COMPANY REGISTRATION NUMBER. 2940263

FIBERNET UK LIMITED

REPORT AND FINANCIAL STATEMENTS

31 AUGUST 2006

FIBERNET UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS

FIBERNET UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

Directors

D Carey	(appointed 26 October 2006)
J Mandeville	(appointed 26 October 2006)
J McShane	(appointed 26 October 2006)
N Anderson	(appointed 26 October 2006)

Registered Office

Rosalind House
Jays Close
Viables
Basingstoke
RG22 4BS

Auditors

Deloitte & Touche LLP
Chartered Accountants
Reading

FIBERNET UK LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 August 2006.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

Fibernet UK Limited (the Company) is a communications solutions company dedicated to the design, supply, installation, management and support of bespoke high speed digital networks. There have not been any significant changes in the Company's principal activities in the year under review.

The key financial results of the Company are shown below. During the year the Company signed new contracts with a total contract value (TCV) of £45.8m (2005: £43.9m) and also achieved an increase in revenue from £46.0m to £46.3m. This comprised a 5.8% increase in service contract revenues from £43.4m to £45.9m, accounting for 99.1% of the Company's revenues (2005: 94.3%) and an 84.6% decrease in joint LAN and WAN product sales revenues which accounted for 0.9% of the Company's revenues (2005: 5.7%).

The Company recorded an operating loss of £1.2m compared with an operating loss of £0.8m in the previous year and a loss before and after taxation for the year of £3.5m compared with a reported loss of £4.5m in the prior year.

SUBSEQUENT EVENTS

Acquisition by Global Crossing Limited

The Company's ultimate parent company, Fibernet Group Limited (formerly Fibernet Group plc), and all its subsidiaries were acquired by GC Acquisitions UK Limited, a wholly-owned subsidiary of Global Crossing Limited, on 11 October 2006. The Company will be integrated into the wider Global Crossing Group in due course.

Share incentive schemes

The Group of which the Company is a member operates a Long-Term Incentive Plan (LTIP) for the remuneration of key staff, including employees of the Company. The LTIP provides for the award of contingent shares to key staff subject to the achievement of specific Group-wide performance targets. The performance targets for the first LTIP awards were not met and, as a result, the first conditional awards did not vest.

At the year-end the Directors of the Company's parent company deemed that the performance targets for the second and third LTIP awards were unlikely to be met. The scheme rules for the LTIP awards contain a provision that on takeover of the Group the performance conditions may be waived by the Remuneration Committee of Fibernet Group Limited (formerly Fibernet Group plc) (the Remuneration Committee) and the awards vest in full unconditionally. The Remuneration Committee met on 23 August 2006 and resolved to waive the performance conditions relating to the second and third LTIP awards in the event of a takeover. The Directors of the Company took the decision that, although the Remuneration Committee had conditionally waived the performance conditions and the takeover of the Company was possible, it was not sufficiently probable at the year-end that the takeover would occur and enable the award to vest unconditionally. Accordingly, no charge has been booked in the financial statements of the Company for the year ended 31 August 2006 in respect of the second and third LTIP awards.

Subsequent to the year-end the Company was acquired by a subsidiary of Global Crossing Limited and, consequently, the financial statements for the year ended 31 August 2007 will include an exceptional charge of £0.7 million relating to share-based payments.

DIVIDENDS

The directors do not recommend the payment of a dividend (2005: £nil).

KEY PERFORMANCE INDICATORS

The financial key performance indicators used by the Directors in assessing the performance of the business are new Total Contract Value (TCV) signed, Revenue, Operating loss and Loss before and after taxation. These measures are discussed in the review of the business section above. The Directors also monitor average headcount as a non-financial key performance indicator and this is discussed in the section on Employees set out below.

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS

The following represent the principal risks faced by the Company.

General business risks

In order to further the Company's growth strategy, due attention must be paid to the provision of a quality service and investment in new technological developments. The Company accordingly implements policies to maintain a high level of customer service provision and satisfaction and is an early adopter of new technological developments.

Credit risk

In common with other companies, the Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. The Company mitigates this risk by selecting counterparties only after appropriate credit checks are conducted. Exposure to counterparties is also reviewed on a regular basis to avoid any excessive reliance on a single counterparty.

UNCERTAINTIES

The principal uncertainties facing the Company include the impact of global technological and regulatory change that may alter the fundamentals of market economics. This particularly influences decisions on investment in next generation UK networks against a background of relaxation in the regulatory constraints on the behaviour of BT as the principal influencer of UK market conditions.

