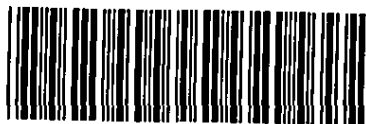


## **RSL Com Germany SE**

### **Annual report and financial statements for the year ended 31 December 2008**

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# **RSL Com Germany SE**

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# **RSL Com Germany SE**

## **Directors and advisers**

### **Directors**

A J P Brereton  
R Harper  
S Ross

### **Registered office**

c/o PricewaterhouseCoopers LLP  
12 Plumbtree Court  
London  
EC4A 4HT

### **Auditors**

Deloitte LLP  
Chartered Accountants and Registered Auditors  
London

# **RSL Com Germany SE**

## **Directors' report for the year ended 31 December 2008**

The directors present their report and the audited financial statements for the year ended 31 December 2008.

### **Change of statutory seat**

The company changed its place of registration from Germany to the UK on 14 February 2008.

### **Principal activity and review of business**

The company's principal activity is the holding of investments. The results for the year and financial position of the Company were broadly in line with expectations. Returns on investments deteriorated significantly during the course of the year reflecting the global economic climate and resulting reductions in base rates of interest. This has had a negative impact on profit for the year.

A significant dividend was paid in December 2008 following completion of the audit of the Company's initial UK accounts.

### **Going Concern**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

### **Future developments**

The company intends to continue to invest its cash funds in order to maximise returns while managing risk.

### **Results and dividends**

The audited financial statements for the year ended 31 December 2008 are set out on pages 7 to 15.

The profit for the year after taxation was €566,029 (2007: €1,353,389).

During the year, the company paid a dividend of €21,896,247 (2007: €nil).

### **Directors**

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

AJ Brereton  
S Hubbard-Ford (resigned 14 January 2008)  
D Freiherr von Linsingen (resigned 14 January 2008)  
R Bauer (resigned 14 January 2008)  
R Harper (appointed 14 January 2008)  
S Ross (appointed 14 January 2008)

# **RSL Com Germany SE**

## **Directors' report for the year ended 31 December 2008**

### **Principal risks and uncertainties**

The directors, in the execution of their duties, are responsible for identifying the principal risks and uncertainties faced by the company and for determining the appropriate courses of action to manage these.

The directors set out below the principal risks and uncertainties facing the business.

- (a) The company is affected by foreign exchange risk. Transactions are completed in GBP as well as Euros. The directors' have not hedged against this risk as they do not believe this risk to be material to the company.
- (b) The company is also exposed to interest rate risk. In the current climate of low interest rates, the interest received on its investments has significantly reduced. The directors have reviewed the risk between receiving higher interest rates and investing in higher risk investments. The directors have taken the decision to only invest in Institutions whose credit ratings are AA- or higher.

### **Directors Indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### **Policy and practice on payment of creditors**

It is the company's policy that payments to operating cost suppliers are made in accordance with those terms and conditions agreed between the company and those suppliers, providing that all trading terms and conditions have been complied with.

At 31 December 2008, the company had an average of 23 days purchases outstanding in trade creditors (2007: 30 days).

### **Statement of directors' responsibilities**

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). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

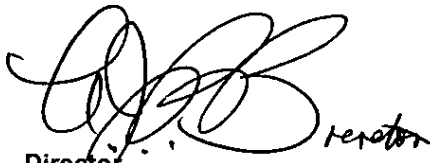
# **RSL Com Germany SE**

## **Directors' report for the year ended 31 December 2008**

### **Disclosure of information to auditors**

The directors' confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware. The directors also confirm they have each taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

**By order of the board**



Director

24 July 2009

# **RSL Com Germany SE**

## **Independent auditors' report to the members of RSL Com Germany SE**

We have audited the company's financial statements of RSL Com Germany SE for the year ended 31 December 2008 which comprise the Profit and loss account, Reconciliation of movements in shareholders funds, Balance sheet, Cashflow statement, Reconciliation to net cash and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **RSL Com Germany SE**

