

Fibernet UK Limited

Registered number 2940263

Financial statements for the year ended 31 December 2009

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Fibernet UK Limited

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Fibernet UK Limited

Directors' Report

The directors present their audited financial statements for the year ended 31 December 2009

Principal activities and business review

During the period under review, the principal activities of Fibernet UK Limited were the provision of telecommunication services to enterprise and carrier customers

Fibernet UK Limited ("Fibernet" or the "Company") is a company registered in England and Wales. As of close of business on 31 December 2009, Global Crossing (UK) Telecommunications Limited ("GCUK"), a company registered in England and Wales, became the immediate parent company of Fibernet as described below. Prior to this, its immediate parent company was, Fibernet Group Limited, also registered in England and Wales. GCUK is a leading communications solutions provider in the United Kingdom ("UK"), offering a suite of Internet Protocol ("IP") and managed telecommunications services, to a strong and established customer base including over 100 government departments, information technology system integrators, rail sector customers and major corporate clients, to whom they provide tailored services.

On 11 October 2006, the Company's immediate parent company was acquired by GC Acquisitions UK Limited ("GC Acquisitions"), an indirect wholly owned subsidiary of Global Crossing Limited ("GCL"), a company organised under the laws of Bermuda. GCL, together with its subsidiary undertakings, are referred to as the "GC Group".

On 28 December 2006, the UK operations of Fibernet Group Limited and its subsidiaries at that time (including Fibernet UK Limited) were acquired by GCUK from GC Acquisitions.

With effect from close of business on 31 December 2009, GCUK agreed to purchase the business, trade, assets and liabilities of Fibernet UK Limited for a purchase price equal to the net asset value at close of business, adjusted for the internally generated intangible assets, transferred as a going concern. The purchase price will remain outstanding as a non-interest bearing loan with no fixed repayment date. This agreement represents an inter group reorganisation and corporate simplification exercise.

Prior to the corporate simplification and inter group reorganisation, the Company took the opportunity to undertake a review of its accounting policies against those of GCUK and the GC Group. This review resulted in some changes to the Company's accounting policies and changes in estimates to align them with the GC Group (see notes 4 and 5 to the financial statements).

It is the intention of the directors to resolve in the near future to seek voluntary strike off of the Company. Consequently the directors of the Company believe that the liquidation will have no effect on the reported values of the Company's assets and liabilities.

Results and dividends

Revenue for the year ended 31 December 2009 amounted to £70.9 million (2008: £64.5 million). The profit, before and after tax, for the same period amounted to £25.0 million (2008 (restated): profit of £2.2 million).

The directors do not recommend the payment of a dividend (2008: £nil).

Fibernet UK Limited

Directors' Report (continued)

Directors

The directors of the Company throughout, and since the end of the period are as follows

<i>Name</i>	<i>Date appointed</i>	<i>Date resigned</i>
J McShane		
N Anderson		31 March 2010
B Keogh		
A Christie		23 September 2009
E Higase	24 September 2009	
M Gutierrez	30 November 2009	

No directors exercised share options in GCL during the year (2008 none)

Directors' liabilities

During the year, the GC Group had an indemnity provision in force in respect of the directors of the Company against liability in respect of any proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 (section 234). Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report.

Creditor payment policy and practice

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

Business Risks

The principal risk facing the business relates to financial instruments. The Company's financial risk management objectives and policies, in respect of financial instruments are discussed in note 18 to these financial statements.

Auditors

The directors have passed a resolution in accordance with section 485 of the Companies Act 2006 to dispense with the requirement to appoint auditors annually.

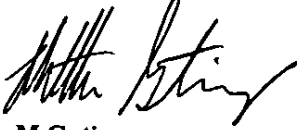
Fibernet UK Limited

Directors' statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving the directors' report are listed on page 4. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board,



M Gutierrez
Director

1 September 2010

Registered office
1 London Bridge
London
SE1 9BG

Registered number
2940263

Fibernet UK Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and IFRS as adopted by the European Union

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance,
- state that the Company has complied with IFRSs, subject to any material departure disclosed and explained in the financial statements, and
- make judgements and estimates that are reasonable and prudent

The directors are responsible for keeping proper accounting records which 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 Auditors Report to the Members of Fibernet UK Limited

We have audited the financial statements of Fibernet UK Limited for the year ended 31 December 2009 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows, and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and IFRS as adopted by the European Union. The financial statements have been prepared on the basis described in note 2.

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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 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.

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as issued by the International Accounting Standards Board and as adopted by the European Union, 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.

Independent Auditors Report to the Members of Fibernet UK Limited (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 by the company, 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

Ernst & Young LLP

Nick Powell (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP
Statutory auditor
Reading

3 September 2010

Fibernet UK Limited

Statement of Comprehensive Income

		Year ended	
		31 December 2009 £000	31 December 2008 (restated *) £000
Revenue	5	70,869	64,503
Cost of sales		<u>(36,965)</u>	<u>(42,312)</u>
Gross profit		33,904	22,191
Distribution costs		(1,653)	(2,426)
Administrative expenses		<u>(14,878)</u>	<u>(17,274)</u>
Operating profit	6,7	17,373	2,491
Gain arising on intercompany asset transfer	3	7,800	-
Finance revenue	8	37	159
Finance charges	9	<u>(199)</u>	<u>(438)</u>
Profit before tax		25,011	2,212
Tax charge	10	<u>-</u>	<u>-</u>
Profit for the year		<u>25,011</u>	<u>2,212</u>
Other comprehensive income			
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Comprehensive income for the year		<u>25,011</u>	<u>2,212</u>

The Company's results relate to discontinued operations

The accompanying notes are an integral part of these financial statements

* See note 4 for more details on the restatement of the prior periods balances

Fibernet UK Limited

Statement of Changes in Equity

	Note	Share Capital £000	Capital Reserve £000	Accumulated Earnings £000	Total £000
At 31 December 2007 as previously reported		-	-	5,021	5,021
Change in accounting policy (note 4)		-	-	2,883	2,883
At 1 January 2008 (restated)		-	-	7,904	7,904
Profit for the period (restated)		-	-	2,212	2,212
Total income for the period		-	-	2,212	2,212
Share-based payment	23	-	67	-	67
At 31 December 2008 (restated)		-	67	10,116	10,183
Profit for the year		-	-	25,011	25,011
Total income for the period		-	-	25,011	25,011
At 31 December 2009		-	67	35,127	35,194

The accompanying notes are an integral part of these financial statements

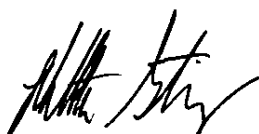
See note 4 for more details on the restatement of the prior periods balances

Fibernet UK Limited

Statement of Financial Position

		31 December 2009	2008 (restated*)	1 January 2008 (restated*)
	Note	£000	£000	£000
Non current assets				
Intangible assets net	12	-	378	552
Property plant and equipment net	13	-	45,766	61,091
Trade and other receivables	14 18 19	-	1,466	2,759
		-	47,610	64,402
Current assets				
Trade and other receivables	14 18 19	35 194	27,515	27 528
Cash and cash equivalents		-	9 798	9
		35,194	37,313	27 537
Total assets		35,194	84,923	91,939
Current liabilities				
Trade and other payables	16 18,19	-	(46 032)	(46,745)
Deferred revenue		-	(14 368)	(14 725)
Provisions	17	-	-	(626)
Obligations under finance leases	15	-	(1,447)	(3 680)
		-	(61,847)	(65 776)
Non current liabilities				
Deferred revenue		-	(12,357)	(16,863)
Provisions	17	-	(18)	(517)
Obligations under finance leases	15	-	(518)	(879)
		-	(12,893)	(18,259)
Total liabilities		-	(74,740)	(84,035)
Net assets		35,194	10,183	7,904
Capital and reserves				
Equity share capital (2 shares outstanding at £1 each)	20	-	-	-
Capital reserve		67	67	-
Accumulated profit		35 127	10,116	7,904
Total equity		35,194	10,183	7,904

