

Financial Statements

Hibernia Media (UK) Limited

For the year ended 31 December 2017



Registered number: 08097331

Company Information

Directors	Jessica Kaman (appointed 4 May 2018) Christopher McKee (appointed 9 January 2017) Michael Sicoli (appointed 9 January 2017) Richard Calder, Jr. (appointed 9 January 2017, resigned 16 April 2018) Kenneth Peterson (resigned 9 January 2017) Bjarni Thorvardarson (resigned 9 January 2017)
Company secretary	York Place Company Secretaries Limited
Registered number	08097331
Registered office	Ground Floor One George Yard London EC3V 9DF England
Statutory auditors	Grant Thornton Chartered Accountants & Statutory Auditors 13-18 City Quay Dublin 2 Ireland
Bankers	Royal Bank of Scotland 60-63 Threadneedle Street London EC2R 8LA England
Solicitors	Cleaver Fulton Rankin 50 Bedford Street Belfast BT2 7FW

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Directors' report

For the year ended 31 December 2017

The directors present their report and the financial statements of Hibernia Media (UK) Limited ("the Company") for the year ended 31 December 2017.

Principal activity

On 9 January 2017, the Hibernia group was acquired by GTT Communications Inc. a US based publicly listed telecommunications company. The group owns and operates an international telecommunications network. The core asset is the transatlantic fibre optic telecommunications network. The principal activity of the Company is the provision of telecommunications network services.

Results and dividends

The loss for the year, after taxation, amounted to £172,943 (2016 - profit £61,858).

No dividends were paid or proposed during the year.

Directors

The directors who served during the year were:

Christopher McKee (appointed 9 January 2017)
Michael Sicoli (appointed 9 January 2017)
Richard Calder, Jr. (appointed 9 January 2017, resigned 16 April 2018)
Kenneth Peterson (resigned 9 January 2017)
Bjarni Thorvardarson (resigned 9 January 2017)

James Prenetta resigned as secretary on 9 January 2017.

Political and charitable contributions

The Company did not make any political or charitable donations during the year (2016 £NIL).

Future developments

It is the intention of the directors to continue to develop the current activities of the Company.

Research and development activities

The Company did not engage in any research and development activities during the year.

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.

Post balance sheet events

There were no significant events post year end impacting the Company.

Directors' report (continued)

For the year ended 31 December 2017

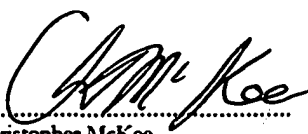
Auditors

The auditors, Grant Thornton, who were appointed during the year, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the exemptions contained within Part 15 of the Companies Act 2006.

This report was approved by the board on 17th June 2019 and signed on its behalf.


.....
Christopher McKee
Director

Directors' responsibilities statement

For the year ended 31 December 2017

The directors are responsible for preparing the Directors' report and the financial statements of Hibernia Media (UK) Limited ("the Company") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements of Hibernia Media (UK) Limited ("the Company") for each financial year. Under that law the directors have elected to prepare the financial statements of Hibernia Media (UK) Limited ("the Company") 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 of Hibernia Media (UK) Limited ("the Company") 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 of Hibernia Media (UK) Limited ("the Company"), 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.


.....
Christopher McKee
Director

Date: 17th June 2019

Independent auditors' report to the members of Hibernia Media (UK) Limited

Opinion

We have audited the financial statements of Hibernia Media (UK) Limited, which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity for the financial year ended 31 December 2017, and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, Hibernia Media (UK) Limited's financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the Company as at 31 December 2017 and of its financial performance for the year then ended; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs') and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, namely FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor. We have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

Other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon, including the Directors' report. The directors are responsible for the other information. Our opinion on the financial statements does not cover the information and, except to the extent

Independent auditors' report to the members of Hibernia Media (UK) Limited (continued)

otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a strategic report or in preparing the Directors' report.

Responsibilities of management and those charged with governance for the financial statements

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent auditors' report to the members of Hibernia Media (UK) Limited (continued)

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The auditor shall communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.



Independent auditors' report to the members of Hibernia Media (UK) Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

A handwritten signature in cursive script that reads "Sinead Donovan".

