

Company Registration No. 03947900 (England and Wales)

## Pacnet Network (UK) Limited

Annual Report and Financial Statements  
For the year ended 30 June 2018



## **Pacnet Network (UK) Limited**

### **Company Information**

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#### **Directors**

Thomas Luke Homer (appointed on 26<sup>th</sup> June 2018)  
Douglas James Rogerson  
James Aloysius Fagan (resigned on 26<sup>th</sup> June 2018)

#### **Company Secretary**

John Matthew Joseph Gould (resigned on 30<sup>th</sup> November 2018)

#### **Registered Office**

2<sup>nd</sup> floor Blue Fin Building  
110 Southwark Street  
London  
SE1 0TA

#### **Auditor**

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

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The directors present their Strategic Report for the financial year ended 30 June 2018.

**Review of business**

The loss for the year, after taxation, is \$83,390 (2017: profit of \$4,650,721) which is mainly due to foreign exchange loss on intercompany balances.

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

Given the straight forward nature of this entity, the Company's directors are of the opinion that an analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

**Principal risks and uncertainties**

Due to the simple function of the entity, the Company has no significant exposure to credit risks, operational risks, market related risks and legal and regulatory risks.

There currently appears to be no significant legislative risk for the business except for the potential changes resulting from the UK's proposed withdrawal from the European Union. The directors continue to monitor the situation closely and are currently assessing the impact of the changes likely to result from the various possible scenarios.

The Company's main risk is foreign exchange risk on its liabilities to other group undertakings, which are payable in other currencies. However, this risk is managed at Group level.

This report was approved by the board and signed on its behalf:



Thomas Luke Homer

Director

Date: 28/03/2019

## **Pacnet Network (UK) Limited**

### **Directors' Report**

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The directors present their annual report and the audited financial statements of Pacnet Network (UK) Limited (the "Company") for the financial year ended 30 June 2018.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, Directors' 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 elected to prepare 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; and
- 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 is to act as a holding company.

#### **Results and dividends**

The loss for the year, after taxation, amounted to \$83,390 (2017: profit of \$4,650,721).

The directors do not recommend the payment of a dividend (2017: nil).

#### **Directors**

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

James Aloysius Fagan (resigned on 26<sup>th</sup> June 2018)  
Thomas Luke Homer (appointed on 26<sup>th</sup> June 2018)  
Douglas James Rogerson

#### **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.

**Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Strategic Report. Given the Company only acts as a holding company and has received a letter of parental support from Telstra Corporation, its ultimate parent company, which confirms that Telstra Corporation will continue to provide financial support to the Company for a period of at least twelve months from the signing of the Auditor's Report in the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and 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.

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



Thomas Luke Homer  
Director  
Date: 28/03/2019

## **Pacnet Network (UK) Limited**

### **Independent Auditor's Report to the members of Pacnet Network (UK) Limited**

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#### **Opinion**

We have audited the financial statements of Pacnet Network (UK) Limited for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11, 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 Financial Reporting Standard 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 2018 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 below. 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

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

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.

**Independent Auditor's Report to the members of Pacnet Network (UK) Limited (continued)**

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**Other information (continued)**

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' 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.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement on page 2, 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.



**Pacnet Network (UK) Limited**

**Independent Auditor's Report to the members of Pacnet Network (UK) Limited (continued)**

**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.

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.



Neil Cullum (Senior statutory auditor)  
for and on behalf of **Ernst & Young LLP** (Statutory Auditor)  
London  
Date: 29/3/2019

**Pacnet Network (UK) Limited**

**Statement of Comprehensive Income  
For the financial year ended 30 June 2018**

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	<b>Note</b>	<b>2018 \$</b>	<b>2017 \$</b>
Other operating (loss)/income		(802,268)	5,810,316
<b>Operating (loss)/profit before taxation</b>	<b>4</b>	<b>(802,268)</b>	<b>5,810,316</b>
Taxation	<b>7</b>	<b>718,878</b>	<b>(1,159,595)</b>
<b>(Loss)/profit for the financial year and total comprehensive (loss)/income for the financial year</b>		<b>(83,390)</b>	<b>4,650,721</b>

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

**Pacnet Network (UK) Limited**

Company Registration No. 03947900 (England and Wales)

**Balance Sheet****As at 30 June 2018**

	Note	2018 \$	2017 \$
<b>Fixed Assets</b>			
Investments	8	—	—
<b>Current liabilities</b>			
Creditors: Amount falling due within one year	9	(187,881,948)	(187,798,558)
<b>Net liabilities</b>		(187,881,948)	(187,798,558)
<b>Capital and reserves</b>			
Called up share capital	10	3	3
Retained earnings		(187,881,951)	(187,798,561)
<b>Total equity</b>		(187,881,948)	(187,798,558)