These financial statements were approved by the Board of Directors on 1 September 2010 and are signed on its behalf by



M Gutierrez
Director

The accompanying notes are an integral part of these financial statements

* See note 4 for more details on the restatement of the prior periods balances

Registered number 2940263

Fibernet UK Limited

Statement of Cash Flows

	Year ended	
	31 December 2009	31 December 2008 (restated)
	£000	£000
Operating activities.		
Profit for the period	25,011	2,212
<i>Adjustments for</i>		
Finance costs, net	162	279
Depreciation of property, plant and equipment	12,709	16,058
Amortisation of intangible assets	121	193
Amortisation of prepaid connection costs	2,654	3,674
Share based payment expense	-	67
Loss on disposal of property, plant and equipment	2	-
Intercompany asset transfer	27,394	-
Gain on disposal of Company's trade, assets and liabilities	7,800	-
Change in provisions	1	(1,125)
Change in operating working capital	(61,120)	(5,101)
Change in other assets and liabilities	(15,945)	4,745
Cash generated from operations	(1,211)	21,002
Interest paid	(74)	(119)
Net cash (used in) provided by operating activities	(1,285)	20,883
Investing activities.		
Interest received	46	431
Cash transferred on intercompany transfer	(10,000)	-
Purchase of property, plant and equipment and intangible assets	(2,189)	(987)
Net cash used in investing activities	(12,143)	(556)
Financing activities.		
Loans provided to group companies	-	(8,000)
Loans provided by group companies	5,000	-
Repayment of capital elements under finance leases	(1,370)	(2,538)
Net cash provided by/(used in) financing activities	3,630	(10,538)
Net (decrease)/increase in cash and cash equivalents	(9,798)	9,789
Cash and cash equivalents at the beginning of period	9,798	9
Cash and cash equivalents at the end of period	-	9,798

The accompanying notes are an integral part of these financial statements

See note 4 for more details on the restatement of the prior period balances

Fibernet UK Limited

Notes to the Financial Statements

1. Description of business

Fibernet UK Limited ("Fibernet" or the "Company") is a company registered in England and Wales. As of close of business on 31 December 2009, Global Crossing (UK) Telecommunications Limited ("GCUK"), a company registered in England and Wales, became the immediate parent company of Fibernet as described below. Prior to this, its immediate parent company was, Fibernet Group Limited, also registered in England and Wales. GCUK is a leading communications solutions provider in the United Kingdom ("UK"), offering a suite of Internet Protocol ("IP") and managed telecommunications services, to a strong and established customer base including over 100 government departments, information technology system integrators, rail sector customers and major corporate clients, to whom they provide tailored services.

On 11 October 2006, the Company's immediate parent company was acquired by GC Acquisitions UK Limited ("GC Acquisitions"), an indirect wholly owned subsidiary of Global Crossing Limited ("GCL"), a company organised under the laws of Bermuda. GCL, together with its subsidiary undertakings, are referred to as the "GC Group".

On 28 December 2006, the UK operations of Fibernet Group Limited and its subsidiaries at that time (including Fibernet UK Limited) were acquired by GCUK from GC Acquisitions.

With effect from close of business on 31 December 2009, GCUK agreed to purchase the business, trade, assets and liabilities of Fibernet UK Limited for a purchase price equal to the net asset value at close of business, adjusted for the internally generated intangible assets and transferred as a going concern. The purchase price will remain outstanding as a non-interest bearing loan with no fixed repayment date. This agreement represents an inter group reorganisation and corporate simplification exercise.

2. Accounting policies

Basis of preparation and going concern

The financial statements of Fibernet UK Limited for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 1 September 2010 and the statement of financial position was signed on the Board's behalf by M Gutierrez.

The financial statements are prepared in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS as adopted by the European Union ("EU"). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the IASB, however, the differences have no impact on the Company's financial statements for the years presented. References to "IFRS" hereafter should be construed as reference to IFRSs as adopted by the EU.

As a result of the Company selling its business, trade, assets and liabilities to GCUK as a going concern, these financial statements have been prepared in accordance with IFRS and on the historical cost basis, except for financial instruments which are recorded at fair value, as it is the intention of the directors to resolve in the near future to seek voluntary strike off of the Company following a number of activities to ensure strike off can be applied, including the assignment of operating leases to GCUK. The liquidation will have no effect on the reported values of the Company's assets and liabilities.

Fibernet UK Limited

Notes to Financial Statements (continued)

2. Accounting policies (continued)

Recently adopted accounting guidance

The following IFRS's and International Accounting Standards ("IAS") that are relevant to the Company have been adopted during the period

IAS 1 (Revised) Presentation of financial statements

Issued in September 2007, this revision to IAS 1 introduces the following minor changes to the original standard

- Non-mandatory changes to the titles of some primary financial statements,
- Introduction of a requirement to include a statement of financial position at the beginning of the earliest accounting period whenever an entity retrospectively applies an accounting policy, makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, and
- Requires all items of income and expense (including those accounted for directly in equity) to be presented in either (i) a single statement (a "statement of comprehensive income/(loss)"), or (ii) in two statements (a separate "income statement" and "statement of comprehensive income/(loss)") The Company has chosen to follow option (i)

IFRS 8 Operating segments

Issued in November 2006, this standard supersedes IAS 14 "Segment reporting", and requires operating segments to be consistent with that used by management for internally evaluating performance and allocating resources. As the Company operates as one reportable business segment, the adoption of this standard has not affected the results of the Company or its operations and has resulted in no additional disclosure

IFRS 7 (Amendment) Improving Disclosures about Financial Instruments (Amendments to IFRS 7)

Issued in March 2009, this amendment to IFRS 7 requires enhanced disclosures about fair value measurements and liquidity risk. In particular the new disclosures

- Clarify that the existing IFRS 7 fair value disclosures must be made separately for each class of financial instrument,
- Add a disclosure of any change in the method for determining fair value and the reasons for the change,
- Establish a three-level hierarchy for making fair value disclosures
- Add disclosure, for each fair value measurement, in the Statements of Financial Position of which hierarchy level was used and any transfers between levels, with additional disclosures whenever level 3 is used
- Clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts, and
- Add a disclosure of maturity analysis of derivative financial liabilities

Adoption of this amendment to IFRS 7 has not resulted in additional disclosure in these consolidated financial statements for the year ended 31 December 2009

Improvements to IFRS 2008

Issued in May 2008 as the first standard to be issued under the IASB's annual improvements process, this standard contains amendments to thirty five International Accounting Standards. Adoption of this standard has not materially affected the results of the Company or its operations and has resulted in no additional disclosure

IFRIC 18 Transfer of Assets from Customers

Issued in January 2009, this interpretation clarifies the treatment of IFRS, particularly IAS 18 "Revenue" for agreements in which an entity receives an item of property, plant and equipment from a customer to connect to an ongoing supply of goods and services. Adoption of this amendment has not affected the results of the Company or its operations and has resulted in no additional disclosure

Fibernet UK Limited

Notes to Financial Statements (continued)

2. Accounting policies (continued)

A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout the periods presented

Reclassifications

Certain amounts in the prior year financial statements and accompanying notes have been reclassified to conform to current year presentation

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the period. Such estimates include the valuation of accounts receivable, intangible assets and property, plant and equipment, cost of access, the restructuring provision, legal contingencies and guarantee obligations. The estimates are based on historical factors, current circumstances and the experience and judgment of the Company's management. The Company evaluates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in the evaluation. As future events and their effects cannot be determined with precision, actual results could differ from those estimates. Changes in these estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in respect of network and other services, long term IRU agreements and installation services, net of discounts, VAT and other sales-related taxes.

