

Registered number SE000006

RSL Com Germany SE

**Annual report and financial statements
for the year ended 31 December 2011**

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RSL Com Germany SE

Company Information

Directors	A J Brereton R Harper S Ross
Company number	SE000006
Registered office	c/o PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor London

RSL Com Germany SE

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RSL Com Germany SE

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements for the year ended 31 December 2011

Principal activity

The company's principal activity is the holding of investments

Business review

The results for the year and financial position of the company were broadly in line with expectations. Returns on investments remained low during the course of the year, reflecting the global economic climate and continued low base interest rates. This had a negative impact on profit in the year.

Future developments

The company intends to continue to invest its cash funds in order to maximise returns whilst preserving capital value and maintaining liquidity to pay liabilities as they become due. As a result, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Results and dividends

The loss for the year, after taxation, amounted to €235,840 (2010: loss €474,562).

During the year, the company paid an interim dividend of €nil (2010: €9,000,000). The directors do not propose the payment of any further dividends in respect of the year ended 31 December 2011.

Directors

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

A J Brereton
R Harper
S Ross

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 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 the 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 regularly review the return on investment versus acceptable risk. The directors have taken the decision to only invest in institutions whose credit ratings are AA- or higher.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year which remain in force at the year end.

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Directors' report for the year ended 31 December 2011

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

At 31 December 2011, the company had an average of 27 days purchases outstanding in trade creditors (2010 23 days)

Directors' responsibilities statement

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 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,
- make judgements 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 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

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

This report was approved by the board on

19th June

2012 and signed on its behalf



R Harper
Director

Independent auditor's report to the members of RSL Com Germany SE

We have audited the financial statements of RSL Com Germany SE for the year ended 31 December 2011, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. 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.

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.

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 Directors' 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 2011 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.

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.

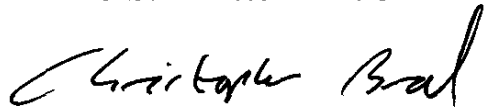
RSL Com Germany SE

Independent auditor's report to the members of RSL Com Germany SE

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



Christopher Brough (Senior Statutory Auditor)
for and on behalf of

Deloitte LLP

Chartered Accountants and Statutory Auditor
London

Date 22 June 2012.

RSL Com Germany SE

Profit and loss account for the year ended 31 December 2011

	Notes	2011 €	2010 €
Interest receivable and similar income	3	78,662	110,718
Staff costs	4	(27,970)	(45,795)
Other operating charges		(286,532)	(422,697)
Loss on ordinary activities before taxation	5	(235,840)	(357,774)
Tax charge on loss on ordinary activities	6	-	(116,788)
Loss for the financial year	12	(235,840)	(474,562)

The company's results are derived from continuing operations

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

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

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Registered number: SE000006

Balance sheet as at 31 December 2011

	Notes	€	2011 €	€	2010 €
Current assets					
Debtors	8	25,758		47,637	
Investments	9	7,474,736		9,497,701	
Cash at bank and in hand		1,991,756		200,149	
		<u>9,492,250</u>		<u>9,745,487</u>	
Creditors amounts falling due within one year	10	(155,021)		(172,418)	
Net current assets			<u>9,337,229</u>		<u>9,573,069</u>
Total assets less current liabilities			<u>9,337,229</u>		<u>9,573,069</u>
Capital and reserves					
Called up share capital	11	120,000		120,000	
Profit and loss account	12	9,217,229		9,453,069	
Total shareholders' funds	13		<u>9,337,229</u>		<u>9,573,069</u>

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

19th June 2012



R Harper
Director

The notes on pages 8 to 14 form part of these financial statements

RSL Com Germany SE

Cash flow statement for the year ended 31 December 2011

	Notes	2011 €	2010 €
Net cash outflow from operating activities	14	(309,684)	(462,939)
Net cash inflow from returns on investments and servicing of finance	15	77,839	111,700
Taxation		-	179,061
Equity dividends paid to shareholders		-	(9,000,000)
Net cash outflow before management of liquid resources		(231,845)	(9,172,178)
Management of liquid resources	15	2,022,965	8,105,191
Increase/(decrease) in net cash		1,791,120	(1,066,987)