Additionally, the acquisition of the Company's ultimate parent company, Fibernet Group Limited (formerly Fibernet Group plc), by GC Acquisitions UK Limited, a wholly-owned subsidiary of Global Crossing Limited, on 11 October and its integration into the wider Global Crossing Group in due course may impact the future conduct of the Company's operations.

FINANCIAL RISK MANAGEMENT

The Company's operations are conducted principally in Pounds Sterling with certain transactions denominated in US Dollars. The Company does not enter into any derivative, interest rate or exchange rate hedging arrangements.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

C S McGregor	(resigned 26 October 2006)
N P S Bray	(resigned 21 December 2005)
J C R Douglas	(appointed 20 March 2006) (resigned 26 October 2006)
A P Frewer	(resigned 26 October 2006)

No Director had any interest in the shares of the company or any other group company, except for the ultimate parent company, at 31 August 2005 and 2006.

The Directors' interests in the 10p ordinary shares and share options of the Company's ultimate parent company, Fibernet Group Limited, (formerly Fibernet Group plc), at 31 August 2006 are disclosed in the financial statements of that company.

Following the acquisition of the Company's ultimate parent company, Fibernet Group Limited (formerly Fibernet Group plc), by GC Acquisitions UK Limited on 11 October 2006, the Directors' beneficial interests in shares in Fibernet Group Limited (formerly Fibernet Group plc) have been sold in full.

POLICY IN RESPECT OF PAYMENTS TO SUPPLIERS

The Company's policy is to decide upon the terms of payment with suppliers when agreeing the terms of each transaction to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

Trade creditors of the Company at 31 August 2006 were the equivalent of 43 days' purchases (2005: 23 days').

FIBERNET UK LIMITED

DIRECTORS' REPORT (continued)

CHARITABLE DONATIONS

The Company contributed £2,550 (2005: £4,271) to charities and made no contributions for political purposes in either year.

EMPLOYEES

The Company employed an average of 221 employees during the year (2005: 231). Following the acquisition of the Group by GC Acquisitions UK Limited, a wholly-owned subsidiary of Global Crossing Limited, on 11 October 2006 it is expected that there will be a significant reduction in the Company's workforce over the next few months.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

EMPLOYEE CONSULTATION

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and other forms of communication including email and the Company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception in 1996. It is open to all UK employees.

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(2) the Director has taken all steps that he ought to have taken as a director in order to make himself 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 19 December 2006.

Approved by the Board of Directors and signed on behalf of the Board

Niall Anderson

N Anderson
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have chosen to prepare the accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and of the profit or loss of the Company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and estimates that are reasonable and prudent;

(c) state whether applicable accounting standards have been followed; and

(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 August 2006 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2006 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading, United Kingdom
19 December 2006

FIBERNET UK LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	2006 £'000	2005* £'000
TURNOVER	2	46,304	45,984
Cost of sales before exceptional items		(32,844)	(30,785)
Exceptional depreciation and impairment charges	3	(1,111)	(604)
Cost of sales		(33,955)	(31,389)
Gross Profit		12,349	14,595
Administrative expenses		(13,527)	(15,416)
OPERATING LOSS		(1,178)	(821)
Exceptional items:			
- Profit on disposal of fixed assets	3	248	285
Finance charges (net) before exceptional items	4	(3,758)	(3,957)
Exceptional reduction in finance lease obligations	4	1,170	-
Finance charges (net)	4	(2,588)	(3,957)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(3,518)	(4,493)
TAX ON LOSS ON ORDINARY ACTIVITIES	7	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	16, 17	(3,518)	(4,493)

*Prior year Restated for the adoption of FRS 20 – Share-based Payment and change in accounting policy relating to employee benefits (see note 21).

All results are derived from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	2006 £'000	2005* £'000
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	16, 17	(3,518)	(4,493)
TOTAL RECOGNISED LOSSES FOR THE YEAR		(3,518)	(4,493)
Prior year adjustment	21	13	-
TOTAL RECOGNISED LOSSES SINCE LAST ANNUAL REPORT		(3,505)	(4,493)

*Prior year Restated for the adoption of FRS 20 – Share-based Payment and change in accounting policy relating to employee benefits (see note 21).

The accompanying notes are an integral part of this statement of total recognised gains and losses.