### **Independent auditors' report to the members of RSL Com Germany SE**

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of the profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**Deloitte LLP**

Chartered Accountants and Registered Auditors

24 July 2009

London, United Kingdom

## RSL Com Germany SE

### Profit and loss account for the year ended 31 December 2008

	Note	2008 €	25 April 2007 to 31 December 2007 €
Interest receivable and similar income	4	1,882,845	1,072,673
Other operating income		215,052	552,167
Staff costs		(135,763)	(5,404)
Other operating charges		<u>(837,720)</u>	<u>(169,147)</u>
<b>Profit on ordinary activities before taxation</b>	5	<b>1,124,414</b>	<b>1,450,289</b>
Tax on profit on ordinary activities	7	<u>(558,385)</u>	<u>(96,900)</u>
<b>Profit for the financial year</b>	13	<b><u>566,029</u></b>	<b><u>1,353,389</u></b>

The company's results are derived from continuing activities.

There were no recognised gains or losses in the period other than the result for the relevant period. Accordingly, no statement of total recognised gains or losses has been prepared.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

### Reconciliation of movements in shareholder's funds for the year ended 31 December 2008

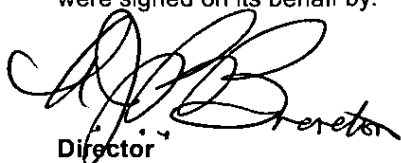
	2008 €	25 April 2007 to 31 December 2007 €
Profit for the financial year	566,029	1,353,389
Dividends paid	<u>(21,896,247)</u>	<u>-</u>
Net change in shareholder's funds	(21,330,218)	1,353,389
Opening shareholder's funds	<u>40,524,686</u>	<u>39,171,297</u>
<b>Closing shareholder's funds as at 31 December</b>	<b><u>19,194,468</u></b>	<b><u>40,524,686</u></b>

# RSL Com Germany SE

## Balance sheet For the year ended 31 December 2008

	Note	2008 €	2007 €
<b>Current assets</b>			
Debtors	9	165,389	1,964,034
Current asset investments	10	23,221,526	44,501,442
Cash at bank and in hand		<u>1,008,007</u>	<u>62,279</u>
		24,394,922	46,527,755
<b>Creditors: Amounts falling due within one year</b>	11	<u>(5,200,454)</u>	<u>(6,003,069)</u>
<b>Net assets</b>		<u>19,194,468</u>	<u>40,524,686</u>
<b>Capital and reserves</b>			
Called up share capital	12	120,000	120,000
Other reserves	13	-	39,051,297
Profit and loss reserve	13	<u>19,074,468</u>	<u>1,353,389</u>
<b>Total Shareholder's funds</b>		<u>19,194,468</u>	<u>40,524,686</u>

The financial statements on pages 7 to 15 were approved by the board of directors on 24 July 2009 and were signed on its behalf by:

  
Director

## RSL Com Germany SE

### Cashflow Statement For the year ended 31 December 2008

	Note	2008 €	2007 €
<b>Net cash outflow from operating activities</b>	14	(782,309)	(198,235)
<b>Returns on investments and servicing of finance</b>			
Interest received		1,860,140	100,316
<b>Taxation</b>		525,046	-
<b>Financing</b>			
Issue of ordinary share capital		-	89,250
<b>Equity dividends paid to shareholders</b>		<u>(21,896,247)</u>	<u>-</u>
<b>Net cash outflow before use of liquid resources and finances</b>		(20,293,370)	(8,669)
<b>Management of liquid resources</b>			
Reduction in short term deposits with banks		21,279,916	(44,501,442)
<b>Acquisitions</b>			
Cash inflow from merger with RSL GmbH		<u>-</u>	<u>44,541,640</u>
<b>Increase in net cash</b>		<u>986,546</u>	<u>31,529</u>

### Reconciliation to net cash

Net cash at 1 January		62,279	30,750
<b>Increase in net cash</b>		986,546	31,529
Exchange adjustments		<u>(40,818)</u>	<u>-</u>
<b>Net cash at 31 December</b>	15	<u>1,008,007</u>	<u>62,279</u>

# **RSL Com Germany SE**

## **Notes to the financial statements for the year ended 31 December 2008**

### **1 Principal accounting policies**

The financial statements have been prepared, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards

The principal accounting policies are set out below.