Reconciliation of net cash flow to movement in net funds for the year ended 31 December 2011

		2011 €	2010 €
Increase/(decrease) in net cash		1,791,120	(1,066,987)
Change in net debt resulting from cash flows		1,791,120	(1,066,987)
Exchange adjustments		487	(4,092)
Increase/(decrease) in net funds in the year		1,791,607	(1,071,079)
Net funds at 1 January		200,149	1,271,228
Net funds at 31 December	16	1,991,756	200,149

The notes on pages 8 to 14 form part of these financial statements

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Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently during the year, are set out below.

1.2 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. 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.

1.3 Turnover

In the opinion of the directors, disclosure of turnover is most appropriately represented for the company by interest receivable. This represents an adaption of the profit and loss account format laid down in Schedule 1 of SI2008 No 410 to the Companies Act 2006 due to the nature of the company's business.

1.4 Functional currency and foreign exchange

The Euro is the company's functional and presentational currency. Transactions in currencies other than Euros are recorded at the average monthly 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.

1.5 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 and 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.

1.6 Interest receivable and similar income

Interest receivable and similar income is accounted for on an accruals basis.

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Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies (continued)

1.7 Investments

All excess cash within the company is held on deposit with access restricted to a minimum of 14 days. Investments are only to be made with companies with credit ratings of AA- or higher. The company aims to achieve the highest return possible within the credit rating restrictions.

1.8 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 reassessed by the directors on an annual basis.

2. Segmental reporting

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

	2011 €	2010 €
UK	59,000	25,939
Europe	19,662	84,779
	<u>78,662</u>	<u>110,718</u>

3. Interest receivable and similar income

	2011 €	2010 €
Bank interest receivable	791	4,254
Investment income	77,871	106,464
	<u>78,662</u>	<u>110,718</u>

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Notes to the financial statements for the year ended 31 December 2011

4. Staff costs

In the current and prior year the directors' emoluments were as follows

	2011 €	2010 €
Wages and salaries	25,669	40,374
Social security costs	2,301	5,421
	<u>27,970</u>	<u>45,795</u>

During the current and prior year there were no employees other than the directors. The average monthly number of employees during the year was as follows

	2011 No	2010 No
Directors	<u>3</u>	<u>3</u>

There are no retirement benefits accruing to any of the directors

5. Loss on ordinary activities before taxation

The loss is stated after charging/(crediting)

	2011 €	2010 €
Auditor's remuneration	21,550	20,570
Exchange rate (gain)/loss	(3,475)	1,370
	<u></u>	<u></u>

6. Taxation

	2011 €	2010 €
Analysis of tax charge in the year		
UK corporation tax charge on loss for the year	-	-
Adjustments in respect of prior periods	-	116,788
	<u>-</u>	<u>116,788</u>
Tax on loss on ordinary activities	<u>-</u>	<u>116,788</u>

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Notes to the financial statements for the year ended 31 December 2011

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher (2010 higher) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	2011 €	2010 €
Loss on ordinary activities before tax	(235,840)	(357,774)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	(62,498)	(100,177)
Effects of		
Adjustments to tax charge in respect of prior periods	-	116,788
Unrelieved tax losses carried forward	62,498	100,177
Current tax charge for the year	-	116,788

Factors that may affect future tax charges

During the year, the unrecognised deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 26%, which was substantively enacted on 29 March 2011 and will be effective from 1 April 2011, and to 25%, which was substantively enacted on 5 July 2011 and will be effective from 1 April 2012.

