

Fibernet UK Limited

Registered number: 2940263

Financial statements for the year ended 31 December 2014



Fibernet UK Limited

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Fibernet UK Limited

Directors' Report

The directors present their financial statements for the year ended 31 December 2014.

Principal activities and business review

Fibernet UK Limited ("Fibernet" or "the Company") is a company registered in England and Wales.

The Company is a member of the Level 3 Group of Companies ("The Group"), a facilities based provider of a broad range of integrated communications services. The Group's network is an international, facilities based communications network that has been created by constructing its own assets through a combination of purchasing other companies and purchasing or leasing facilities from others. The Group's network is designed to provide communications services that employ and take advantage of rapidly improving underlying optical, Internet Protocol ("IP"), computing and storage technologies.

The Group is currently focusing its attention on a number of operational and financial objectives, including: (1) driving profitable revenue growth by increasing sales generated by its Core Network Services; (2) growing the Enterprise customer base as well as its share of their telecom spend, as this customer group has the largest potential for significant growth; (3) continually improving the customer experience to increase customer retention and reduce customer churn; (4) integrating the acquisition of tw telecom with the Group, building on the strengths and capabilities of the legacy companies to position the combined company as a premier global communications provider; (5) launching new products and services to meet customer needs, in particular for Enterprise customers; (6) reducing network costs and operating expenses relative to revenue; (7) growing positive cash flows from operations; (8) continuing to show improvement in EBITDA as a percentage of revenue; (9) concentrating capital expenditures on those technologies and assets that enable the Group to increase its Core Network Services revenue; and (10) managing the Wholesale Voice Services for margin contribution.

The ultimate parent company of the Company is Level 3 Communications, Inc., a company registered in the United States of America. The results of the Company are consolidated into Level 3 Communications, Inc., whose accounts can be obtained from Investor Relations, Level 3 Communications, Inc., 1025 Eldorado Boulevard, Broomfield, CO 80021, United States of America.

On 31 December 2009, the Company ceased trading and the trade and net assets of the business were transferred to Level 3 Communications UK Limited (formerly Global Crossing (UK) Telecommunications Limited) ("L3UK"), at book value.

Results and dividends

The loss before and after tax for the year amounted to £1,002 (2013: £Nil).

During the year the Company converted £66,637 of Capital Reserves into Share capital, by making a bonus issue of 66,637 shares at £1 each.

The Company then increased distributable reserves by £66,638, by reducing statutory share capital by £66,638 and declared a dividend of £35,193,275, which was fully satisfied by cancelling the right to receive a non-interest bearing loan due from Level 3 Communications UK Limited.

Going concern

Level 3 Communications, Inc., the ultimate parent of Fibernet UK Limited, has confirmed by means of a support letter that Level 3 Communications, Inc. will provide such financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. The directors of the Company have no reason to believe that the parent company will not be in a position to provide the support referred to above and accordingly, they have prepared the financial statements on a going concern basis.

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Directors' Report (*continued*)

Future developments

The communications industry has been and remains highly competitive. The industry is subject to rapid and significant changes in technology. We believe that advances in optical and IP technologies have, and will continue to, facilitate decreases in unit costs for communications service providers that are able to most effectively take advantage of these technology advances. We believe that, over time, rapidly improving technologies and high demand elasticity will continue to drive this market dynamic.

In view of these market and technology opportunities, we seek to serve business customers by using a customer- first focus and providing a broad range of communications services over the Group's advanced and extensive fibre optic network. With the network's extensive geographic reach and deep reach into major metropolitan areas of the United States of America, Europe and Latin America, we are positioned to provide end-to-end services for customers entirely on the Group's own facilities across multiple continents. We plan to continually expand this fibre optic network to new locations where the demands of customers and potential customers justify the upfront costs of expansion.

Directors

The directors of the Company throughout, and since the end of the year, were as follows:

M. Gutierrez
D. Robinson (Appointed 18 July 2014)

None of the directors had any interests in the shares of the Company or any other UK registered group company at 31 December 2014 or at any time during the year.