FIBERNET UK LIMITED

BALANCE SHEET
AT 31 AUGUST 2006

	Note	2006 £'000	2005* £'000
FIXED ASSETS			
Intangible assets	8	37	55
Tangible assets	9	80,888	85,817
		80,925	85,872
CURRENT ASSETS			
Debtors - amounts falling due after more than one year	10	4,510	4,541
Debtors - amounts falling due within one year	10	13,001	11,319
Cash at bank and in hand		1,988	1,670
		19,499	17,530
CREDITORS: amounts falling due within one year	11	(101,419)	(95,475)
NET CURRENT LIABILITIES		(81,920)	(77,945)
TOTAL ASSETS LESS CURRENT LIABILITIES		(995)	7,927
CREDITORS: amounts falling due after more than one year	12	(38,782)	(44,212)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(314)	(305)
NET LIABILITIES		(40,091)	(36,590)
CAPITAL AND RESERVES			
Called-up share capital	14	-	-
Share options reserve	16	146	163
Profit and loss account deficit	16	(40,237)	(36,753)
EQUITY SHAREHOLDER'S DEFICIT	17	(40,091)	(36,590)

*Prior year Restated for the adoption of FRS 20 – Share-based Payment and change in accounting policy relating to employee benefits (see note 21).

The accompanying notes are an integral part of this balance sheet.

These financial statements were approved by the Board of Directors on 19 December 2006 and signed on its behalf by:

Nick Wh...

N Anderson
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2006

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and preceding year, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

New financial reporting standards

Financial Reporting Standard (FRS) 20 – Share-based Payment has been adopted in the preparation of these financial statements. The effects of its adoption are set out in note 21 and comparative amounts have been restated throughout these financial statements.

Cash flow

The Company has taken advantage of the exemption available under FRS 1 (Revised) not to prepare a cash flow statement as its ultimate parent company, Fibernet Group Limited (formerly Fibernet Group plc), prepares consolidated accounts which are publicly available and which include a consolidated cash flow statement.

Turnover

Turnover is stated as the amounts receivable (net of sales taxes) for the sale of networking services and products.

Turnover arising from service contracts is recognised evenly over the life of each contract, regardless of the payment profile. Turnover from long-term leases of telecommunications infrastructure and capacity is accounted for in accordance with UITF 36 'Contracts for sale of capacity'.

Turnover applicable to long-term contracts represents the value of work completed during the year, calculated with reference to the total expected value of the contract.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on leasehold improvements, plant and equipment, office furniture and computers to write off their cost, less estimated residual value, on a straight line basis over their estimated useful lives. Depreciation is provided on the Company's telecommunications network assets to write off their cost, less estimated residual value, on a straight line basis over the shorter of their estimated useful lives or the minimum period of related customer service contracts. The estimated useful lives are as follows:

Leasehold improvements	- 5 years
Telecommunications network	- 5 to 20 years
Plant and equipment	- 5 years
Computers	- 5 years
Office furniture	- 5 years

Intangible fixed assets

License costs are stated at cost, less amortisation and any provision for impairment in value. Licence costs are written off on a straight line basis over their useful economic life, which is 10 years.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is arrived at on a first in, first out basis and includes freight and duty for equipment purchased from overseas. Net realisable value is based on estimated selling price less further costs expected to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Profit is recognised on long-term contracts by reference to an assessment of the outcome and the proportion of work completed.

1. ACCOUNTING POLICIES (continued)

Pension costs

The Company has not contracted out of the state pension arrangements. Additional benefits for employees are provided by individual defined contribution pension schemes with the costs being met in full by the Company and charged to the profit and loss account as incurred.

Deferred income

Amounts receivable under maintenance and service contracts are credited to deferred income and released to the profit and loss account on a straight line basis over the duration of the contracts.

Leases and hire purchase contracts

Assets obtained under hire purchase contracts and leases which result in the transfer of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated over the shorter of the lease term and their useful lives.

Obligations under such agreements are included in creditors, net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of each hire purchase contract or lease so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight-line basis over each lease term.

Foreign currency

Transactions during the year have been converted at the rate ruling when each transaction occurred. Any exchange gains or losses arising from a change in exchange rates subsequent to the date of a transaction are included within the profit and loss account. Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date or, if matched by forward exchange contracts, the contracted rates.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is not discounted.