Further reductions to the UK corporation tax rate were announced in the March 2012 Budget, the changes are expected to be enacted separately each year and propose to reduce the rate to 22% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

Deferred tax

A potential deferred tax asset of €148,404 arising on losses carried forward has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable due to the uncertainty of sufficient and suitable future taxable profits.

7. Dividends

	2011 €	2010 €
Interim dividends paid €nil (2010 €75) per €1 share	-	9,000,000

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Notes to the financial statements for the year ended 31 December 2011

8. Debtors

	2011 €	2010 €
Trade debtors		
Trade debtors	837,208	837,208
Amounts owed from group undertakings (Note 17)	2,020,127	2,020,127
Provision for impairment of receivables	(2,857,335)	(2,857,335)
	<u>-</u>	<u>-</u>
Other debtors		
Prepayments & accrued income	25,758	47,637
	<u>25,758</u>	<u>47,637</u>

9. Current asset investments

	2011 €	2010 €
Short-term deposits	<u>7,474,736</u>	<u>9,497,701</u>

Short-term deposits are with UK and German banks

10. Creditors: amounts falling due within one year

	2011 €	2010 €
Trade creditors	22,355	26,864
Amounts owed to group undertakings (Note 17)	67,384	67,384
Taxation and social security	2,749	4,071
Accruals and deferred income	62,533	74,099
	<u>155,021</u>	<u>172,418</u>

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

11. Called up share capital

	2011 €	2010 €
Allotted, called up and fully paid		
120,000 Ordinary shares of €1 each	<u>120,000</u>	<u>120,000</u>

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Notes to the financial statements for the year ended 31 December 2011

12. Reserves

	Profit and loss account €
At 1 January 2011	9,453,069
Loss for the financial year	(235,840)
At 31 December 2011	<u>9,217,229</u>

13. Reconciliation of movement in shareholders' funds

	2011 €	2010 €
Opening shareholders' funds	9,573,069	19,047,631
Loss for the financial year	(235,840)	(474,562)
Dividends (Note 7)	-	(9,000,000)
Closing shareholders' funds	<u>9,337,229</u>	<u>9,573,069</u>

14. Net cash outflow from operating activities

	2011 €	2010 €
Loss on ordinary activities before taxation	(235,840)	(357,774)
Decrease in debtors	22,702	9,056
Decrease in creditors	(14,409)	(7,595)
Interest receivable and similar income	(78,662)	(110,718)
Other non cash changes	-	5,462
Exchange adjustments	(3,475)	(1,370)
Net cash outflow from operating activities	<u>(309,684)</u>	<u>(462,939)</u>

15. Analysis of cash flows for headings netted in cash flow statement

	2011 €	2010 €
Returns on investments and servicing of finance		
Interest received	<u>77,839</u>	<u>111,700</u>
Management of liquid resources		
Reduction in short term deposits with banks	<u>2,022,965</u>	<u>8,105,191</u>

RSL Com Germany SE

Notes to the financial statements for the year ended 31 December 2011

16. Analysis of changes in net funds

	1 January 2011 €	Cash flow €	Exchange Movement €	31 December 2011 €
Cash at bank and in hand	200,149	1,791,120	487	1,991,756
Net funds	200,149	1,791,120	487	1,991,756

17. Related party transactions

At 31 December 2011 the following amounts were owed to group undertakings

	2011 €	2010 €
RSL Com Telco UK	36,071	36,071
RSL Com UK	31,313	31,313
	67,384	67,384

At 31 December 2011 the following amounts were owed from group undertakings

	2011 €	2010 €
RSL Denmark	35,601	35,601
RSL Netherlands	104,232	104,232
RSL Com USA	1,880,294	1,880,294
Sub total	2,020,127	2,020,127
Provision for impairment of receivables	(2,020,127)	(2,020,127)
Total	-	-

18. Immediate parent company and controlling party

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

The ultimate parent undertaking and controlling party is RSL Communications Limited, a company incorporated in Bermuda