#### **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 on pages 2 to 4. The company has considerable financial resources and, as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have reasonable expectations that the company has adequate resources to continue in operating existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the accounts.

#### **Turnover**

In the opinion of the directors, disclosure of turnover is most appropriately represented for the company by interest receivable. This represents an adaptation of the profit and loss account format laid down in Schedule 4 to the Companies Act 1985 due to the nature of the company's business.

#### **Functional currency and foreign exchange**

The Euro is the functional currency. Transactions in currencies other than Euros are recorded at the average rates ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than Euros are translated at the rate of exchange ruling at the balance sheet date. All gains and losses arising are included in the profit and loss account.

#### **Taxation**

The tax expense represents the sum of the tax currently payable. The tax currently payable is based on the taxable profits or losses for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full on timing differences, which 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.

#### **Other operating income**

Other operating income relates to income received over and above the taxation debtors provided and from the reclassification of capital reserves to profit for the year resulting from the merger of RSL Com Deutschland GmbH and RSL Com Germany SE.

#### **Interest receivable**

Interest receivable is accounted for on an accruals basis.

#### **Investments**

Investments are only to be made in institutions with credit ratings of AA- or higher.

#### **Provision for impairment of receivables**

Provisions are made against all receivables where it is more than likely that the debt will not be recovered. The provisions are revisited on an annual basis.

## RSL Com Germany SE

### Notes to the financial statements for the year ended 31 December 2008

#### 2 Segmental reporting

The company has only one class of business as described in the Directors' report. All interest receivable originated as follows:

	2008 €	2007 €
UK	1,433,179	-
Europe	<u>449,666</u>	<u>1,072,673</u>
	<u>1,882,845</u>	<u>1,072,673</u>

#### 3 Interest receivable and similar income

	2008 €	2007 €
Bank interest receivable	1,846,604	576,244
Gain on merger with RSL Com Deutschland GmHH	-	496,429
Interest receivable on overpaid taxation	<u>36,241</u>	<u>-</u>
	<u>1,882,845</u>	<u>1,072,673</u>

#### 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2008 €	2007 €
Staff costs (note 6)	135,763	5,404
Auditors' remuneration – audit services	21,600	58,400
Exchange rate losses	<u>39,304</u>	<u>-</u>

#### 5 Employees and directors

	2008 €	2007 €
<b>Staff costs</b>		
Wages and salaries	125,480	5,404
Social security costs	<u>10,283</u>	<u>-</u>
	<u>135,763</u>	<u>5,404</u>

# RSL Com Germany SE

## Notes to the financial statements for the year ended 31 December 2008

### 6 Employees and directors (continued)

The company had 3 employees (all directors) during the year (2007: 3)

	2008 €	2007 €
<b>Directors' emoluments</b>		
Aggregate emoluments	125,480	5,404

There are no retirement benefits accruing to any of the directors.

### 7 Tax on profit on ordinary activities

	2008 €	2007 €
<b>Current tax:</b>		
Current year at 28.3% (2007: 30%)	414,176	-
<b>Foreign tax</b>		
Corporation taxes	75,000	96,900
Adjustment in respect of prior period tax charge	69,209	-
Tax on profit on ordinary activities	558,385	96,900

The tax assessed for the year is higher (2007: lower) than the standard rate of corporation tax in the UK of 28.3% (2007: 30%). The differences are explained below:

	2008 €	2007 €
Profit on ordinary activities before taxation	1,124,414	1,450,289
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.3% (2007: 30%)	318,069	435,087
Effects of:		
Expenses non deductible for tax purposes	184,814	-
Income not chargeable to tax in the UK	(88,707)	(435,087)
Income chargeable to tax in Germany	75,000	96,900
Adjustment in respect of prior period tax charge	69,209	-
Total current tax charge	558,385	96,900