Network and other services

Network service revenues are generated from the sale of transmission of voice and data traffic and short term network capacity and are recognised in the period the services are utilised by the customer. Other service revenues are generated from design and deployment of Customer Premise Equipment, maintenance and network management for enterprise customers. Revenue from the provision of other services which are contracted to be performed continuously over the contract term is recognised evenly over the period of each contract. For services invoiced in advance, amounts are deferred until the provision of the service.

Long term IRU agreements

Revenue from the lease of network capacity and dark fibre to third parties pursuant to long term IRU agreements is recognised on a straight line basis over the life of the contract. Non-refundable payments received from customers before relevant criteria are satisfied for revenue recognition are included in deferred revenue in the accompanying statement of financial position.

Installation services

The Company amortises revenue related to installation services on a straight line basis over the average contracted customer relationship. In situations where the contracted period is significantly longer than the average, the actual contract term is used.

Fibernet UK Limited

Notes to Financial Statements (continued)

2. Accounting policies (continued)

Gross versus net revenue recognition

In determining its presentation of revenue and cost of sales, the Company assesses whether it acts as a principal in the transaction or as an agent acting on behalf of others. Where the Company is the principal in the transaction and has the risks and rewards of ownership, the transactions are recorded as gross in the statement of comprehensive income. If the Company does not act as principal in the transaction, the transactions are recorded on a net basis in the statement of comprehensive income.

Arrangements with multiple elements

Under IFRS, in the absence of a standard or interpretation that specifically applies to a transaction, guidance issued by other standard setting bodies or an IFRS standard or interpretation that relates to a similar issue may be referred to. Therefore, in the absence of specific IFRS guidance with respect to arrangements with multiple elements, the Company follows the guidance of Accounting Standards Codification- Topic 605 "Revenue Recognition", issued by the Financial Accounting Standards Board in the United States of America, in its presentation of revenue and costs of revenue. Pursuant to this guidance, revenues from contracts with multiple-element arrangements are recognised as the revenue for each unit of accounting and is earned based on the relative fair value of each unit of accounting as determined by internal or third-party analyses of market based prices. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, there is objective and reliable evidence of the fair value of undelivered elements in the arrangement, and delivery or performance of undelivered elements is considered probable and substantially under our control. Revenue is generally recognised when services are performed provided that all other revenue recognition criteria are met.

Finance Revenue

Interest income is accrued using the effective interest rate method. The method applies this rate to the principal outstanding to determine interest income each period, except for short term receivables when the recognition of interest would be immaterial.

Cost of access

Cost of access primarily comprises usage-based voice charges paid to other carriers to originate and/or terminate switched voice traffic and charges for leased lines for dedicated facilities. Access costs are expensed as the services are received from the Company's access providers and are determined based on volume of access received as measured by the Company's network, and the access rates determined by the applicable contract or regulatory authority. At the close of each reporting period, the Company records a provision for its best estimate of access costs.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability of the Company is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income in accordance with the Company's general policy on borrowing costs (see below).

Rental expenses payable under operating leases are recognised on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also included in the statement of comprehensive income on a straight line basis over the term of the lease.

Fibernet UK Limited

Notes to Financial Statements (continued)

2. Accounting policies (continued)

Installation costs

The Company capitalises installation costs incurred for new facilities and connection from its network to networks of other carriers in order to provision customer orders. Such initial connection costs are treated as deferred costs within trade and other receivables, and are amortised as an expense within cost of sales on a straight-line basis over the average expected customer relationship (typically 24 months).

Foreign currencies

These financial statements are presented in the currency of the primary economic environment in which the Company operates (their functional currency) which is pounds sterling.

Transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Intangible assets

Computer software is stated at cost, being purchase price together with any directly attributable costs incurred in preparing the software for its intended use, net of amortisation and provisions for impairment.

Costs directly associated with the production of internally developed software for internal use, where it is probable that they will generate future economic benefits exceeding costs, are recognised in intangible assets and amortised over their estimated useful lives from the date the software is ready for use. Subsequent additions, modifications or upgrades to internally generated software are capitalized only to the extent that they allow the software to perform a task it did not previously perform.

Amortisation is provided on all intangible assets, so as to write off the cost, less estimated residual value, over their estimated lives using the straight line method as follows:

Computer software

3 to 5 years

Property, plant and equipment

Property, plant and equipment, which include assets held under finance lease, are stated at deemed cost at the date of transition to IFRS, net of depreciation and provision for impairment. Assets acquired subsequent to the date of transition are recorded at historical cost, net of depreciation and provision for impairment. Expenditure on enhancements is capitalised whilst expenditure for repairs and maintenance is expensed as incurred.

Costs recorded prior to a network segment's completion are reflected as construction in progress, which are reclassified to network assets at the date that each segment of the applicable system becomes operational. Construction in process includes direct expenditures for the construction of network systems and is stated at cost. Capitalised costs include costs incurred under the construction contract, advisory, consulting and legal fees, direct internal costs (including labour) and operating costs incurred during the construction phase.

Once it is probable that a network system will be constructed, costs directly identifiable with the cable system under development are capitalised. Costs relating to the evaluation of new projects incurred prior to the date the development of the network system becomes probable are expensed as incurred.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Fibernet UK Limited

Notes to Financial Statements (continued)

2. Accounting policies (continued)

Where the carrying value of an item of property, plant and equipment includes the cost of replacement for part of the item, then the carrying value of the replaced part is derecognised regardless of whether the replacement part had been depreciated separately. Where it is not practicable to determine the carrying amount of the replaced part, the Company may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

Depreciation is provided on all plant, property and equipment except construction in progress, so as to write off the cost less estimated residual value of each asset, over their estimated useful lives, using the straight-line method, on the following basis:

Leasehold improvements	Lesser of the lease term or 20 years
Fixtures, fittings, tools and equipment	3 to 7 years
Network assets	3 to 25 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in administrative expenses in the statement of comprehensive income.

Impairment of intangible and tangible assets

At the end of the reporting period, the Company reviews the carrying amounts of its intangible and tangible assets, and any assets that have yet to be brought into use, to determine whether there is any indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

Based on our assessment of recoverability, we have no such impairments during the period under review.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are recognised and carried at the lower of their original invoiced value and recoverable amount.

Fibernet UK Limited

Notes to Financial Statements (continued)

2. Accounting policies (continued)

Provisions for doubtful debts are charged to administrative expenses whilst provisions for sales credits are charged against revenue, both contained within the statement of comprehensive income. The adequacy of provisions is evaluated periodically by the Company utilising several factors including the length of time the receivables are past due, changes in the customer's creditworthiness, the customer's payment history, the length of the customer's relationship with the Company, the current economic climate, current industry trends and other relevant factors. Service level requirements are assessed to determine sales credit requirements where necessary.