Sinead Donovan, FCA (Senior statutory auditor)

for and on behalf of

Grant Thornton

Chartered Accountants and
Statutory Auditors

13 -18 City Quay
Dublin 2

Date: 17th June 2019

Statement of Total Comprehensive Income

For the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover		7,932,193	8,078,407
Cost of sales		(5,929,165)	(4,590,727)
Gross profit		<u>2,003,028</u>	<u>3,487,680</u>
Administrative expenses		(1,485,426)	(2,956,063)
Operating profit	5	517,602	531,617
Exceptional items	9	(896,950)	-
(Loss)/profit on ordinary activities before interest		<u>(379,348)</u>	<u>531,617</u>
Interest payable and expenses	7	(28,570)	(209,198)
(Loss)/profit before tax		<u>(407,918)</u>	<u>322,419</u>
Tax on (loss)/profit	8	234,975	(260,561)
(Loss)/profit for the financial year		<u>(172,943)</u>	<u>61,858</u>
Other comprehensive income for the year			
Total comprehensive income for the year		<u>(172,943)</u>	<u>61,858</u>

The notes on pages 11 to 26 form part of these financial statements.

Balance sheet

As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	10	-	1,026,506
Tangible assets	11	1,746,333	2,191,159
		<u>1,746,333</u>	<u>3,217,665</u>
Current assets			
Debtors: amounts falling due after more than one year	12	148,841	-
Debtors: amounts falling due within one year	12	1,917,165	1,268,410
Cash at bank and in hand	13	1,915,524	1,325,689
		<u>3,981,530</u>	<u>2,594,099</u>
Creditors: amounts falling due within one year	14	(4,779,754)	(4,051,071)
Net current liabilities		<u>(798,224)</u>	<u>(1,456,972)</u>
Total assets less current liabilities		<u>948,109</u>	<u>1,760,693</u>
Provisions for liabilities			
Deferred tax	15	-	(25,058)
Other provisions	16	-	(632,053)
		<u>-</u>	<u>(657,111)</u>
Net assets		<u><u>948,109</u></u>	<u><u>1,103,582</u></u>
Capital and reserves			
Called up share capital	17	1	1
Capital contribution reserve	18	17,470	-
Profit and loss account		930,638	1,103,581
		<u>948,109</u>	<u>1,103,582</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17th June 2019.


Christopher McKee
Director

The notes on pages 11 to 26 form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2017

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	1	-	1,103,581	1,103,582
Comprehensive income for the year				
Loss for the year	-	-	(172,943)	(172,943)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(172,943)	(172,943)
Additional capital contribution	-	17,470	-	17,470
Total transactions with owners	-	17,470	-	17,470
At 31 December 2017	1	17,470	930,638	948,109

Statement of changes in equity

For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	1	1,041,723	1,041,724
Comprehensive income for the year			
Profit for the year	-	61,858	61,858
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	61,858	61,858
Total transactions with owners	-	-	-
At 31 December 2016	1	1,103,581	1,103,582

The notes on pages 11 to 26 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2017

1. General information

Hibernia Media (UK) Limited is a limited company incorporated in England and Wales. The address of its registered office was changed from 1st floor, 41 Chalton St., London, NW1 1JD, England to Ground Floor, One George Yard, London, EC3V 9DF, England on 24 February 2017.

On 9 January 2017, the Hibernia group was acquired by GTT Communications Inc. a US based publicly listed telecommunications company. The group owns and operates an international telecommunications network. The core asset is the transatlantic fibre optic telecommunications network. The principal activity of the Company is the provision of telecommunications network services.

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 (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Turnover is the amount of revenue derived from the provision of goods and services falling within the Company's ordinary activities after deduction of trade discounts and value-added tax. For Hibernia Media (UK) Limited, turnover comprises telecommunications revenues and installation and set-up fees.

Telecommunications revenues primarily relate to customer usage of services. Revenues related to usage are recognised as usage accrues. Installation and set-up fees (which are non-refundable) are recognised as revenue as soon as installation is completed.

2.3 Intangible assets

Intangible assets consists of customer contracts and are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Customer contracts	-	7	years
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Notes to the financial statements

For the year ended 31 December 2017

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 3-7 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Total Comprehensive Income.

