IPC Network Services EMEA Limited

Report and Financial Statements

30 September 2020

Company information

Directors
D Hart
J Hogg

Secretary
J Tonks

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
11th Floor, 40 Bank Street
Canary Wharf
London E14 5NR
United Kingdom

Bankers
JP Morgan Chase Bank, N.A. – London Branch
25 Bank Street
London E14 5JP
United Kingdom

Registered No. 05944667

Directors' report

The directors present their report and financial statements for the year ended 30 September 2020.

Results and dividends

The profit for the year after taxation amounted to £137,220 (2019 – profit of £145,246). The directors do not recommend a final dividend (2019 – £nil).

Future developments

The directors do not anticipate any change in the principal activity of the company in the foreseeable future.

Other significant events

A pandemic was declared in the UK in March 20 as a result of COVID-19 which has had a significant impact on the global economy. The company's parent company to whom it provides services, operates in the telecommunications market for financial institutions primarily and during the pandemic the financial markets have remained open and trading has continued. There has been limited impact on customers and suppliers that provide services to the company's parent company and their staff have been working remotely without significant issues. The impact to the company as a result of COVID-19 is therefore assessed to be limited.

Directors

The directors who served the company during the year were as follows:

D Hart	
L Pennington-Benton	resigned 1 January 2020
J Hogg	appointed 18 February 2020

Going concern

The company provides services to its parent company and is in a net asset and net current asset position due to intercompany balances from group companies which are commercially dependent on IPC Corp, the company's ultimate parent.

The company's ultimate parent and an intermediate parent together have a total debt principal of $783 million under a first lien credit facility and credit agreement that becomes due in August 2021 and $339 million under a second lien credit facility and credit agreement which becomes due in February 2022. The ultimate parent and intermediate parent will be unable to repay the debt when it matures based on the existing cash balance and expected cash flows to be generated from operations and therefore to continue as a going concern, the debt needs to be renegotiated. IPC Corp (the parent company) is actively attempting to restructure the terms of its first lien debt, second lien debt and revolving credit facility; however, the parent company may or may not be able to restructure the debt on terms acceptable to the parent company or at all.

As a result, there is a material uncertainty over whether the parent can successfully restructure the terms of the debt due in August 2021 and February 2022. If the parent company is unable to restructure the debt on terms that are acceptable to the parent company, the group's business, operating results and financial condition would be adversely affected and the group may need to consider more significant restructuring alternatives.

As the company is financially interdependent with the parent, there is a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern.

Directors' report (continued)

Going concern (continued)

The parent undertaking has provided a guarantee that it will assist the company to the extent necessary, however this support is dependent on the successful debt restructure. The directors considered the group's history of successfully restructuring its debt, and the continuing strong positive operating cashflows of the group to assess the likelihood of the successful restructuring of the above two debt facilities. On the basis that the directors currently expect that the debt facilities restructure will be successfully completed, they consider it appropriate to prepare the financial statements on a going concern basis for the going concern assessment period ending 26 February 2022. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company were unable to continue as a going concern.

Directors' qualifying third party indemnity provision

The company has granted an indemnity to all directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remains in force as at the date of approving the directors' report.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

Small companies' exemption

In preparing this directors' report, the directors have taken advantage of the small companies' exemption under Section 415 (A) of the Companies Act 2006 for reduced disclosures. The directors have also taken exemption under Section 414 (B) not to prepare a Strategic Report.

Approved by the Board on 26 February 2021 and signed on its behalf by:

DocuSigned by:

Damian Hart

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Director
D Hart

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- ensure applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the company will continue in business;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of IPC Network Services EMEA Limited

Opinion

We have audited the financial statements of IPC Network Services EMEA Limited (the 'company') for the year ended 30 September 2020 which comprise the Statement of income and retained earnings and the Statement of financial position and the related notes 1 to 14, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, and we have fulfilled our other 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company is reliant upon the support from its parent, IPC Corp. IPC Corp has debt principal of $783 million under a first lien credit facility and credit agreement that becomes due in August 2021 and $339 million under a second lien credit facility and credit agreement which becomes due in February 2022. The parent will be unable to repay either of these debts when they become due based on the existing cash balance and expected cash flows to be generated from operations which has necessitated a renegotiation of these debts, the outcome of which remains uncertain. If the parent is unable to successfully renegotiate these debts, the parent as well as the company will be unable to continue as a going concern. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report (continued)

to the members of IPC Network Services EMEA Limited

Other information (continued)

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 or apparent material misstatements, 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirements to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (continued)

to the members of IPC Network Services EMEA Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Jacqueline Ann Geary (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

February 26, 2021

Statement of income and retained earnings

for the year ended 30 September 2020

	Notes	*2020* £	*2019* £
Turnover	2	1,662,962	1,887,243
Cost of sales		(1,269,838)	(1,501,180)
Gross profit		393,124	386,063
Administrative expenses		(241,726)	(205,600)
Operating profit	3	151,398	180,463
Interest payable and similar charges	6	(219)	(1,471)
Profit before taxation		151,179	178,992
Tax	7	(13,959)	(33,746)
Profit for the financial year		137,220	145,246
Retained earnings at 1 October		1,751,513	1,606,267
Retained earnings at 30 September		1,888,733	1,751,513

All amounts relate to continuing activities.