Changes in these estimates are charged or credited to the statement of comprehensive income in the period of the change. If circumstances occur, such as changes in the financial viability of significant customers, and economic downturn, or changes in the Company's ability to meet service level requirements, the estimate of the recoverability of the Company's receivables could be reduced by a material amount.

Cash and cash equivalents

Cash and cash equivalents include cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

Financial liabilities are initially recognised at fair value and in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities include amounts owed to group companies, loans and borrowings and derivative financial instruments.

Financial liabilities issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable result for the period. Taxable result differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is measured at the rates that are expected to apply in the periods in which timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of deferred tax assets is reviewed at each reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Fibernet UK Limited

Notes to Financial Statements (continued)

2. Accounting policies (continued)

Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that there will be an outflow of economic benefits. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material

Restructuring costs

Provisions for restructuring costs are recognised once the criteria for recognising a provision, as described above, are met. For severance costs, this is when the Company has demonstrated a constructive obligation to implement a termination and has a detailed formal plan for the terminations that it has started to implement or has announced the main features to those affected by it in a sufficiently specific manner to raise a valid expectation in them that they will carry out the restructuring. For property costs, a constructive obligation is demonstrated when the Company vacates the property. Such amounts are recognised in the statement of comprehensive income utilising an appropriate risk free discount rate

Changes in assumptions, especially as they relate to anticipated third-party sub-lease payments, could have a material effect of the restructuring provision

Dilapidations provision

At the inception of each lease, the Company records a provision of the estimated costs required to return leased properties to their original state in accordance with the respective third party lease agreements. The provision is based on the estimated present value of the obligation utilising an appropriate risk free discount rate

Borrowing costs

Borrowing costs, with the exception of deferred finance fees, are expensed as incurred. Deferred finance fees are expensed over the life of the related debt obligation using the effective interest rate method

Share-based payments

The Company follows IFRS 2 "Share-based Payment" to account for share based payments. The Company issues equity-settled share-based payments in GCL stock to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on an accelerated basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

The fair value of awards are measured by use of the Black-Scholes option pricing model for stock option awards and the current market price for restricted stock unit and performance based awards. There were no stock options granted in 2008 and 2009

The movement in cumulative expense since the previous reporting period is recognised in administrative expenses within the consolidated statements of comprehensive income, with a corresponding entry in equity

Fibernet UK Limited

Notes to Financial Statements (continued)

2. Accounting policies (continued)

Recently issued accounting pronouncements and interpretations not applied

During the year and subsequent to the year end, the IASB have issued the following standards and interpretations, applicable to the Company with an effective date after the date of these financial statements

IAS interpretations

Effective date

Improvements to International Financial Reporting Standards 2009

1 January 2010 unless
otherwise specified

Issued in April 2009 as part of its Annual Improvement Process, this standard contains amendments to twelve International Financial Reporting Standards. Adoption of this standard is not expected to materially affect the results of the Company or its operations. This standard has still to be endorsed by the EU.

IFRS 2 (Amendment) Share-Based Payment

1 January 2010

Issued in June 2009, this amendment to IFRS 2 clarifies the accounting for group cash-settled share-based payment transactions. The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements where the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that:

- An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash, and
- In IFRS 2 a 'group' has the same meaning as in IAS 27 "Consolidated and Separate Financial Statements", that is, it includes only a parent and its subsidiaries.

The amendments also incorporate guidance previously included in IFRIC 8 "Scope of IFRS 2" ("IFRIC 8") and IFRIC 11 "IFRS 2—Group and Treasury Share Transactions" ("IFRIC 11"). As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. Adoption of this revised standard is not expected to materially affect the results of the Company or its operations.

IFRS 9 Financial Instruments Classification and Measurement

1 January 2013

Issued in November 2009, the IASB issued IFRS 9 as its first step in a project to replace IAS 39 "Financial Instruments Classification and Measurement" ("IAS 39"). IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intend to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment and hedge accounting. IFRS 9 will then be a complete replacement for IAS 39. Adoption of this standard is not expected to materially affect the results of the Company or its operations. This standard has still to be endorsed by the EU.

Fibernet UK Limited

Notes to Financial Statements (continued)

3. Inter Group Acquisition Agreement

With effect from close of business on 31 December 2009, GCUK agreed to purchase the business, trade, assets and liabilities of Fibernet UK Limited for a purchase price equal to the net asset value at close of business, adjusted for the internally generated intangible assets. The purchase price will remain outstanding as a non-interest bearing loan with no fixed repayment date. This agreement represents an inter group reorganisation and corporate simplification exercise.

The purchase price of the identifiable assets and liabilities of the Company which were transferred to GCUK are as follows:

	<u>Note</u>	<u>£000</u>
Non current assets		
Intangible assets, net	12	378
Property, plant and equipment, net	13	42,123
Trade and other receivables		905
		<u>43,406</u>
Current assets		
Trade and other receivables		28,509
Cash and cash equivalents		10,000
		<u>38,509</u>
Total assets		<u>81,915</u>
Current liabilities		
Trade and other payables		(40,873)
Deferred revenue		(9,871)
Obligations under finance leases		(594)
		<u>(51,338)</u>
Non current liabilities		
Deferred revenue		(3,163)
Provisions	17	(19)
Obligations under finance leases		(1)
		<u>(3,183)</u>
Total liabilities		<u>(54,521)</u>
Net asset value transferred		<u>27,394</u>
Gain on disposal of trade, assets and liabilities		7,800
Purchase consideration		<u>35,194</u>

Fibernet UK Limited

Notes to Financial Statements (continued)

4. Change in Accounting Policy

Prior to the corporate simplification and inter group reorganisation (see note 3), the Company took the opportunity to undertake a review of its accounting policies against those of GCUK and the GC Group

This resulted in the following changes to the Company's accounting policies

Finance lease to operating lease

Prior to the acquisition of the Company by GCUK in 2006, the two companies entered into an agreement whereby GCUK provided Fibernet with the use of certain fibre GCUK accounts for this agreement as an operating lease, whereas Fibernet accounted for the same agreement as a finance lease Fibernet has aligned its policy to that of GCUK

Sales Commission

Prior to the acquisition by GCUK, Company policy was to capitalise sales commission costs and amortise to the statement of comprehensive income over the life of associated customer contract GC Group policy is to immediately expense sales commission to the statement of comprehensive income as incurred Following its acquisition, Fibernet adopted the GC Group policy however the change was made prospectively Following the review of accounting policies, Fibernet has fully aligned its accounting policy with that of the GC Group and applied this revised policy retrospectively

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", these changes in accounting policies will be applied retrospectively and accounted for as though they have always been applied This has resulted in a restatement of the statements of financial position as at 1 January 2008 and 31 December 2008, together with the statement of comprehensive income for the year ended 31 December 2008

An analysis for the current period and each prior period presented by financial statement line in respect of the adjustment is shown below

	Year ended 31 December	
	2009	2008
	£000	£000
Revenue	-	-
Cost of sales	(1,743)	(1,321)
Gross profit	(1,743)	(1,321)
Distribution expenses	387	890
Operating profit	(1,356)	(431)
Finance charges	1,779	2,012
Profit before tax	423	1,581
Tax charge	-	-
Profit for the period	423	1,581

Fibernet UK Limited

Notes to Financial Statements (continued)

