchange loss/(profit) | 14 | (12) |
| Rent received | (43) | (167) |
| Operating lease rentals | - | 175 |
| | <u> </u> | <u> </u> |
| Exceptional items | | |
| - Impaired assets under construction | 95 | - |
| - Write back of old balance sheet balances | (28) | - |
| | <u> </u> | <u> </u> |
| | 67 | - |
| | <u> </u> | <u> </u> |

6. INTEREST RECEIVABLE (PAYABLE) AND SIMILAR INCOME (CHARGES)

| | 2012 £'000 | 2011 £'000 |
|--|-------------------|-------------------|
| Interest receivable | | |
| - interest on amounts due from related parties | - | 13 |
| Other interest payable | | |
| - other external interest | (1) | (1) |
| | <u> </u> | <u> </u> |
| | (1) | 12 |
| | <u> </u> | <u> </u> |

7. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no charge to current or deferred tax in the current or prior year

| | 2012 £'000 | 2011 £'000 |
|--|-------------------|-------------------|
| Loss on ordinary activities before tax | (74) | (6,557) |
| | <u> </u> | <u> </u> |
| Tax on loss on ordinary activities at standard UK corporation tax rate of 24.5% (2011 - 26.5%) | (18) | (1,737) |
| Effects of | | |
| Capital allowances in excess of depreciation | - | (298) |
| Expenses not deductible for tax purposes | 16 | 2,039 |
| Utilisation of losses | - | (4) |
| Loss carried forward | 2 | - |
| | <u> </u> | <u> </u> |
| Current tax charge for year | - | - |
| | <u> </u> | <u> </u> |

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses and capital allowances as in the management's opinion there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised at the year end is £250k (2011 £214k). The asset may be recovered if the company generates suitable future taxable profits.

REACH EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2012

7. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Government intends to enact future reduction in the main tax rate down to 21% effective from 1 April 2014 and to 20% by 1 April 2015. As these tax rates were not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21 as it is a non-adjusting event occurring after the reporting period.

8. ASSETS UNDER CONSTRUCTION

| | £'000 |
|--------------------------------|-------|
| Cost and net book value | |
| At 1 January 2012 | 83 |
| Additions | 12 |
| Impairment losses | (95) |
| | <hr/> |
| At 31 December 2012 | - |
| | <hr/> |

9. DEBTORS - due within one year

| | 2012 £'000 | 2011 £'000 |
|------------------------------------|---------------|---------------|
| Trade debtors | - | 50 |
| Amounts owed by group undertakings | 137 | 77 |
| Other debtors | 8 | 84 |
| Prepayments and accrued income | 1 | 93 |
| | <hr/> | <hr/> |
| | 146 | 304 |
| | <hr/> | <hr/> |

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Trade creditors | 22 | 9 |
| Amounts owed to group undertakings | 29 | 211 |
| Other creditors, including taxation and social security | 23 | 117 |
| Accruals and deferred income | 68 | 337 |
| | <hr/> | <hr/> |
| | 142 | 674 |
| | <hr/> | <hr/> |

REACH EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2012

11. CALLED UP SHARE CAPITAL

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Allotted, called up and fully paid: 30,612,000 ordinary shares of £1 each | <u>30,612</u> | <u>30,612</u> |

12. PROFIT AND LOSS ACCOUNT

| | £'000 |
|---------------------|-----------------|
| At 1 January 2012 | (30,529) |
| Loss for the year | <u>(74)</u> |
| At 31 December 2012 | <u>(30,603)</u> |

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2012 £'000 | 2011 £'000 |
|-----------------------------|---------------|---------------|
| Loss for the year | (74) | (6,557) |
| Opening shareholders' funds | <u>83</u> | <u>6,640</u> |
| Closing shareholders' funds | <u>9</u> | <u>83</u> |

REACH EUROPE LTD

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2012**

14. RELATED PARTY TRANSACTIONS

The company being a 100% owned subsidiary, has taken advantage of the exemption not to disclose related party transactions with members of the Reach Group. Reach Group is a joint venture between Telstra Corporation Limited and PCCW Limited.

In 2011, the company conducted certain transactions with Telstra Europe Limited whose ultimate parent is Telstra Corporation Limited. The company rented cabinet space to Telstra Europe Limited totalling £12,000. The company also sold fixed assets to Telstra Europe Limited with a net book value of £1,535,000. A profit of £370,000 arose. No transaction is conducted with Telstra Europe Limited during the year. As of 31 December 2012 Telstra Europe Limited owed the company £nil (2011 - £40,487).

15. PENSION SCHEME

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £nil (2011 - £9,654).

16. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Reach Ltd, a company incorporated in Bermuda and the ultimate parent company of the Reach Group. Reach Ltd is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up.