2.5 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, including transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the financial statements

For the year ended 31 December 2017

2. Accounting policies (continued)

2.8 Financial instruments

The Company only enters into basic financial instrument 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.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Total Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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 Statement of Total Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Notes to the financial statements

For the year ended 31 December 2017

2. Accounting policies (continued)

2.9 Creditors

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

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Total Comprehensive Income within 'administrative expenses'. All other foreign exchange gains and losses are presented in the Statement of Total Comprehensive Income within 'other operating income'.

2.11 Finance costs

Finance costs are charged to the Statement of Total Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the financial statements

For the year ended 31 December 2017

2. Accounting policies (continued)

2.12 Share based payment

Before the acquisition by GTT Communications Inc., certain employees of the Company had been granted Stock Appreciation Rights ("SARs") over shares in the then ultimate parent company, Hibernia NGS Limited. Each grant of SARs specified a grant price. The standard vesting period for a SARs grant was four years, although the agreement also provided for accelerated vesting. Employees who left the company retained their vested SARs for a period of two years from their departure date. Settlement of SARs was contingent on a Liquidity Event or a Sale of the business.

SARs expense is recognized when it is deemed probable that a triggering event will occur. As a Share Purchase Agreement was in place with GTT Communications Inc. at 31 December 2017 it was deemed that the conditions required to recognize the SARs cost had been met. The charge for the year was based on management's estimate of the deemed share price on the acquisition of the group by GTT.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Total Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Total Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

Notes to the financial statements

For the year ended 31 December 2017

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Total Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Notes to the financial statements

For the year ended 31 December 2017

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant management judgement

The following judgement, apart from those involving estimates, made by the directors has had a significant effect on the amounts recognized in the financial statements.

Going Concern

The Company generated a loss for the year of £172,943 (2016: profit of £61,858), has net current liabilities of £798,224 (2016: £1,456,972) and has net assets of £948,109 as at 31 December 2017 (2016: £1,103,582). In forming their view on going concern the directors have had regard to the availability of financial support from the ultimate parent company and concluded that it is appropriate to prepare these financial statements on a going concern basis.

Estimation uncertainty

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are addressed below:

Useful economic lives of intangible fixed assets

The annual amortisation on intangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation of the assets. See note 10 for the carrying amount of the intangible fixed assets, and note 2.3 for the useful economic lives of intangible fixed assets.

Useful economic lives of tangible fixed assets

The annual depreciation on tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the tangible fixed assets, and note 2.4 for the useful economic lives for each class of tangible fixed assets.

Impairment of debtors

The directors make an assessment at the end of each financial year of whether there is objective evidence that a trade or other debtor is impaired. When assessing impairment of trade and other debtors, the directors consider factors including the current credit rating of the debtor, the age profile of outstanding invoices, recent correspondence and trading activity, and historical experience of cash collections from the debtor. See note 12 for the net carrying amount of the debtors.

Accrued cost of revenue (COR)

The Company accrues estimated amounts for "cost of revenue" based on its historical experience and billing rates for the previous period. Accrued cost of revenue relates to services already received from vendors which have yet to be billed to the Company as at year end. The balance of accrued COR as at 31 December 2017 is £30,130 (2016: £nil).

Notes to the financial statements

For the year ended 31 December 2017

4. Transfer pricing

In 2017, Hibernia Media (UK) Limited had a sole Transfer Pricing agreement in place. During the year, the GTT Communications Inc. Group, which the Company is a member of, has opted to use the “profit-split method” in allocating profit and cost across the group. The transfer pricing method allocated the Group’s Earnings Before Income Tax based on the entities depreciation of tangible assets, amortisation of intangible assets and other costs.