There have been no contracts or arrangements entered into during the financial year in which a director was materially interested and which were significant in relation to the Company's business.

Directors' liabilities

During the year, the Level 3 Group had an indemnity provision in force in respect of the directors of the Company against liability in respect of any proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 (section 234). Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report.

Strategic report

In accordance with Section 414B of the Companies Act 2006 the company is entitled to small companies exemption in relation to the strategic report as it would be entitled to prepare accounts for the year in accordance with the small companies regime but for being a member of an ineligible group.

Business Risks

The directors do not consider that there are any significant risks or uncertainties.

Auditors

The directors appointed KPMG LLP as auditors during the year.

Fibernet UK Limited

Directors' Report (*continued*)

Disclosure of Information to the auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board,

A handwritten signature in black ink, appearing to read 'D. Robinson', with a horizontal line extending to the right.

D. Robinson
Director

Date: 17 September 2015

Registered office
7th Floor, 10 Fleet Place
London
EC4M 7RB

Registered number
2940263

Fibernet UK Limited

Statement of Directors' Responsibilities in respect of the Directors' Report and financial statements

The directors are responsible for preparing the Directors Report and financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") 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 judgements and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRS as adopted by the EU;

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Fibernet UK Limited

We have audited the financial statements of Fibernet UK Limited for the year ended 31 December 2014 set out on pages 9 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Fibernet UK Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 exemption from the requirement to prepare a strategic report.



John Cain (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

22 September 2015

KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

Fibernet UK Limited

Statement of Comprehensive Income

	Year ended 31 December	
	2014	2013
	£000	£000
Administrative expense	-	-
Operating profit	-	-
Finance revenue	-	-
Finance charges	(1)	-
Loss before tax	(1)	-
Tax	-	-
Loss for the year	(1)	-
Other comprehensive income		
Other comprehensive income for the year, net of tax	-	-
Comprehensive loss for the year	(1)	-

The notes on pages 13 to 15 form an integral part of these financial statements.

Fibernet UK Limited

Statement of Changes in Equity

	Note	Share capital £000	Capital reserve £000	Accumulated profit £000	Total equity £000
At 1 January 2013		-	67	35,127	35,194
Result for the year		-	-	-	-
Total expense for the year		-	-	-	-
At 31 December 2013		-	67	35,127	35,194
Loss for the year		-	-	(1)	(1)
Total expense for the year		-	-	(1)	(1)
Shares issued	4	67	(67)		
Capital reduction	4	(67)	-	67	-
Dividend	2	-	-	(35,193)	(35,193)
At 31 December 2014		-	-	-	-

The notes on pages 13 to 15 form an integral part of these financial statements.

Fibernet UK Limited

Statement of Financial Position

		31 December	
	Note	2014	2013
		£000	£000
<i>Current assets</i>			
Trade and other receivables	2	-	35,194
Total assets		-	35,194
Net assets		-	35,194
<i>Capital and reserves</i>			
Equity share capital (1 share outstanding at £1 each)	4	-	-
Capital reserve		-	67
Accumulated profit		-	35,127
Total equity		-	35,194

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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

The notes on pages 13 to 15 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 17 September 2015 and are signed on its behalf by:



D. Robinson
Director

Registered number:

2940263

Fibernet UK Limited

Statement of Cash Flows

	Year ended 31 December	
	2014	2013
	£000	£000
Cash flows from operating activities		
Loss for the year	(1)	-
<i>Adjustments for:</i>		
Finance costs	1	-
	<hr/>	<hr/>
<i>Net cash used in operating activities</i>	-	-
 Investing activities		
<i>Net cash used in investing activities</i>	-	-
	<hr/>	<hr/>
Financing activities:		
<i>Net cash provided by financing activities</i>	-	-
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	-	-
 Cash and cash equivalents at the beginning of year	-	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of year	-	-
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 15 form an integral part of these financial statements.

Fibernet UK Limited

Notes to Financial Statements (*continued*)

Notes to the Financial Statements

1. Description of business and accounting policies

Description of business

On 31 December 2009, the company ceased trading and the trade and net assets of the business were transferred to Level 3 Communications Limited (formerly Global Crossing (UK) Telecommunications Limited) ("L3UK"), at book value. The company is now dormant and it is expected to remain non-trading for the foreseeable future.