1. ACCOUNTING POLICIES (continued)

Share-based payment

The Company has applied the requirements of FRS 20 – Share-based Payment to all grants of equity instruments to employees of the Company by the Company's parent company, Fibernet Group Limited (formerly Fibernet Group plc). In accordance with the transitional provisions, the requirements have been applied to all grants of equity instruments made after 7 November 2002 that were unvested at 1 January 2005.

Employees of the Company participate in Group-operated equity-settled share-based payment schemes under which shares and share options are issued to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. SEGMENTAL INFORMATION

All of the Company's turnover and loss on ordinary activities before taxation arose in the United Kingdom from its sole principal activity.

All net operating assets are held in the UK for continuing operations.

3. EXCEPTIONAL ITEMS

	2006 £'000	2005 £'000
Accelerated depreciation	(1,111)	(101)
Impairment	-	(503)
Exceptional cost of sales	(1,111)	(604)
Profit on sale of fixed assets	248	285
Finance charges	1,170	-
Total exceptional credit/(charge)	307	(319)

Exceptional cost of sales

During 2005 the company secured a significant contract with a customer which necessitated parts of the Company's network to be upgraded. As a result of the upgrade the asset lives of the equipment to be upgraded were reviewed and the depreciation accelerated over the remaining useful economic lives, resulting in an exceptional charge of £101,000. A further £503,000 of equipment was impaired in full as it was no longer expected to be used. In addition during the year ended 31 August 2006 a further £1,111,000 of accelerated depreciation has been recorded as a result of this upgrade, all equipment being fully depreciated by 31 August 2006.

Profit on disposal of fixed assets

On 25 July 2005 the Group modified a dark fibre lease agreement. Due to the modification the agreement has been reclassified from a finance lease to an operating lease. This classification change constituted an asset disposal. Accordingly, a gain in the amount £285,000 was recorded equal to the excess of the calculated fair value over the net book value of the finance lease asset.

During the year the Company also disposed of its remaining DSL assets resulting in a profit on disposal of £248,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2006

3. EXCEPTIONAL ITEMS (continued)

Finance charges

On 18 November 2005 the Group modified a number of dark fibre lease agreements. As a result three agreements that had been classified as operating leases were reclassified as finance leases and three further agreements that had been classified as finance leases continued to be classified as finance leases. Since the present value of the minimum lease payments of the agreements that continued to be classified as finance leases changed by more than 10 per cent., the Group accounted for this modification as the extinguishment of the original agreements. Accordingly, a gain in the amount of £1,170,000 has been recognised for the reduction in the finance lease obligation and included in finance charges for the year.

4. FINANCE CHARGES (NET)

	2006 £'000	2005 £'000
Interest under hire purchase contracts and finance leases	3,208	3,709
Unwinding of discount on provisions and other long term liabilities	550	248
Exceptional reduction in finance lease obligations	(1,170)	-
	2,588	3,957

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £'000	2005 £'000
Loss on ordinary activities before taxation is stated after charging:		
Operating lease payments		
- plant and equipment	11,077	9,024
- other	1,054	1,041
Profit on disposal of fixed assets	248	285
Depreciation		
- owned assets	15,143	13,112
- assets held under hire purchase contracts and finance leases	3,046	3,076
Amortisation of intangible assets	18	19

The auditors' remuneration in 2006 and 2005 was borne by the Company's parent company, Fibernet Group Limited (formerly Fibernet Group plc).

6. EMPLOYEES

During the year the company employed staff on behalf of other companies in the Fibernet group. A total of £140,000 (2005: £147,000) of the following employment costs have been recharged to other group companies.

a) Number of employees

The average monthly number of employees (including Directors) was:

	2006 Number	2005 Number
Administration	24	29
Sales and support	197	202
	221	231

6. EMPLOYEES (continued)

b) Employment costs (including Directors' remuneration) during the year were as follows:

	2006 £'000	2005 £'000
Wages and salaries	9,966	11,170
Social security costs	1,206	1,330
Other pension costs (note 19)	339	382
	11,511	12,882

c) Remuneration of Directors

The Directors were employed by Fibernet Group Limited (formerly Fibernet Group plc). The Directors received total emoluments of £531,000 (2005: £585,000) from Fibernet Group Limited (formerly Fibernet Group plc) during the year, including £24,000 (2005: £23,000) of pension contributions. It is not practicable to allocate these amounts between their services as Directors of Fibernet Group Limited (formerly Fibernet Group plc) and of Fibernet UK Limited.

7. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no current corporation tax charge due to the availability of tax losses. The difference between the total current tax charge and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2006 £'000	2005* £'000
Loss on ordinary activities before taxation	(3,518)	(4,493)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30%	(1,055)	(1,348)
Effects of:		
Tax losses not recognised	1,722	3,135
Expenses not deductible for tax purposes	17	(116)
Capital allowances in excess of depreciation	(606)	(1,543)
Movement in short term timing differences	(4)	(43)
Exceptional profit on disposal	(74)	(85)
Current tax charge	-	-

*Prior year Restated for the adoption of FRS 20 – Share-based Payment and change in accounting policy relating to employee benefits (see note 21).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2006

8. INTANGIBLE FIXED ASSETS

	Licences £'000
Cost	
1 September 2005 and 31 August 2006	184
Amortisation	
1 September 2005	129
Charge for the year	18
31 August 2005	147
Net book value	
31 August 2006	37
31 August 2005	55

9. TANGIBLE FIXED ASSETS

	Telecommunications network £'000	Leasehold improvements £'000	Plant and equipment £'000	Computers £'000	Office furniture £'000	Total £'000
Cost						
1 September 2005	168,132	374	2,221	4,815	272	175,814
Additions	13,311	-	3	74	-	13,388
Disposals	(946)	-	-	-	-	(946)
31 August 2006	180,497	374	2,224	4,889	272	188,256
Depreciation						
1 September 2005	84,070	367	1,907	3,381	272	89,997
Charge for the year	17,415	2	104	668	-	18,189
Disposals	(818)	-	-	-	-	(818)
31 August 2006	100,667	369	2,011	4,049	272	107,368
Net book value						
31 August 2006	79,830	5	213	840	-	80,888
31 August 2005	84,062	7	314	1,434	-	85,817

Included in tangible fixed assets are hire purchase and leased assets with a net book value of £23,648,000 (2005: £28,654,000).

10. DEBTORS

	2006 £'000	2005 £'000
Amounts falling due after more than one year		
Prepayments and accrued income	4,510	4,541
Amounts falling due within one year		
Trade debtors	6,673	5,775
Prepayments and accrued income	6,328	5,544
	13,001	11,319

11. CREDITORS: amounts falling due within one year

	2006 £'000	2005* £'000
Obligations under hire purchase contracts and finance leases	3,613	3,848
Trade creditors	4,882	3,072
Amounts owed to group undertakings	75,625	71,438
Other taxes and social security costs	1,140	2,629
Accruals and deferred income	16,159	14,488
	101,419	95,475

*Prior year Restated for the adoption of FRS 20 – Share-based Payment and change in accounting policy relating to employee benefits (see note 21).

12. CREDITORS: amounts falling due after more than one year

	2006 £'000	2005 £'000
Obligations under hire purchase contracts and finance leases	24,754	28,981
Accruals and deferred income	14,028	15,231
	38,782	44,212

Finance leases are secured on the assets to which they relate.

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Future WAN product sales costs £'000
1 September 2005	305
Utilisation of provision	(20)
Unwinding of discount	29
31 August 2006	314

The provision for future WAN product sales costs represents the present value of future costs relating to WAN product sales. This provision will be utilised over the next 20 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2006

13. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred tax:

	Provided 2006 £'000	2005 £'000
Accelerated capital allowances	-	(699)
Other timing differences	-	71
Tax losses available	-	628
	-	-

The company has not recognised its potential deferred tax assets of £9,004,000 (2005: £4,164,000) due to the uncertainty as to their recoverability.

14. CALLED UP SHARE CAPITAL

	Authorised Number 2006	Called up, allotted and fully paid 2006	Authorised Number 2005	Called up, allotted and fully paid 2005
£1 Ordinary shares	1,000,000	2	1,000,000	2

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2006

15. SHARE-BASED PAYMENT

The Group of which the Company is a member operates a number of equity-settled share-based payment schemes under which shares and share options in the Company's parent company, Fibernet Group Limited (formerly Fibernet Group plc) are issued to group employees, including employees of the Company.

i) Outstanding share options

At 31 August 2006, the following share options for shares in Fibernet Group Limited (formerly Fibernet Group plc) were outstanding to employees of Fibernet UK Limited.

