

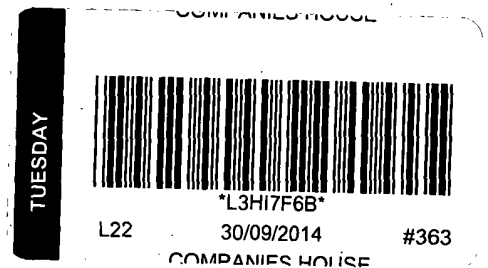


Company Registration No. 2822455

## REACH EUROPE LTD

Report and Financial Statements

31 December 2013



Reach Europe Ltd  
Registered in England, Registered Address:  
50-52 Paul Street, London, EC2A 4LB, United Kingdom  
Telephone +44 (0)20 7858 8000 Facsimile +44 (0)20 7858 8938  
Registered Number: 2822455 VAT No. GB 629 973 093

**REACH EUROPE LTD**



**REPORT AND FINANCIAL STATEMENTS 2013**

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**REACH EUROPE LTD**

**REPORT AND FINANCIAL STATEMENTS 2013**



**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Adrian Crow  
Larm Kang Fong

**SECRETARY**

Jordan Company Secretaries Limited

**REGISTERED OFFICE**

20-22 Bedford Row  
London  
WC1R 4JS

**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 2013.

This directors' report has been prepared in accordance with the provision applicable to companies entitled to the small companies exemption.

### PRINCIPAL ACTIVITY

The principal activity of the company was to provide telecommunication services to Reach Networks Hong Kong Ltd, a company within the Reach Ltd group.

In 2011, certain assets of the company were purchased by Telstra Limited and the company ceased to trade. The business activity reduced as agreements and therefore the trade of the company were transferred to the new owner. The company is incurring some minor costs as contracts are novated subsequent to the transfer of trade.

### DIRECTORS

The directors, who served throughout the year, were as follows:

Adrian Crow  
Larm 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.

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



Adrian Crow  
Director

29 September 2014



## DIRECTORS' RESPONSIBILITIES STATEMENT

# REACH

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 2013 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a strategic report or in preparing the directors' report.



**Stuart Henderson (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
Cambridge, United Kingdom

*30 September 2014*

# REACH EUROPE LTD



## PROFIT AND LOSS ACCOUNT Year ended 31 December 2013

|   | Notes | £    | 2013<br>£'000 | £    | 2012<br>£'000 |
|---|-------|------|---------------|------|---------------|
| Turnover                                    | 1,2   |      | -             |      | 830           |
| Cost of sales                               |       |      | -             |      | (836)         |
| Gross loss                                  |       |      | -             |      | (6)           |
| Administrative expenses                     |       |      |               |      |               |
| - non exceptional                           |       | (99) |               | (43) |               |
| - exceptional items                         | 5     | -    |               | (67) |               |
| Total administrative expenses               |       |      | (99)          |      | (110)         |
| Other operating income                      |       |      | -             |      | 43            |
| Operating loss                              | 5     |      | (99)          |      | (73)          |
| Interest payable and similar charges        | 6     |      | -             |      | (1)           |
| Loss on ordinary activities before taxation |       |      | (99)          |      | (74)          |
| Tax on loss on ordinary activities          | 7     |      | -             |      | -             |
| Loss for the financial year                 | 11    |      | (99)          |      | (74)          |

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.



# REACH EUROPE LTD



## BALANCE SHEET 31 December 2013

|  | Notes | 2013<br>£'000 | 2012<br>£'000 |
|--|-------|---------------|---------------|
| <b>Current assets</b>  |       |               |               |
| Debtors  | 8     | 138           | 146           |
| Cash at bank and in hand   |       | 84            | 5             |
|  |       | <u>222</u>    | <u>151</u>    |
| <b>Creditors: amounts falling due within one year</b>                        | 9     | (312)         | (142)         |
| <b>Net current (liabilities) assets</b>                                      |       | <u>(90)</u>   | <u>9</u>      |
| <b>Total assets less current liabilities, being net (liabilities) assets</b> |       | <u>(90)</u>   | <u>9</u>      |
| <b>Capital and reserves</b>  |       |               |               |
| Called up share capital  | 10    | 30,612        | 30,612        |
| Profit and loss account  | 11    | (30,702)      | (30,603)      |
| <b>Shareholders' (deficit) funds</b>   | 12    | <u>(90)</u>   | <u>9</u>      |

The financial statements of Reach Europe Ltd, registered number 2822455, were approved by the Board of Directors and authorised for issue on *29 September 2014*

Signed on behalf of the Board of Directors

Adrian Crow  
Director

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

### 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. Accordingly, 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 represented the value of telecommunications services, excluding value added tax, supplied by the company.

#### 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.

#### 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.

### 2. TURNOVER

All turnover was derived as earned in accordance with the intercompany agreement.

### 3. DIRECTORS' EMOLUMENTS

No director received emoluments in either year.

### 4. STAFF COSTS

Other than directors, the company has no employees.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2013**

**5. OPERATING LOSS**

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

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Auditor's remuneration - audit fees         | 7             | 9             |
| Foreign exchange (gain)/loss                | (1)           | 14            |
| Rent received                               | -             | (43)          |
| Exceptional items:                          |               |               |
| - Impaired assets in course of construction | -             | 95            |
| - Write off of old balance sheet balances   | -             | (28)          |
|   | -             | 67            |

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

|                           | 2013<br>£'000 | 2012<br>£'000 |
|---------------------------|---------------|---------------|
| Other interest payable:   |               |               |
| - other external interest | -             | (1)           |

**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

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

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Loss on ordinary activities before tax   | (99)          | (74)          |
| Tax on loss on ordinary activities at standard UK corporation tax rate of 23% (2012 - 24.5%) | (23)          | (18)          |
| Effects of:  |               |               |
| Balancing charges  | (2)           | -             |
| Expenses not deductible for tax purposes   | -             | 16            |
| Loss carried forward   | 25            | 2             |
| Current tax charge for year  | -             | -             |

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 for 2013 is £236k (2012: £250k). The asset may be recovered if the company generates suitable future taxable profits.

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2013**

**8. DEBTORS - due within one year**

|                                    | 2013<br>£'000 | 2012<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 58            | 137           |
| Other debtors                      | 80            | 8             |
| Prepayments and accrued income     | -             | 1             |
|                                    | <u>138</u>    | <u>146</u>    |

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Trade creditors   | 103           | 22            |
| Amounts owed to group undertakings                      | 154           | 29            |
| Other creditors, including taxation and social security | 23            | 23            |
| Accruals  | 32            | 68            |
|   | <u>312</u>    | <u>142</u>    |

**10. CALLED UP SHARE CAPITAL**

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Allotted, called up and fully paid:<br>30,612,000 ordinary shares of £1 each | <u>30,612</u> | <u>30,612</u> |

**11. PROFIT AND LOSS ACCOUNT**

|                     | £'000           |
|---------------------|-----------------|
| At 1 January 2013   | (30,603)        |
| Loss for the year   | (99)            |
| At 31 December 2013 | <u>(30,702)</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2013**

**12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|                                       | 2013<br>£'000 | 2012<br>£'000 |
|---------------------------------------|---------------|---------------|
| Loss for the year                     | (99)          | (74)          |
| Opening shareholders' funds           | 9             | 83            |
| Closing shareholders' (deficit) funds | <u>(90)</u>   | <u>9</u>      |

**13. 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.

**14. 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.