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



Thomas Luke Homer  
Director  
Date: 28/03/2019

**Pacnet Network (UK) Limited**

**Statement of Changes in Equity  
For the year ended 30 June 2018**

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	<b>Called up share capital \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
At 1 July 2016	3	(192,449,282)	(192,449,279)
Total comprehensive income for the year	–	4,650,721	4,650,721
<b>At 30 June 2017</b>	<b>3</b>	<b>(187,798,561)</b>	<b>(187,798,558)</b>
At 1 July 2017	3	(187,798,561)	(187,798,558)
Total comprehensive loss for the year	–	(83,390)	(83,390)
<b>At 30 June 2018</b>	<b>3</b>	<b>(187,881,951)</b>	<b>(187,881,948)</b>

## **1. Accounting policies**

### **1.1 Basis of preparation of financial statements**

Pacnet Network (UK) Limited is a limited liability company incorporated in England and Wales. Its registered address is 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 Company has taken advantage of the exemption in s401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it is a wholly owned indirect subsidiary of Telstra Corporation Limited which prepares consolidated financial statements in which the Company is included.

The financial statements are presented in the Company's functional currency of United States dollars ("\$"), unless otherwise stated.

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 Corporation 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
- 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 18(A) 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.

**1. Accounting policies (continued)**

**1.3 Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Strategic Report. Given the Company only acts as a holding company and has received a letter of parental support from Telstra Corporation, its ultimate parent company, which confirms that Telstra Corporation will continue to provide financial support to the Company for a period of at least twelve months from the signing of the Auditor's Report in the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**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 'Other operating (loss)/income'.

**1.5 Investments**

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

**1.6 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.

**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 year. 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.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Company has no unrecognised tax losses (2017: \$nil) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements.

**3. Staff costs**

The Company has no employees (2017: nil).

**4. Operating (loss)/profit and (loss)/profit before taxation**

This is stated after charging/(crediting):

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Foreign exchange loss/(gain)	765,010	(5,824,426)
Auditor's remuneration	13,596	6,730

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

**5. Directors' remuneration**

None of the directors received any remuneration in respect of their qualifying services as directors of the Company during the year (2017: nil).

**6. Deferred tax**

As of 30 June 2018, a potential deferred tax asset of approximately £145,452 (2017: £Nil) 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 utilized in future periods through the generation of future taxable profits.

**Pacnet Network (UK) Limited**

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2018**

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**7. Taxation**

***Corporation tax***

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Current tax on (loss)/profit for the year	–	1,159,595
Overprovision in prior year	(718,878)	–
<b>Total current tax / Taxation</b>	<b>(718,878)</b>	<b>1,159,595</b>

***Factors affecting the tax charge***

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
(Loss)/profit before tax	(802,268)	5,810,316
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.75%)	(152,431)	1,162,063
Effects of:		
Expenses not deductible for tax purposes	6,979	2,822
Income not taxable for tax purposes	–	–
Utilisation of tax losses	–	–
Deferred tax assets not recognized	145,452	
Overprovision in prior year	(718,878)	
Others	–	(5,290)
	<b>(718,878)</b>	<b>1,159,595</b>

***Factors that may affect future tax charges***

The UK corporation tax rate will be reduced from 19% to 17% from April 1, 2020.



**Pacnet Network (UK) Limited****Notes to the Financial Statements  
For the financial year ended 30 June 2018****8. Investments**

\$

Net book value as of 30 June 2018 and 30 June 2017

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All of the investments have been fully impaired in prior year.

Details of investments are as follows:

Name of company	Country of incorporation	Class of shares	Principal activities	2018 %	2017 %
<i>Subsidiary undertakings:</i>					
Pacnet Services (Japan) Corp.	Japan	Ordinary shares	Telecommunication services	57.8	57.8
Pacnet Network (Philippines) Inc.	Philippines	Ordinary shares	Telecommunication services	100	100
Pacnet Network (Korea) Ltd.	Korea	Ordinary shares	Telecommunication services	100	100
<i>Associated entities</i>					
Dacom Crossing Corporation	Korea	Ordinary shares	Network cable provider	49	49
Asia Netcom Philippines Corporation	Philippines	Ordinary shares (indirect holding)	Data communication service provider	40	40
Digitel Crossing Inc. (Philippines)	Philippines	Ordinary shares (indirect holding)	Telecommunication services	40	40

**9. Creditors: amounts falling due within one year**

	2018 \$	2017 \$
Amounts owed to group undertakings	187,419,008	186,604,561
Accrued expenses	22,222	34,402
Taxation	440,718	1,159,595
	<u>187,881,948</u>	<u>187,798,558</u>

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

**Pacnet Network (UK) Limited**

**Notes to the Financial Statements  
For the financial year ended 30 June 2018**

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**10. Called Up Share Capital**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000 – Ordinary shares of £1 each	1,000	1,000
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Allotted, called up and fully paid</b>		
2 – Ordinary shares of £1 each	3	3

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

**11. Immediate and ultimate parent companies**

The Company's immediate parent company is Pacnet Network Limited, incorporated in Bermuda. The ultimate holding company is Telstra Corporation Limited, incorporated in Australia.