4. Change in Accounting Policy (continued)

	As at 31 December		As at 1 January
	2009	2008	2008
	£000	£000	£000
Non current assets			
Property, plant and equipment, net	2,419	2,419	(18,301)
Trade and other receivables	-	891	(165)
	<u>2,419</u>	<u>3,310</u>	<u>(18,466)</u>
Current assets			
Trade and other receivables	304	504	(31)
	<u>304</u>	<u>504</u>	<u>(31)</u>
Total assets	<u>2,723</u>	<u>3,814</u>	<u>(18,497)</u>
Current liabilities			
Obligations under finance leases	(2,300)	1,392	1,063
	<u>(2,300)</u>	<u>1,392</u>	<u>1,063</u>
Non current liabilities			
Obligations under finance leases	-	(3,625)	20,317
	<u>-</u>	<u>(3,625)</u>	<u>20,317</u>
Total liabilities	<u>(2,300)</u>	<u>(2,233)</u>	<u>21,380</u>
Net assets	<u>423</u>	<u>1,581</u>	<u>2,883</u>
Capital and reserves			
Accumulated profit	423	1,581	2,883
Total equity	<u>423</u>	<u>1,581</u>	<u>2,883</u>

Fibernet UK Limited

Notes to Financial Statements (continued)

5. Revenue

Substantially all revenue arises from sales to customers in the UK

An analysis by type of the Company's revenue for the periods under review is as follows

	Year ended	
	31 December 2009	31 December 2008
	£000	£000
Provision of telecommunication services	65,686	64,028
Long term IRU agreements	<u>5,183</u>	<u>475</u>
Revenue from customers	70,869	64,503
Finance revenue (see note 8)	<u>37</u>	<u>159</u>
Total revenue	<u><u>70,906</u></u>	<u><u>64,662</u></u>

Although we operate and report as one business, we internally manage our revenues through two sales channels based on our target markets and sales structure (i) enterprise, carrier data and, to a lesser extent, indirect, sales channel, and (ii) carrier voice. The Company services these customers with assets and personnel located predominantly in the UK.

The following represents a summary of revenue by type of customer

	Year ended	
	31 December 2009	31 December 2008
	£000	£000
Enterprise	23,931	20,767
Carrier data	<u>46,938</u>	<u>43,736</u>
Revenue from customers	<u><u>70,869</u></u>	<u><u>64,503</u></u>

In 2009 revenue benefited from a £6.6 million release of deferred revenue. This resulted from a review of deferred revenue balances on a contract by contract basis prior to an inter group acquisition agreement and relates to those contracts where the Company has no future obligation to provide services.

Fibernet UK Limited

Notes to Financial Statements (continued)

6. Operating profit

Operating profit has been arrived at after charging

	Year ended	
	31 December 2009	31 December 2008 (restated*)
	£000	£000
<i>Depreciation and amortisation</i>		
- Depreciation of property, plant and equipment (owned)	11,487	14,838
- Depreciation of property, plant and equipment (leased)	1,222	1,220
- Amortisation of intangible assets (owned)	121	193
- Amortisation of connection costs	2,654	3,674
	15,484	19,925
<i>Payments under operating lease</i>		
- Hire of plant and machinery	103	252
- Other operating leases	1,445	2,195
Loss on disposal of property, plant and equipment	2	-
Auditors remuneration for audit services (see below)	9	21
Loss on foreign exchange	15	12

* See note 4 for more details on the restatement of the prior period balances

Amounts payable to Ernst & Young LLP by the Company in respect of non-audit services were £nil (2008 £nil)

Fibernet UK Limited

Notes to Financial Statements (continued)

7. Employee information and remuneration of key management

Employee information

	Year ended	
	31 December 2009	31 December 2008
		(restated*)
	£000	£000
Wages and salaries	4,113	5,042
Social security costs	465	541
Other pension costs	205	220
	<u>4,783</u>	<u>5,803</u>

* See note 4 for more details on the restatement of the prior period balances

The Company's employees participated in the defined contribution section of the Global Crossing Pension scheme (the "Global Scheme"). The assets of this scheme are held separately from the Company in independently administered trusts

Included in wages and salaries is an expense in respect of share-based payments of £nil (2008 expense of £67,000), which arises from transactions accounted for as equity-settled share-based payment transactions

The average monthly number of employees during the period was made up as follows

	Year ended	
	31 December 2009 *	31 December 2008
	number	number
Administration	7	13
Sales and support	39	77
	<u>46</u>	<u>90</u>

* Effective 31 December 2009 the remaining Fibernet UK employees transferred over to GCUK and the number of employees' at the year-end was nil

Remuneration of key management

The remuneration of the directors, who are the key management and personnel of the Company, is £nil (2008 £nil)

For the year ended 31 December 2009 the directors received remuneration, in respect of services to companies in the GC Group, totalling £1.5 million, (2008 £1.6 million) but it is not practicable to allocate this between GC Group companies

Retirement benefits are accruing to four directors (31 December 2008 three) under money purchase pension schemes

No directors exercised share options in GCL during the year (2008 none)

Fibernet UK Limited

Notes to Financial Statements (continued)

8. Finance revenue

	Year ended	
	31 December 2009	31 December 2008
	£000	£000
Interest on bank deposits *	37	159
Total finance revenue	37	159

* calculated using effective interest rate method

9. Finance charges

	Year ended	
	31 December 2009	31 December 2008
	£000	(restated) £000
Amortisation of deferred finance charges *	56	60
Interest on obligations under finance lease	135	336
Other interest payable	8	42
Total finance charges	199	438

* calculated using effective interest rate method

10. Taxation

The major components of the income tax expense for year ended 31 December 2008 and 2009 are

	Year ended	
	31 December 2009	31 December 2008
	£000	£000
<i>Current income tax</i>		
Current income tax charge	-	-
Income tax charge reported in the statement of comprehensive income	-	-

No deferred tax movements have been recognised in equity in the current or prior period

Fibernet UK Limited

Notes to Financial Statements (continued)

10. Taxation (continued)

A reconciliation between the tax expense and accounting profit multiplied by the applicable tax rate for the years ended 31 December 2008 and 2009 is as follows

	Year ended	
	31 December 2009	31 December 2008 (restated*)
	£000	£000
Accounting profit before tax	25,011	2,212
Tax at the UK corporation tax rate of 28% (2008 28.5%)	7,003	630
<i>Factors affecting the tax charge for the year</i>		
- Expenses not deductible for tax purposes	9	39
- Non taxable income	(2,184)	-
- Statutory deduction for shares costs	(80)	-
- Movement in short-term timing differences	1,140	(323)
- Utilisation of loss brought forward	-	(3,010)
- Accelerated capital allowances	(1,285)	3,581
- Adjustment for UK to UK transfer pricing	(389)	(872)
- Group relief claimed for nil payment	(4,214)	(45)
Income tax charge reported in the statement of comprehensive income	-	-

* See note 4 for more details on the restatement of the prior period balances

The following is the analysis of the deferred tax asset for financial reporting purposes

	31 December	
	2009	2008 (restated*)
	£000	£000
Accelerated capital allowances	-	9,926
Other temporary differences	-	159
Total deferred tax asset	-	10,085
Less deferred tax asset not recognised	-	(10,085)
Net deferred tax asset	-	-

* See note 4 for more details on the restatement of the prior period balances

At the end of the reporting period, the Company has no unused tax losses (31 December 2008 £nil) available for offset against future profits

In the current period no deferred tax asset has been recognised (2008 £nil) in respect of tax losses and other temporary differences due to the Company considering that it is not more likely than not that sufficient profits will be available in the foreseeable future against which to offset the deferred tax asset. The Company may carry forward its tax losses indefinitely

With effect from 1 April 2008, the UK Government fully enacted a reduction in the UK corporation tax rate from 30% to 28%