Scheme	Date granted	Subscription price per share (pence)	Normal exercise period	Number of options outstanding
Approved executive share option scheme	03/06/97	131	03/06/00 - 02/06/07	11,068
Approved executive share option scheme	19/12/97	79	19/12/00 - 18/12/07	19,923
Approved executive share option scheme	03/06/99	419	03/06/02 - 02/06/09	553
Approved executive share option scheme	18/11/99	1183	18/11/02 - 17/11/09	3,911
Approved executive share option scheme	15/06/00	1514	15/06/03 - 14/06/10	36,646
Approved executive share option scheme	03/01/01	782	03/01/04 - 02/01/11	24,000
Approved executive share option scheme	02/05/01	577	02/05/04 - 01/05/11	7,010
Approved executive share option scheme	22/11/01	435	22/11/04 - 21/11/11	42,700
Unapproved executive share option scheme	08/06/98	419	03/06/02 - 02/06/09	13,282
Unapproved executive share option scheme	18/11/99	1183	18/11/02 - 17/11/09	58,416
Unapproved executive share option scheme	15/06/00	1514	15/06/03 - 14/06/10	76,115
Unapproved executive share option scheme	03/01/01	782	03/01/04 - 02/01/11	121,000
Unapproved executive share option scheme	02/05/01	577	02/05/04 - 01/05/11	5,490
Unapproved executive share option scheme	22/11/01	435	22/11/04 - 21/11/11	85,800
Unapproved executive share option scheme	24/04/02	105	24/04/05 - 23/04/09	5,000
Unapproved executive share option scheme	26/11/02	20	26/11/05 - 25/11/09	60,000
Save as you earn share option scheme	16/11/01	274	16/11/04 - 15/05/07	3,596
Save as you earn share option scheme	28/05/02	87	28/05/05 - 27/11/07	14,046
Save as you earn share option scheme	08/05/03	17	08/05/06 - 07/11/08	67,797
Save as you earn share option scheme	20/11/03	79	01/01/07 - 30/06/09	207,943
Save as you earn share option scheme	01/07/06	50	01/07/09 - 31/12/11	298,658
				1,162,954

All grants of options under the Executive Share Option Schemes have been made at the full, undiscounted market price of the shares immediately following the date of grant.

All grants of options under the Savings-Related Share Option Scheme are, as permitted by the rules of the scheme, made at a price equal to 80 per cent of the average middle-market quotations as derived from the Daily Official List of the London Stock Exchange for the dealing days specified in rule 2.2 of the scheme.

15. SHARE-BASED PAYMENT (continued)

ii) Changes in share options

A reconciliation of movements in share options is shown below

	2006 Number of share options	2006 Weighted average exercise price (pence)	2005 Number of share options	2005 Weighted average exercise price (pence)
Outstanding at 1 September	1,279,696	383.16	1,608,850	363.09
Granted	298,658	50.00	-	-
Forfeited	(66,734)	347.12	(263,409)	350.76
Exercised	(211,008)	17.00	(65,745)	21.71
Expired	(137,658)	89.29	-	-
Outstanding at 31 August	1,162,954	400.89	1,279,696	383.16
Exercisable at 31 August	597,553	722.53	683,425	677.41

iii) Summary data for options outstanding at the year end is set out below.

Range of exercise prices	2006 Weighted average exercise price (pence)	2006 Number of share options	2006 Weighted average remaining expected life (years)	2006 Weighted average remaining contracted life (years)
17-78p	40.53	426,455	2.73	3.17
79-131p	82.17	257,980	1.20	1.20
132-782p	604.03	303,431	4.62	4.62
783-1514p	1,396.17	175,088	3.59	3.59
		1,162,594		

	2005 Weighted average exercise price (pence)	2005 Number of share options	2005 Weighted average remaining expected life (years)	2005 Weighted average remaining contracted life (years)
17-78p	17.25	334,308	2.65	3.22
79-131p	83.48	436,513	1.56	1.56
132-782p	599.32	329,930	5.64	5.64
783-1514p	1,398.71	178,945	4.59	4.59
		1,279,696		

The weighted average share price during the year for options exercised over the year was 45.19p (2005: 97.17p).

The weighted average fair value for options granted during the year was 30.05p (2005: n/a)

15. SHARE-BASED PAYMENT (continued)

iv) Long-term incentive plan (LTIP)

A summary of the conditional shares awarded under the LTIP and outstanding at 31 August 2006 is shown below.