### 8 Dividends

	2008 €	2007 €
<b>Equity – Ordinary</b>		
Interim dividends paid €182.47 per €1 share	21,896,247	-

# RSL Com Germany SE

## Notes to the financial statements for the year ended 31 December 2008

### 9 Debtors

	2008 €	2007 €
Trade debtors	837,208	837,208
Amounts owed from group undertakings	2,020,127	2,020,127
Provision for impairment of receivables	<u>(2,857,335)</u>	<u>(2,857,335)</u>
	-	-
Other debtors	79,661	1,961,367
Prepayments and accrued income	<u>85,728</u>	<u>2,667</u>
	<u>165,389</u>	<u>1,964,034</u>

### 10 Current asset investments

	2008 €	2007 €
Short term deposits	<u>23,221,526</u>	<u>44,501,442</u>
	<u>23,221,526</u>	<u>44,501,442</u>

Short term deposits are with major UK and German banks.

### 11 Creditors: Amounts falling due within one year

	2008 €	2007 €
Trade creditors	47,217	54,630
Amounts owed to group undertakings	4,311,107	4,311,107
Corporation tax	631,916	1,428,479
Other tax and social security payable	54,907	9,302
Accruals and deferred income	<u>155,307</u>	<u>199,551</u>
	<u>5,200,454</u>	<u>6,003,069</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

# RSL Com Germany SE

## Notes to the financial statements for the year ended 31 December 2008

### 12 Called up share capital

	2008	2007
<b>Authorised</b>		
120,000 ordinary shares of €1 each	120,000	120,000
<b>Allotted, called up and fully paid</b>		
120,000 ordinary shares of €1 each	120,000	120,000

### 13 Reserves

	Other reserves €	Profit and loss reserve €
At 1 January 2008	39,051,297	1,353,389
Transfer of reserves	(39,051,297)	39,051,297
Profit for the financial year	-	566,029
Dividends paid	-	(21,896,247)
<b>At 31 December 2008</b>	<b>-</b>	<b>19,074,468</b>

### 14 Cash flow from profit on ordinary activities before taxation

Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities

	2008 €	2007 €
<b>Continuing operations</b>		
Profit on ordinary activities before taxation	1,124,414	1,450,289
Interest receivable	(1,882,845)	(1,072,673)
Increase in debtors	(26,143)	(69,173)
Decrease in creditors	(52,736)	(683,243)
Other non cash changes	15,697	176,565
Exchange adjustments	39,304	-
<b>Net cash outflow from operating activities</b>	<b>(782,309)</b>	<b>(198,235)</b>

# RSL Com Germany SE

## Notes to the financial statements for the year ended 31 December 2008

### 15 Reconciliation in net debt

	As at 1 January 2008 €	Cash flow €	Exchange movements €	At 31 December 2008 €
Cash at bank and in hand	62,279	986,546	(40,818)	<b>1,008,007</b>

### 16 Related party transactions

At 31 December 2008 the following amounts were due to group undertakings,

	2008 €	2007 €
RSL Communications PLC	<b>3,352,541</b>	3,352,541
RSL Com Europe	<b>891,182</b>	891,182
RSL Com Telco UK	<b>36,071</b>	36,071
RSL Com UK	<b>31,313</b>	31,313

At 31 December 2008 the following amounts were due from group undertakings

	2008 €	2007 €
RSL Denmark	<b>35,601</b>	35,601
RSL Netherlands	<b>104,232</b>	104,232
RSL Com USA	<b>1,880,294</b>	1,880,294
	<b>2,020,127</b>	2,020,127
Provision for impairment of receivables	<b>(2,020,127)</b>	(2,020,127)
	-	-

### 17 Ultimate parent undertaking

The immediate parent undertaking, which is in administration in the UK, is RSL Communications PLC.

The ultimate parent undertaking is RSL Communications Limited, a company incorporated in Bermuda.