

ARBINET - THEXCHANGE LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

COMPANY INFORMATION

Directors	M Demise (resigned 12 August 2016) C Denson
Registered number	04007729
Registered office	55 Old Broad Street 4th Floor London EC2M 1RX
Independent auditors	haysmacintyre 26 Red Lion Square London WC1R 4AG

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors

The directors who served during the year were:

M Demise (resigned 12 August 2016)
C Denson

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- 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 to 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.

Matters covered in the strategic report

Since the company has been dormant in the year, a strategic report has not been included within these financial statements.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the board on 25 September 2017 and signed on its behalf.

C Denson
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARBINET - THEXCHANGE LTD

We have audited the financial statements of Arbinet - theexchange Ltd for the year ended 31 December 2016, set out on pages 5 to 10. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement on page 1, 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its result 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, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARBINET - THEXCHANGE LTD (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Wilks (Senior Statutory Auditor)

for and on behalf of

haysmacintyre

Statutory Auditors

26 Red Lion Square

London

WC1R 4AG

25 September 2017

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Company has not traded during the year or the preceding financial year. During these periods, the Company received no income and incurred no expenditure and therefore made neither profit or loss.

The notes on pages 8 to 10 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	4	<u>1</u>	<u>1</u>
		1	1
Creditors: amounts falling due within one year	5	<u>(19,299,627)</u>	<u>(19,299,627)</u>
Net current liabilities		<u>(19,299,627)</u>	<u>(19,299,627)</u>
Total assets less current liabilities		<u>(19,299,626)</u>	<u>(19,299,626)</u>
Net assets		<u><u>(19,299,626)</u></u>	<u><u>(19,299,626)</u></u>
Capital and reserves			
Called up share capital	7	1	1
Other reserves	8	287,151	287,151
Profit and loss account	8	<u>(19,586,778)</u>	<u>(19,586,778)</u>
		<u><u>(19,299,626)</u></u>	<u><u>(19,299,626)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 September 2017.

C Denson

Director

The notes on pages 8 to 10 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	1	287,151	(19,586,778)	(19,299,626)
At 31 December 2016	<u>1</u>	<u>287,151</u>	<u>(19,586,778)</u>	<u>(19,299,626)</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	1	287,151	(19,586,778)	(19,299,626)
At 31 December 2015	<u>1</u>	<u>287,151</u>	<u>(19,586,778)</u>	<u>(19,299,626)</u>

The notes on pages 8 to 10 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. General information

Arbinet thexchange Limited is a limited liability company incorporated in England.

The registered office is 55 Old Broad Street, London, EC2M 1RX.

The principal activity of the company is that of a holding company.

The financial statements are presented in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

2.2 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.3 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

2.4 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3. Employees

The company had no employees (2015: nil) during the year.

The Company has no employees other than the directors, who did not receive any remuneration (2015 - £NIL).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	1
At 31 December 2016	<u>1</u>
Net book value	
At 31 December 2016	<u>1</u>
At 31 December 2015	<u>1</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
PTGI ICS Holdings Limited	Ordinary	100 %	Holding company

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
PTGI ICS Holdings Limited	(2,654,306)	(1,371,562)
	<u>(2,654,306)</u>	<u>(1,371,562)</u>

5. Creditors: Amounts falling due within one year

	2016 £	2015 £
Amounts owed to group undertakings	19,299,627	19,299,627
	<u>19,299,627</u>	<u>19,299,627</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. Financial instruments

	2016 £	2015 £
Financial liabilities		
Financial liabilities measured at amortised cost	(19,299,627)	(19,299,627)
	<u>(19,299,627)</u>	<u>(19,299,627)</u>

Financial liabilities measured at amortised cost comprise amounts due to group undertakings.

7. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

8. Reserves

Profit & loss account

The profit and loss account represents accumulated comprehensive income of the year and prior periods less any dividends paid.

9. Controlling party

At 31 December 2016, the company's immediate parent company was Arbinet Corporation, a Company incorporated in the USA.

The company's ultimate parent company is HC2 Holdings Incorporated, a company incorporated in the United States of America. For the year ended 31 December 2016, HC2 Holdings Incorporated was the parent company of the largest Group for which the company's results are included within the consolidated financial statements. Copies of the Group financial statements can be obtained from 13800 Coppermine Road, Suite 224, Herndon, Virginia 20171 USA.