Scheme	Date granted	Subscription price per share (pence)	Normal exercise period	Number of options outstanding
Long term incentive plan	18/12/03	Nil	18/12/06 – 17/12/13	573,607
Long term incentive plan	21/12/04	10p	21/12/07 - 20/12/14	408,315
Long term incentive plan	29/11/05	10p	29/11/08 - 28/11/15	514,682
				1,496,604

During the year to 31 August 2006, 514,682 shares in Fibernet Group Limited (formerly Fibernet Group plc) were contingently awarded to employees of the Company under the third LTIP award.

v) Fair values

As permitted by FRS 20 – Share-based Payment, the Company has applied the requirements of this standard to all share-based payment awards granted after 7 November 2002 and unvested at 1 January 2005. Under FRS 20, the cost of each share-based payment is assessed on a fair value basis and is charged to the income statement over the vesting period of the grant. The fair value of each share-based payment is determined at the grant date.

The fair value of share-based payment awards or grants made in 2005 and 2006, at the award or grant date is set out below.

	LTIP £'000	Save as you earn share option scheme £'000	Total £'000
2005	295	-	295
2006	323	90	413

vi) Share-based payment charge

The above amounts are an illustration based on 100 per cent of options granted coming to vest and 100% of contingent shares awarded being issued. Based on the observed actual vesting percentages for completed option schemes and the expected vesting percentages of ongoing option schemes, and on the expected attainment of non-market-related performance targets with regard to contingent share awards, the following amounts have been charged to the Company's income statement.

	2006 £'000	2005 £'000
Income statement charge	17	55

The total charge for both 2006 and 2005 related to equity-settled transactions.

15. SHARE-BASED PAYMENT (continued)

vii)Fair value assumptions

	2006 LTIP	2005 LTIP	2006 Save as you earn share option scheme
Grant date	30/11/05	21/12/04	01/07/06
Participants	39	42	63
Contractual life (years)	10	10	3.5-5.5
Black-Scholes model assumptions			
- Share price (pence)	70.6	78.7	62.5
- Exercise price (pence)	10	10	50
- Estimated life (years)	4.00	4.00	3.25
- Risk-free interest rate (%)	4.5	4.8	4.5
Dividend yield (%)	-	-	-
Volatility (%)	63	91	52
Fair value of option	62.74	72.25	30.05
Contingent shares awarded / options granted	514,682	408,315	298,658
Fair value of award / grant (£000)	323	295	90
Vesting percentage (%)	-	-	76
Performance period (years)	3	3	3-5

16. RESERVES

	Share options reserve* £'000	Profit and loss account* £'000	Total* £'000
At 1 September 2005 as previously stated	-	(36,577)	(36,577)
Prior period adjustment (see note 21)	163	(176)	(13)
At 1 September 2005 as restated	163	(36,753)	(36,590)
Loss for the year	-	(3,518)	(3,518)
Share options charge	17	-	17
Transfer on exercise of share options	(34)	34	-
At 31 August 2006	146	(40,237)	(40,091)

*Prior year Restated for the adoption of FRS 20 – Share-based Payment and change in accounting policy relating to employee benefits (see note 21).

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S DEFICIT

	2006 £'000	2005* £'000
Beginning of year as restated	(36,590)	(32,151)
Loss for the year	(3,518)	(4,493)
Share options charge	17	54
End of year	(40,091)	(36,590)

*Prior year Restated for the adoption of FRS 20 – Share-based Payment and change in accounting policy relating to employee benefits (see note 21).

18. FINANCIAL COMMITMENTS

a) Operating leases

The minimum lease payments under non-cancellable operating leases, due in the next financial year, are as follows:

	2006		2005	
	Land and buildings £'000	**Other £'000**	**Land and buildings £'000**	**Other £'000**
Leases expiring:				
Within one year	194	4,383	86	2,483
Between two and five years	386	3,562	342	3,989
In more than five years	351	1,251	473	1,433
	931	9,196	901	7,905

b) Capital commitments

The Company had contracted capital commitments at 31 August 2006 of £2,256,000 (2005: £5,210,000). These capital commitments have not been provided for in these financial statements.

19. PENSION COMMITMENTS

The Company operates individual defined contribution personal pension schemes administered through insurance companies for employees. Contributions for the year amounted to £339,000 (2005: £382,000), of which £43,000 was paid after the year-end (2005: £43,000).

20. ULTIMATE PARENT COMPANY

The Company's ultimate and immediate parent company at the balance sheet date was Fibernet Group Limited (formerly Fibernet Group plc), a company incorporated in Great Britain and registered in England and Wales. Fibernet Group Limited (formerly Fibernet Group plc) is the parent undertaking of the only group of which Fibernet UK Limited was a member at the balance sheet date and for which group financial statements are drawn up. Copies of the Group financial statements are available from the Company Secretary, Fibernet Group Limited (formerly Fibernet Group plc), Rosalind House, Jays Close, Viables, Basingstoke, RG22 4BS.