There is no difference between profit for the financial year and total comprehensive income for the year, and accordingly no separate statement of comprehensive income has been presented.

Statement of financial position

at 30 September 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible assets	8	6,682	21,777
Current assets			
Debtors	9	2,128,207	2,097,639
Cash at bank and in hand		32,399	25,246
		2,160,606	2,122,885
Creditors: amounts falling due within one year	10	(278,553)	(393,147)
Net current assets		1,882,053	1,729,738
Net assets		1,888,735	1,751,515
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account		1,888,733	1,751,513
Shareholders' funds		1,888,735	1,751,515

Approved by the Board on 26 February 2021 and signed on its behalf by:

DocuSigned by:
Damian Hart
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Director
D Hart

Notes to the financial statements

at 30 September 2020

1. Accounting policies

Statement of compliance

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 30 September 2020.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and with applicable United Kingdom accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company and in whole pounds.

The Company has taken advantage of the following disclosure exemptions:-

- The requirements of Section 7 Statement of Cash Flows and Section 2 Financial Statement Presentation paragraph 3.17 (d)
- The requirements of Section 33 Related Party Disclosures paragraphs 33.1A and 33.7
- The requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A
- The requirements of Section 26 Share-based payment paragraphs 26.18B

The exemptions stated above are available to the company as it is a member of a group where the parent company of that group prepares publicly available consolidated financial statements.

Going concern

The company provides services to its parent company and is in a net asset and net current asset position due to intercompany balances from group companies which are commercially dependent on IPC Corp, the company's ultimate parent.

The company's ultimate parent and an intermediate parent together have a total debt principal of $783 million under a first lien credit facility and credit agreement that becomes due in August 2021 and $339 million under a second lien credit facility and credit agreement which becomes due in February 2022. The ultimate parent and intermediate parent will be unable to repay the debt when it matures based on the existing cash balance and expected cash flows to be generated from operations and therefore to continue as a going concern, the debt needs to be renegotiated. IPC Corp (the parent company) is actively attempting to restructure the terms of its first lien debt, second lien debt and revolving credit facility; however, the parent company may or may not be able to restructure the debt on terms acceptable to the parent company or at all.

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As the company is financially interdependent with the parent, there is a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern.

The parent undertaking has provided a guarantee that it will assist the company to the extent necessary, however this support is dependent on the successful debt restructure. The directors considered the group's history of successfully restructuring its debt, and the continuing strong positive operating cashflows of the group to assess the likelihood of the successful restructuring of the above two debt facilities. On the basis that the directors currently expect that the debt facilities restructure will be successfully completed, they consider it appropriate to prepare the financial statements on a going concern basis for the going concern assessment period ending 26 February 2022. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company were unable to continue as a going concern.

Notes to the financial statements

at 30 September 2020

1. Accounting policies (continued)

Statement of cash flows

The company has taken advantage of the exemption in FRS 102.1.12(b) Reduced disclosures for subsidiaries. A statement of cash flows has not been prepared as the company is a member of a group where the parent prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 14).

Tangible fixed assets

All tangible fixed assets are initially recorded at cost.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Communications equipment – over 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Revenue is recognised to the extent that it is probable the economic benefit will flow to the entity and the amount of revenue can be reliably measured.

Revenue from the provision of telecommunication services is recognised evenly over the period of the service provided.

Financial instruments

Intercompany amounts receivable within one year are not discounted.

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the profit or loss.

Operating leases

Rentals under operating leases are charged in the statement of income and retained earnings on a straight-line basis over the lease term.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to the company’s immediate parent undertaking and is attributable to one continuing activity in Europe.

Notes to the financial statements

at 30 September 2020

3. Operating profit

This is stated after charging:

		2020	2019
		£	£
Auditor's remuneration	– audit	22,000	21,000
Depreciation of tangible fixed assets		15,095	31,762
Net loss on foreign currency translation		43,373	12,712
Operating lease rentals	– telecommunication lines and telehousing	1,269,838	1,501,180

The operating lease rental expense incurred by the company is in relation to telecommunication lines used by the company, some of which were in the name of the company's immediate parent undertaking as at the reporting date.