Fibernet UK Limited

Notes to Financial Statements (continued)

11. Dividends

The directors do not recommend the payment of a dividend (31 December 2008 *£nil*)

12. Intangible Assets

	Computer software £000
Cost	
At 1 January 2008	816
Reclassifications	(104)
Additions	123
At 31 December 2008	835
Additions	121
Intercompany transfer of assets (see note 3)	(956)
At 31 December 2009	-
Amortisation	
At 1 January 2008	(264)
Charge for year	(193)
At 31 December 2008	(457)
Charge for the period	(121)
Intercompany transfer of assets (see note 3)	578
At 31 December 2009	-
Carrying amount	
At 1 January 2008	552
At 31 December 2008	378
At 31 December 2009	-

The Company's intangible assets were transferred to GCUK under an inter group acquisition agreement at close of business on 31 December 2009 (see note 3)

Fibernet UK Limited

Notes to Financial Statements (continued)

13. Property, plant and equipment

	Leasehold improvements £000	Fixtures, fittings, tools and equipment £000	Network assets £000	Total £000
Cost				
At 1 January 2008 (restated*)	374	7 339	165 275	172,988
Reclassifications	-	-	104	104
Additions	-	4	607	611
Change in dilapidations provision	-	-	18	18
At 31 December 2008 (restated*)	374	7,343	166 004	173 721
Additions	-	-	9,068	9 068
Disposals	-	-	(2)	(2)
Intercompany transfer of assets (see note 3)	(374)	(7 343)	(175,070)	(182 787)
At 31 December 2009	-	-	-	-
Accumulated depreciation				
At 1 January 2008 (restated*)	(371)	(6 648)	(104,878)	(111 897)
Charge for year (restated*)	(3)	(174)	(15,881)	(16,058)
At 31 December 2008 (restated*)	(374)	(6 822)	(120 759)	(127,955)
Charge for period	-	(16)	(12,693)	(12,709)
Intercompany transfer of assets (see note 3)	374	6,838	133,452	140,664
At 31 December 2009	-	-	-	-
Carrying amount				
At 1 January 2008 (restated*)	3	691	60,397	61 091
At 31 December 2008 (restated*)	-	521	45,245	45 766
At 31 December 2009	-	-	-	-

* See note 4 for more details on the restatement of the prior period balances

Included within the Company's network assets are assets under finance lease, and construction in progress. As at 31 December 2008 and 2009, the carrying amount of assets held under finance lease were £5.8 million and £nil, respectively. The cost and net book value of construction in progress (which is not depreciated) as at 31 December 2008 and 2009 was £0.5 million and £nil, respectively.

The Company's property, plant and equipment were transferred to GCUK under an inter group acquisition agreement at close of business on 31 December 2009 (see note 3).

Fibernet UK Limited

Notes to Financial Statements (continued)

14. Other financial assets

Trade and other receivables

Trade and other receivables consist of

	31 December 2009	2008 (restated*)	1 January 2008 (restated*)
	£000	£000	£000
<i>Amounts due within one year</i>			
Trade receivables	-	9,515	6,839
Less provision for doubtful debts	-	(145)	(24)
Trade receivables (net)	-	9,370	6,815
Amounts owed by Group Companies	35,194	11,011	11,554
Other receivables	-	94	1,612
Prepayments and accrued income	-	7,040	7,547
Trade and other receivables due within one year	35,194	27,515	27,528
<i>Amounts due after more than one year</i>			
Deferred finance fees	-	334	362
Prepayments	-	1,132	2,397
Trade and other receivables due after more than one year	-	1,466	2,759
Total amounts due	35,194	28,981	30,287

* See note 4 for more details on the restatement of the prior period balances

No interest is charged on trade receivables

The amounts owed by Group companies are non interest bearing and have no fixed date of repayment

Included within trade receivables are debtors with a carrying amount of £nil (31 December 2008 £6.1 million, 1 January 2008 £1.8 million) which are overdue as at the reporting date, and for which no provision has been made due to there being no indication that the amounts are not recoverable

The Company's trade and other receivables (excluding the £35.2 million intercompany loan with GCUK relating to the purchase price of the assets transferred) were transferred to GCUK under the asset transfer agreement at close of business on 31 December 2009 (see note 3)

The ageing of the amounts past due, against which there is no provision, is

	31 December 2009	2008	1 January 2008
	£000	£000	£000
1 - 30 days	-	2,021	1,454
31 - 60 days	-	1,109	292
61 - 90 days	-	1,366	49
over 90 days	-	1,614	26
	-	6,110	1,821

Fibernet UK Limited

Notes to Financial Statements (continued)

14. Other financial assets (continued)

There were the following changes to the provision for doubtful debts

	31 December		1 January
	2009	2008	2008
	£000	£000	£000
Balance at start of period	145	24	1,446
(Utilised)/provided in period	(145)	121	(1,422)
Balance at end of period	-	145	24

15. Obligations under finance leases

	Minimum lease payments			Present value of minimum lease payments		
	31 December		1 January	31 December		1 January
	2009	2008	2008	2009	2008	2007
		(restated *)	(restated *)		(restated *)	(restated *)
	£000	£000	£000	£000	£000	£000
Amounts payable under finance leases						
Within one year		1,524	2,732	-	1,447	3,680
In the second to fifth year inclusive	-	534	2,109	-	518	879
After five years	-	-	-	-	-	-
	-	2,058	4,841	-	1,965	4,559
Less: future finance charges	-	(93)	(282)	n/a	n/a	n/a
Present value of minimum lease payments	-	1,965	4,559	-	1,965	4,559
Less: Amount due for settlement within 12 months (shown within current liabilities)				-	(1,447)	(3,680)
Amount due for settlement after 12 months				-	518	879

* See note 4 for more details on the restatement of the prior period balances

Obligations under finance leases and hire purchase contracts are secured against the leased assets and bear finance charges at 5.50% per annum relating to 1 January 2008 and 31 December 2008. Interest rates are fixed at inception of the lease. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in pounds sterling.

The fair value of the Company's lease obligations approximates their carrying amount.

The Company's finance leases were transferred to GCUK under an inter group acquisition agreement at close of business on 31 December 2009 (see note 3).

Fibernet UK Limited

Notes to Financial Statements (continued)

16. Other financial liabilities

Trade and other payables

	31 December		1 January
	2009	2008	2008
	£000	£000	£000
<i>Amounts due within one year</i>			
Trade payables	-	3,422	2,218
Amounts owed to Group Companies	-	36,677	40,817
Other creditors	-	473	381
Other taxes and social security	-	2,557	1,843
Accruals	-	2,903	1,486
Trade and other payables due within one year	-	46,032	46,745

The amounts owed to Group Companies are non interest bearing and have no fixed repayment date

The Company's trade and other payables were transferred to GCUK under an inter group acquisition agreement at close of business on 31 December 2009 (see note 3)

17. Provisions

	Dilapidations £000	Facility closings £000	Total restructuring £000
At 1 January 2008	-	1,143	1,143
Credited to the statement of comprehensive income	-	(712)	(712)
Adjustments for unwind of discount	-	(19)	(19)
Change in estimated liability	18	-	18
Utilised in year	-	(412)	(412)
At 31 December 2008	18	-	18
Adjustments for unwind of discount	1	-	1
Intercompany asset transfer (see note 3)	(19)	-	(19)
At 31 December 2009	-	-	-
Due in less than one year	-	-	-
Due in more than one year	-	-	-

In 2007, the Company approved plans to restructure a Fibernet facility lease agreement and later in the year the Company physically vacated this facility and as a result, recorded a charge of £1.3 million to the restructuring provision. During 2008, the lease in respect of this facility was assigned to GCUK, and the Company released the remaining associated provision.