The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the Group headed by Fibernet Group Limited (formerly Fibernet Group plc).

21. PRIOR PERIOD ADJUSTMENT

FINANCIAL REPORTING STANDARD 20 – SHARE-BASED PAYMENT

The Company has adopted FRS 20 – Share-based Payment, which sets out revised guidance on the treatment of grants of equity instruments, for the first time in these financial statements. The Group to which the Company belongs operates a number of equity-settled share-based payment schemes under which shares and share options are issued to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

21. PRIOR PERIOD ADJUSTMENT (continued)

CHANGE IN ACCOUNTING POLICY RELATING TO EMPLOYEE BENEFITS

Fibernet UK Limited's parent company has adopted IAS 19 – Employee benefits. This sets out revised guidance on the treatment of compensated absences and as a result the group has accrued for short term compensated absences. The Directors consider that the additional guidance given under IAS19 is acceptable although not explicitly required under UK GAAP and have hence changed the Company's accounting policy to accrue for short term compensated absences.

Comparative figures for the year ended 31 August 2005 have been restated to reflect the effects of FRS 20 – Share-based Payment and the change in accounting policy relating to employee benefits as follows:

	Reported	FRS 20 adjustment	Short-term compensated absences adjustment	Restated
	£'000	£'000	£'000	£'000
Profit and loss account				
Administrative expenses	(15,386)	(60)	30	(15,416)
Balance sheet				
Creditors: amounts falling due within one year	(95,462)	65	(78)	(95,475)
Profit and loss account deficit	(36,577)	(98)	(78)	(36,753)
Share options reserve	-	163	-	163
Equity shareholder's deficit	(36,577)	65	(78)	(36,590)

22. POST-BALANCE SHEET EVENTS

Acquisition by Global Crossing Limited

On 11 October, the entire issued share capital of Fibernet UK Limited's ultimate parent company, Fibernet Group Limited (formerly Fibernet Group plc), was acquired by GC Acquistions UK Limited, a subsidiary of Global Crossing Limited. The ultimate parent company and controlling party of Global Crossing Limited is Temaesk Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The smallest group in which the results of the Company are consolidated is that headed by Global Crossing Limited. The consolidated financial statements of Global Crossing Limited are available to the public and may be obtained from Wessex House, 45 Reid Street, Hamilton, Bermuda. The largest group in which the results of the Company are consolidated is that headed by STT Communications Ltd, a company incorporated in the Republic of Singapore. The consolidated financial statements of STT Communications Ltd are available to the public and may be obtained from 51 Cuppage Road, # 10-11/17, StarHub Centre, Singapore 229469.

Due to the uncertainty of the timing and scope of the integration process there is significant uncertainty as to how this will impact the future conduct of the Group's operations.

22. POST-BALANCE SHEET EVENTS (continued)

Share incentive schemes

As set out in the Directors' Report, the Company's parent company operates a Long-Term Incentive Plan (LTIP) for the remuneration of key staff, including employees of the Company. The LTIP provides for the award of contingent shares to key staff subject to the achievement of specific Group-wide performance targets. The performance targets for the first LTIP awards were not met and, as a result, the conditional awards did not vest.

At the year-end the Directors of the Company's parent company deemed that the performance targets for the second and third LTIP awards were unlikely to be met. The scheme rules for the LTIP awards contain a provision that on takeover of the Group the performance conditions may be waived by the Remuneration Committee of Fibernet Group Limited (formerly Fibernet Group plc) (the Remuneration Committee) and the award vest in full unconditionally. The Remuneration Committee met on 23 August 2006 and resolved to waive the performance conditions relating to the second and third LTIP awards in the event of a takeover. The Directors of the Company took the decision that, although the Remuneration Committee had conditionally waived the performance conditions and the takeover of the Group was possible, it was not sufficiently probable at the year-end that the takeover would occur and enable the award to vest unconditionally. Accordingly, no charge has been booked in the financial statements of the Company for the year ended 31 August 2006 in respect of the second and third LTIP awards.

Subsequent to the year-end the Company was acquired by a subsidiary of Global Crossing Limited and, consequently, the financial statements for the year ended 31 August 2007 will include an exceptional charge of £0.7 million relating to share-based payments.