The Company is a member of the Level 3 Group of Companies ("The Group"), a facilities based provider of a broad range of integrated communications services. The Group's network is an international, facilities based communications network that has been created by constructing its own assets through a combination of purchasing other companies and purchasing or leasing facilities from others. The Group's network is designed to provide communications services that employ and take advantage of rapidly improving underlying optical, Internet Protocol ("IP"), computing and storage technologies.

Basis of preparation

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

These financial statements are prepared under the historical cost basis, and in accordance with IFRS.

Going concern

Level 3 Communications, Inc., the ultimate parent of Fibernet UK Limited, has confirmed by means of a support letter that Level 3 Communications, Inc. will provide such financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. The directors of the Company have no reason to believe that the parent company will not be in a position to provide the support referred to above and accordingly, they have prepared the financial statements on a going concern basis.

2. Other financial assets

Trade and other receivables

Trade and other receivables consist of:

	31 December	
	2014	2013
	£000	£000
<i>Amounts due within one year</i>		
Amounts owed by Group Companies	-	35,194

During the year, the Company declared a dividend of £35,193,275, which was fully satisfied by cancelling the right to receive a non-interest bearing loan due from Level 3 Communications UK Limited.

3. Financial instruments

Fibernet UK Limited

Notes to Financial Statements *(continued)*

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from amounts owed by Group Companies. The maximum exposure to credit risk at the reporting date is the carrying value of amounts owed by Group Companies.

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is conducted primarily by Level 3 Communications, Inc. on behalf of the Level 3 Group. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2013 and 2014 is the carrying amounts of such balances.

Treasury policy and risk management

The Company's treasury management is conducted primarily by Level 3 Communications, Inc. on behalf of Level 3 Group Companies. Level 3 Communications, Inc is responsible for raising finance for operations, together with associated liquidity management, and the management of foreign exchange and interest rate risk. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Level 3 Audit Committee, which receives regular updates of treasury activity. Financial instruments are entered into for risk management purposes only. It is the Level 3 Group's policy that all hedging is to cover known risks and that no trading in financial instruments is undertaken.

Fair values

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

	Carrying amount		Fair value	
	2014	2013	2014	2013
	£000	£000	£000	£000
<i>Financial assets</i>				
Amounts owed by Group Companies ⁽¹⁾	-	35,194	-	35,194

⁽¹⁾ Classified as loan and receivables

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

During the year, the Company declared a dividend of £35,193,275, which was fully satisfied by cancelling the right to receive a non-interest bearing loan due from Level 3 Communications UK Limited.

Fibernet UK Limited

Notes to Financial Statements (*continued*)

4. Equity share capital

	31 December	
	2014	2013
	£000	£000
<i>Authorised:</i>		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Called up, allotted and fully paid:</i>		
1 ordinary shares of £1 each (2013: 2 shares of £1 each)	<u>-</u>	<u>-</u>

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

During the year the Company converted £66,637 of Capital Reserves into Share capital, by making a bonus issue of 66,637 shares at £1 each. The Company then increased distributable reserves by £66,638, by reducing statutory share capital by £66,638.

5. Related party transactions

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

	31 December	
	2014	2013
	£000	£000
<i>Debtor balance due in less than one year from:</i>		
Level 3 Communications UK Limited	<u>-</u>	<u>35,194</u>

During the year, the Company declared a dividend of £35,193,275, which was fully satisfied by cancelling the right to receive a non-interest bearing loan due from Level 3 Communications UK Limited.

6. Ultimate parent and controlling party

The ultimate parent company of the Company is Level 3 Communications, Inc., a company registered in the United States of America. The smallest and largest group into which the results of the Company are consolidated is that headed by Level 3 Communications, Inc., whose accounts can be obtained from Investor Relations, Level 3 Communications, Inc., 1025 Eldorado Boulevard, Broomfield, CO 80021, United States of America.

7. Contingent liabilities

Litigation

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