The dilapidations provision is the estimated cost required to return leased properties to their original state in accordance with the respective third party lease agreements based on the estimated present value of the obligation utilising an appropriate discount rate.

Fibernet UK Limited

Notes to Financial Statements (continued)

18. Financial instruments

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily from amounts owed by Group Companies) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risks related to receivables

Customer credit risk is managed by way of the Company's credit and risk management policies. These activities include, but are not confined to, setting credit limits on all customer accounts and regularly reviewing the customers' payment performance as well as their financial standing on an ongoing basis.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is conducted primarily by GCL on behalf of the GC Group. The Company's maximum exposure to credit risk for the components of the statement of financial position at 1 January 2008, 31 December 2008 and 2009 is the carrying amounts of such balances as illustrated below.

Treasury policy and risk management

The Company's treasury management is conducted primarily by GCL on behalf of GC Group Companies. GCL is responsible for raising finance for operations, together with associated liquidity management, and the management of foreign exchange and interest rate risk. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the GCL Audit Committee, which receives regular updates of treasury activity. Financial instruments are entered into for risk management purposes only. It is the GC Group's policy that all hedging is to cover known risks and that no trading in financial instruments is undertaken.

Interest rate management

The Company has financial exposures to interest rates, arising from its finance leases. These exposures are primarily managed by borrowing at fixed rates of interest, which are based on rates inherent in the finance lease agreement. This use of fixed rates of interest means that the Company's exposure to interest rate risk is minimal.

The following table's show the Company's contractually agreed (undiscounted) payments in respect of its financial liabilities.

31 December 2009				
Within 1 year	1-3 years	3-5 years £000	> 5 years	Total
Finance lease and hire purchase obligations	-	-	-	-
Trade and other payables	-	-	-	-
	-	-	-	-
31 December 2008				
Within 1 year	1-3 years	3-5 years £000	> 5 years	Total
Finance lease and hire purchase obligations (restated)	1,524	534	-	2,058
Trade and other payables	3,422	-	-	3,422
	4,946	534	-	5,480

Fibernet UK Limited

Notes to Financial Statements (continued)

18. Financial instruments (continued)

	1 January 2008				Total
	Within 1 year	1-3 years	3-5 years £000	> 5 years	
Finance lease and hire purchase obligations (restated)	2,732	2,109	-	-	4,841
Trade and other payables	2,218	-	-	-	2,218
	<u>4,950</u>	<u>2,109</u>	<u>-</u>	<u>-</u>	<u>7,059</u>

Foreign exchange management

The Company operates primarily in the UK, with substantially all of its revenue and operating costs denominated in pounds sterling. In addition, substantially all of the Company's assets and liabilities are denominated in pounds sterling.

The Company assesses its currency exchange exposure and enters into financial instruments, as it believes necessary, to manage risk.

In the year ended 31 December 2009, the Company recognised a foreign currency loss of £15,000 (31 December 2008 loss of £12,000) on assets and liabilities denominated in other currencies.

If pound sterling had strengthened/weakened against the dollar and Euro by 25%, the effects on the financial statements in either period would not be significant due to the minimal assets and liabilities held in foreign currencies.

Currency risks

The Company's currency exposures give rise to the net currency gains and losses recognised in the statements of comprehensive income. Such exposures comprise the net monetary assets and liabilities of the Company that are not denominated in the functional currency of the entity. The following table presents the exposure of net foreign currency monetary (liabilities)/ assets of the Company in pounds sterling.

	31 December 2009			31 December 2008			1 January 2008		
	US Dollars	Euros £000	Total	US Dollars	Euros £000	Total	US Dollars	Euros £000	Total
Functional currency of the company	-	-	-	(1)	103	102	(38)	51	13
Pounds sterling	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>103</u>	<u>102</u>	<u>(38)</u>	<u>51</u>	<u>13</u>

Concentration of risk

The Company relied on a limited number of third parties for the timely supply of equipment and services relating to its network infrastructure. If these suppliers experienced interruptions or other problems delivering these network components on a timely basis, our operating results could have suffered. In certain circumstances, the Company relied on a single supplier that had proprietary technology that had become core to the Company's infrastructure and business.

Capital management

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and reserves.

The Company is party to an Indenture governing the Senior Secured Notes issued by Global Crossing (UK) Finance plc, an affiliated company and fellow subsidiary of GCUK. The Indenture under which the Senior Secured Notes were issued includes covenants and events of default that are customary for high-yield senior note issues. The Senior Secured Notes are also guaranteed by GCUK, Fibernet Group Limited and Fibernet UK Limited on a senior basis ranking equal in right of payment with all of their existing and future senior debt. See notes 26 and 28 for more information.

Fibernet UK Limited

Notes to Financial Statements (continued)

18. Financial instruments (continued)

The primary objective of the Company's capital management was to ensure that it was able to continue as a going concern, as noted in note 2, it is the intention of the directors to resolve in the near future to seek voluntary strike off of the Company. In addition the Indenture governing the Senior Secured Notes contains restrictions which, among other things, limit our ability to incur additional indebtedness and pay dividends.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments, that are carried in the financial statements

	Carrying amount			Fair value		
	31 December		1 January	31 December		1 January
	2009	2008	2008	2009	2008	2008
		(restated*)	(restated*)		(restated*)	(restated*)
	£000	£000	£000	£000	£000	£000
<i>Financial assets</i>						
Trade receivables ⁽¹⁾	-	9,370	6,815	-	9,370	6,815
Amounts owed by group companies ⁽¹⁾	35,194	11,011	11,554	35,194	11,011	11,554
Other receivables ⁽¹⁾	-	-	1,589	-	-	1,589
Cash and cash equivalents ⁽¹⁾	-	9,798	9	-	9,798	9
<i>Financial liabilities</i>						
Trade payables ⁽²⁾	-	3,422	2,218	-	3,422	2,218
Amounts owed to group companies ⁽²⁾	-	36,677	40,817	-	36,677	40,817
Other creditors ⁽²⁾	-	473	381	-	473	381
Obligations under finance lease ⁽²⁾	-	1,965	4,559	-	1,965	4,559

⁽¹⁾ Classified as loan and receivables

⁽²⁾ Classified as financial liability at amortised costs

* See note 4 for more details on the restatement of the prior period balances

The fair value of trade receivables, amounts owed by Group Companies and other receivables approximates to their carrying value due to their short term nature

Given the short term duration of cash and cash equivalents the fair value approximates the carrying value

The fair value of trade payables, amounts owed to Group Companies within one year and other creditors approximates to their carrying value due to their short term nature

The fair value of obligations under finance leases has been obtained by discounting the expected future cash flows at the prevailing interest rates

Fibernet UK Limited

Notes to Financial Statements (continued)

19. Financial assets and liabilities

Financial assets and liabilities, at the end of the reporting period, were made up as follows