4. Directors' remuneration

The directors of the company are also directors of, and are paid by, other companies in the group in the current and prior year. They have minimal qualifying services to the company and receive no remuneration in respect of the company.

5. Staff costs

There are no employees.

6. Interest payable and similar charges

	2020	2019
	£	£
Other interest payable	219	1,471

Notes to the financial statements

at 30 September 2020

7. Tax

(a) Tax on profit

The tax charge is made up as follows:

	2020	*2019*
	£	£
Current tax:		
UK corporation tax on profit for the year	20,131	18,862
Double taxation relief	(16,961)	(15,656)
Adjustment in respect of prior year	(448)	4,278
	2,722	7,484
Foreign tax	32,438	38,034
Adjustment in respect of prior year	(4,365)	(4,600)
	28,073	33,434
Total current tax (note 7(b))	30,795	40,918
Deferred tax:		
Origination and reversal of timing differences (note 7(c))	(1,879)	15,147
Adjustment in respect of prior year	(14,957)	(22,319)
Total deferred tax	(16,836)	(7,172)
Tax expense	13,959	33,746

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2020	*2019*
	£	£
Profit before tax	151,179	178,992
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2019 – 19.0%)	28,724	34,009
Effects of:		
Adjustment in respect of previous years	(19,770)	(22,642)
Tax rate change	(10,472)	–
Additional taxation in respect of foreign activities	15,477	22,379
Total tax charge (note 7(a))	13,959	33,746

Notes to the financial statements

at 30 September 2020

7. Tax (continued)

(c) Deferred tax

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 recognised at 19% (2019 – 17%) in the financial statements as follows:

	2020	*2019*
	£	£
Depreciation in advance of capital allowances (note 9)	99,470	82,634

	2020	*2019*
	£	£
At 1 October 2019	82,634	75,462
Charge for the year (note 7(a))	16,836	7,172
At 30 September 2020	99,470	82,634

(d) Factors that may affect future tax charges

The UK rate of corporation tax was reduced to 19% from 1 April 2017. There was a further reduction from 19% to 17% effective 1 April 2020 that was previously announced, however this has subsequently been cancelled and the rate will remain at 19%. A rate of 19% is therefore used for deferred tax purposes.

8. Tangible fixed assets

	Communica-tion equipment
	£
Cost:	
At 1 October 2019	1,463,693
At 30 September 2020	1,463,693
Depreciation:	
At 1 October 2019	1,441,916
Provided during the year	15,095
At 30 September 2020	1,457,011
Net book value:	
At 30 September 2020	6,682
At 1 October 2019	21,777

Notes to the financial statements

at 30 September 2020

9. Debtors

	2020	*2019*
	£	£
Amounts owed by group undertakings	1,967,217	1,955,674
Other taxes recoverable	25,100	21,252
Deferred tax recoverable (note 7(c))	99,470	82,634
Other debtors	36,420	38,079
	2,128,207	2,097,639

10. Creditors: amounts falling due within one year

	2020	*2019*
	£	£
Accounts payable	63,870	78,319
Current corporation tax	28,943	39,173
Accruals and deferred income	185,740	275,655
	278,553	393,147

11. Issued share capital

		2020		*2019*
Allotted, called up and fully paid	*No.*	£	*No.*	£
Ordinary shares of £2 each	1	2	1	2

12. Other financial commitments

At 30 September 2020 the company had total commitments under non-cancellable operating leases as set out below:

	2020	*2019*
	£	£
Telecommunication line leases which expire:		
Within one year	189,364	344,512
In two to five years	37,497	54,788
Tele-housing leases which expire:		
Within one year	56,980	55,578

The majority of the telecommunication line leases can be cancelled at either one or three months' notice and therefore this is reflected in the lease commitment.

Notes to the financial statements

at 30 September 2020

13. Related party transactions

The company has taken advantage of the exemption in FRS 102.33.1A not to disclose related party transactions with fellow wholly-owned subsidiary undertakings of IPC Corp group, which prepares publicly available consolidated financial statements (see note 14).

14. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking as at 30 September 2020 is IPC Network Services Limited.

IPC Corp a company incorporated in the United States of America, is the parent undertaking of the only group for which group financial statements are prepared, and of which the company is a member as at 30 September 2020. Its group financial statements are publicly available from The Registrar of Companies, Companies House, Abbey Orchard Street, Westminster, London, SW1P 2HT.

The directors consider the company's ultimate controlling party to be Centerbridge Capital Partners II, L.P. as at 30 September 2020.