5. Operating profit

The operating profit is stated after charging:

	2017	2016
	£	£
Amortisation of intangible assets	318,972	318,972
Depreciation	509,996	550,620
	<u>828,968</u>	<u>869,592</u>

6. Employees

Staff costs were as follows:

	2017	2016
	£	£
Wages and salaries	134,507	543,154
Social security costs	15,939	61,021
Pension costs	6,265	16,374
Restructuring costs	32,699	-
Stock appreciation rights	-	17,470
	<u>189,410</u>	<u>638,019</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017	2016
	No.	No.
Employees	<u>2</u>	<u>5</u>

Notes to the financial statements

For the year ended 31 December 2017

7. Interest payable and similar expenses

	2017 £	2016 £
Loans from group undertakings	-	138,174
Bank interest and charges	2,614	4,886
Unwinding of discounting on provision	25,956	66,138
	<u>28,570</u>	<u>209,198</u>

8. Income tax

	2017 £	2016 £
Current tax on profits for the year	-	61,076
Over provision in prior year current tax	(61,076)	-
	<u>(61,076)</u>	<u>61,076</u>
Total current tax	<u>(61,076)</u>	<u>61,076</u>
Deferred tax		
Origination and reversal of timing differences	(58,466)	199,485
Over provision in prior year deferred tax	(115,433)	-
Total deferred tax	<u>(173,899)</u>	<u>199,485</u>
Taxation on (loss)/profit on ordinary activities	<u>(234,975)</u>	<u>260,561</u>

Notes to the financial statements

For the year ended 31 December 2017

8. Income tax (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
(Loss)/profit on ordinary activities before tax	(407,918)	322,419
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(78,524)	64,484
Effects of:		
Expenses not deductible for tax purposes	12,320	(3,408)
Capital allowances for year in excess of depreciation	198	-
Tax losses carried forward	7,540	-
Over provision in prior year current tax	(61,076)	-
Over provision in prior year deferred tax	(115,433)	199,485
Total tax charge for the year	(234,975)	260,561

9. Exceptional items

	2017 £	2016 £
Impairment of intangibles	707,534	-
Write-off of irrecoverable VAT	140,573	-
Restructuring costs	48,483	-
	896,590	-

Notes to the financial statements

For the year ended 31 December 2017

10. Intangible assets

	Customer contracts £
Cost	
At 1 January 2017	2,232,805
At 31 December 2017	<u>2,232,805</u>
Amortisation	
At 1 January 2017	1,206,299
Charge for the year	318,972
Impairment losses	707,534
At 31 December 2017	<u>2,232,805</u>
Net book value	
At 31 December 2017	<u>-</u>
At 31 December 2016	<u>1,026,506</u>

In 2012 and 2014, the Company acquired customer contracts through two separate transactions. In 2017, these intangibles were assessed to be impaired.

Notes to the financial statements

For the year ended 31 December 2017

11. Tangible fixed assets

	Plant and machinery £
Cost or valuation	
At 1 January 2017	4,190,161
Additions	65,170
At 31 December 2017	<u>4,255,331</u>
Depreciation	
At 1 January 2017	1,999,002
Charge for the year on owned assets	509,996
At 31 December 2017	<u>2,508,998</u>
Net book value	
At 31 December 2017	<u>1,746,333</u>
At 31 December 2016	<u>2,191,159</u>

There were no borrowing costs capitalised during the year (2016: £NIL).

12. Debtors

	2017 £	2016 £
Due after more than one year		
Deferred tax asset	148,841	-
	<u>148,841</u>	<u>-</u>
Due within one year		
Trade debtors	1,287,881	899,745
Amounts owed by group undertakings	476,537	-
VAT receivable	148,001	228,545
Prepayments and accrued income	4,746	140,120
	<u>1,917,165</u>	<u>1,268,410</u>

Trade debtors are after provision for impairment of £395,038 (2016: £166,467).

Notes to the financial statements

For the year ended 31 December 2017

13. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	1,915,524	1,325,689
	<u>1,915,524</u>	<u>1,325,689</u>

14. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	112,069	587,321
Amounts owed to group undertakings	4,607,816	3,115,356
Corporation tax	-	61,076
PAYE/ PRSI payable	3	12,742
Accruals and deferred income	59,866	274,576
	<u>4,779,754</u>	<u>4,051,071</u>

Amounts owed to group undertakings are unsecured, not interest bearing and repayable on demand.

Trade creditors are payable at various date in the three months after the end of the financial year in accordance with the creditors usual and customary credit terms.

Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

Effective January and May 2017, KeyBank N. A. held two charges in the name of the Company with regard to negative pledges, floating and fixed charges on the Company's assets. These charges were fully satisfied in June 2018.