	31 December 2009	2008 (restated*)	1 January 2008 (restated*)
	£000	£000	£000
Financial assets			
<i>Amounts due within one year</i>			
Trade receivables	-	9,370	6,815
Amounts owed by group companies	35,194	11,011	11,554
Other receivables	-	-	1,589
Cash and cash equivalents	-	9,798	9
Due in less than one year	<u>35,194</u>	<u>30,179</u>	<u>19,967</u>
Financial liabilities			
<i>Amounts payable within one year</i>			
Trade payables	-	3,422	2,218
Amounts owed to group companies	-	36,677	40,817
Other creditors	-	473	381
Obligations under finance lease	-	1,447	3,680
Payable within one year	<u>-</u>	<u>42,019</u>	<u>47,096</u>
<i>Amounts payable in greater than one year</i>			
Obligations under finance lease	-	518	879
Payable in greater than one year	<u>-</u>	<u>518</u>	<u>879</u>

* See note 4 for more details on the restatement of the prior period balances

20. Equity share capital

	31 December 2009	2008	1 January 2008
	£000	£000	£000
<i>Authorised</i>			
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<i>Called up, allotted and fully paid</i>			
2 ordinary shares of £1 each	<u>-</u>	<u>-</u>	<u>-</u>

The Company has one class of ordinary shares which carry no right to fixed income

Fibernet UK Limited

Notes to Financial Statements (continued)

21. Operating lease commitments

The Company as lessee

The Company previously entered into commercial leases on certain property, motor vehicles and equipment. These leases had average lives of between 1 and 8 years, with renewal options contained within some contracts.

The following table presents a schedule of future minimum commitments under non cancellable operating leases:

	31 December	
	2009	2008 (restated*)
	£000	£000
Within 1 year	-	1,680
Between 2 and 5 years	-	5,494
Greater than 5 years	-	12,013
Total minimum lease payments	<u>-</u>	<u>19,187</u>

* See note 4 for more details on the restatement of the prior period balances.

The Company's operating lease commitments were transferred to GCUK under an inter group asset acquisition agreement at close of business on 31 December 2009 (see note 3).

22. Purchase commitments

As at 31 December 2009, the Company was not subject to any purchase commitments. All commitments were transferred to GCUK under the asset transfer agreement at close of business on 31 December 2009 (see note 3).

23. Share based payments

The Company recognised an expense of £67,000 and £nil in respect of equity-settled share-based payment transactions in the years ended 31 December 2008 and 2009, respectively.

Prior to the acquisition of the Fibernet Group of Companies by GCUK, employees of the Company participated in a number of equity settled share based payment schemes under which shares and share options in the then Company's immediate parent company (Fibernet Group Limited, then Fibernet Group plc) were issued. Following the Company's acquisition by the Global Crossing Group of Companies, any outstanding share options vested, with all employee shares forming part of the Compulsory Share Acquisition Process, the right to acquire the minority shareholdings on a compulsory basis under applicable English law.

Following the acquisition, employees of the Company became entitled to participate in the Global Crossing Limited 2003 Stock Incentive Plan (the "Plan"). Equity-settled share-based payment transactions relate to share-based awards granted under the Plan and reflect awards outstanding during such period, including awards granted both prior to and during such period. Under the Plan, GCL is authorised to issue up to 19,378,261 common shares of GCL, shared amongst any employee, director or consultant who is selected to participate in the plan. As at 31 December 2009, the Company transferred all its employees to GCUK as part of the asset transfer agreement (see note 3).

24. Ultimate parent and controlling party

As of close of business on 31 December 2009, GCUK became the immediate parent company of Fibernet due to the asset transfer agreement. Prior to this the Company was a wholly owned subsidiary of Fibernet Group Limited, a company registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by GCUK. The consolidated financial statements of GCUK are available to the public and may be obtained from Companies House.

At 31 December 2009, the Company's directors regarded Temasek Holdings (Private) Limited ("Temasek"), a company incorporated in the Republic of Singapore, as the ultimate parent company and ultimate controlling party. The largest group, which includes the Company and for which financial results are prepared is that headed by Temasek, whose registered office is 60B Orchard Road, #06-18, Tower 2, Singapore 238891.

Fibernet UK Limited

Notes to Financial Statements (continued)

25. Related party transactions

The debtor and creditor balances as a result of the transactions with related parties are as follows

	31 December		1 January
	2009	2008	2008
	£000	£000	£000
<i>Debtor balances due from</i>			
Fibemet Group Limited	-	-	8,835
Fibemet Limited	-	-	162
Global Crossing (UK) Telecommunications Limited	35,194	10,500	2,497
Global Crossing Europe Limited	-	346	-
Other Group Companies	-	165	60
	<u>35,194</u>	<u>11,011</u>	<u>11,554</u>
<i>Creditor balances due to</i>			
Fibemet Limited	-	4,131	4,373
Fibemet Group Limited	-	9,107	26,867
Global Crossing (UK) Telecommunications Limited	-	23,318	9,525
Other Group Companies	-	121	52
	<u>-</u>	<u>36,677</u>	<u>40,817</u>

Tax sharing

The Company and the UK GC Group Companies share tax losses as allowed by UK tax law. Under the tax sharing, losses can be utilised by any entity within the UK GC Group in the period in which they are generated.

The Company is party to a formal tax agreement with GCL that establishes the basis of conduct for certain tax matters in the UK, including the surrender of tax losses and the reallocation of income or gains where permitted by UK tax law, between the Company and other Group Companies subject to tax in the UK. The claimant company will pay the surrendering company an amount equal to the amount surrendered multiplied by the average corporate tax rate for the period in which relief is deemed. There was no payment made in respect of tax sharing during the year ended 31 December 2008 and 2009 in accordance with the agreement.

Loans from and to GC Group Companies

The balances described above are unsecured and non-interest bearing.

Included within the balances above is a non-interest bearing loan of £35.2 million owed by GCUK to the Company, due to the asset transfer agreement, with no fixed repayment date (see note 3).

Fibernet UK Limited

Notes to Financial Statements (continued)

26. Guarantee arrangement

There is a fixed and floating charge under the terms of the Indenture (see note 28) over the Company's assets. Specifically, there is a fixed charge over all property, plant and equipment and intangible assets except for the following:

- all property, plant and equipment held under finance leases, which totalled £5.8 million and £nil as at 31 December 2008 and 2009, respectively, and
- property, plant and equipment used exclusively to provide service under (i) contracts in which the counterparty is a UK governmental customer, and (ii) contracts in which the counterparty is a contractor or subcontractor to a UK governmental entity,

Assets used exclusively in the provision of services as noted above are not segregated on the network, and are only identified in the event of default.

27. Contingent liabilities

Litigation

From time to time, the Company has been a party to various legal proceedings arising in the ordinary course of business. In the opinion of the Company's directors there are currently no proceedings in respect of which there exists a reasonable possibility of an adverse outcome that would have a material effect on the Company's statement of financial position, statement of comprehensive income or statement of cash flows.

28. Financial guarantee contracts

Fibernet UK Limited is a guarantor to Global Crossing (UK) Finance Limited's ("GC Finance") Senior Secured Notes (the "Notes"). These are guaranteed as a senior obligation ranking in equal right of payment with all of its existing and future debt.

The Notes were issued under an Indenture, which includes covenants and events of default that are customary for high-yield senior note issuances. The Indenture limits GCUK and its restricted subsidiaries' ability to, among other things: (i) incur or guarantee additional indebtedness, (ii) pay dividends or make other distributions to repurchase or redeem its stock, (iii) make investments or other restricted payments, (iv) create liens, (v) enter into certain transactions with affiliates, (vi) enter into agreements that restrict the ability of its material subsidiaries to pay dividends, and (vii) consolidate, merge or sell all or substantially all of its assets.

The principal amount of Notes outstanding on 31 December 2009 per the financial statements of GC Finance for the year then ended was £273.2 million.