Effective August 2018, KeyBank N. A. held a range of charges including negative pledges, floating and fixed charges on the Company's assets. This charge remains unsatisfied.

Notes to the financial statements

For the year ended 31 December 2017

15. Deferred taxation

	2017 £	2016 £
At beginning of year	(25,058)	174,427
Charged to profit or loss	173,899	(199,485)
At end of year	<u>148,841</u>	<u>(25,058)</u>

The deferred tax liability results from differences between accounting and tax depreciation.

The deferred tax asset is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	91,286	(25,640)
Tax losses carried forward	56,973	-
Timing differences	582	582
	<u>148,841</u>	<u>(25,058)</u>

16. Provisions

	Deferred consideration £
At 1 January 2017	632,053
Charged to profit or loss	25,956
Settlements during the year	(658,009)
At 31 December 2017	<u>-</u>

17. Share capital

	2017 £	2016 £
Authorised, allotted, called up and fully paid		
1 (2016 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

Notes to the financial statements

For the year ended 31 December 2017

18. Reserves

Capital contribution reserve

In 2017, the Company received an additional capital contribution from its immediate parent company, Hibernia NGS Limited amounting to £17,470. The additional contribution is for the payment of Stock Appreciation Rights provided to the employees of the Company in 2016.

Dividends

There were no dividends paid or proposed during the year (2016: £Nil).

Profit and loss account

Profit and loss account represents accumulated comprehensive income for the financial year and prior financial years less dividends paid.

19. Share based payments

Before the acquisition by GTT Communications Inc., certain employees of the Company had been granted Stock Appreciation Rights ("SARs") over shares in the then ultimate parent company, Hibernia NGS Limited. Each grant of SARs specified a grant price. The standard vesting period for a SARs grant was four years, although the agreement also provided for accelerated vesting. Employees who left the company retained their vested SARs for a period of two years from their departure date. Settlement of SARs was contingent on a Liquidity Event or a Sale of the business.

SARs expense is recognized when it is deemed probable that a triggering event will occur. As a Share Purchase Agreement was in place with GTT Communications Inc. at 31 December 2017 it was deemed that the conditions required to recognize the SARs cost had been met. The charge for the year was based on management's estimate of the deemed share price on the acquisition of the group by GTT.

The total share-based payment expense recognized in the Statement of Total Comprehensive Income for the financial year was £Nil (2016: £17,470). The total carrying amount of the liability arising from share appreciation rights granted as at 31 December 2017 was £Nil (2016: £17,470).

20. Pension commitments

The Company operates a defined contribution pension scheme for its employees. Contributions made to the scheme are charged to the Statement of Total Comprehensive Income.

The total pension charge for the year amount to £6,265 (2016: £16,374). The balance outstanding at year end was £Nil (2016: £Nil).

21. Related party transactions

Transactions with group companies are not disclosed as the Company has taken advantage of the exemption available under FRS102 section 33.1A from disclosing such transactions.

Notes to the financial statements

For the year ended 31 December 2017

22. Immediate and ultimate parent undertaking

The immediate parent company is Hibernia NGS Limited, a company registered in the Republic of Ireland and the ultimate parent company is GTT Communications Inc., a company registered in the United States of America which has its registered office at 7900 Tysons One Place, Suite 1450, McLean, Virginia 22102. GTT Communications Inc. is the smallest and largest group into which the results of Company are included. The financial statements of GTT Communications Inc., are available at this address and are also available on its website at <https://www.gtt.net/investor-relations/>.

23. Reclassification of accounts

Certain prior year accounts have been reclassified to conform to the current year presentation. The impact of the reclassification is as follows:

	As previously stated 2016	Reclassificat ion	As reclassified
Accrued revenue	174,386	(174,386)	-
Provision for liabilities	(632,053)	(25,058)	(657,111)
Debtors	1,126,464	141,946	1,268,410
Creditors	(4,108,569)	57,498	(4,051,071)
Cost of sales	2,174,940	2,415,787	4,590,727
General and administrative expenses	5,371,850	(2,415,787)	2,956,063

24. Events since the end of the financial year

There were no significant events post year end impacting the Company.

25. Approval of financial statements

The board of directors approved these financial statements for issue on 17th June 2019.