

Global Crossing (Bidco) Limited
Registered number: 3855219

Annual report and financial statements for the year ended 31 December 2007

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Global Crossing (Bidco) Limited

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Global Crossing (Bidco) Limited

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2007.

Principal activities

The principal activity of the Company is to act as holding company to a group of companies that provide telecommunication services to enterprise and carrier customers.

Business review and subsequent events

Global Crossing (Bidco) Limited ("GC Bidco" or the "Company") is a company registered in the United Kingdom ("UK"). GC Bidco is an indirect, wholly owned subsidiary of, and part of a group of companies (the "Group Companies" or the "GC Group") owned by Global Crossing Limited, a company organised under the laws of Bermuda ("GCL"). Its ultimate parent company is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore and involved in the telecommunications industry.

In the year ended 31 December 2006, the Company demanded repayment of US\$97 million of its US\$ denominated loan with Global Crossing Holdings Limited. The proceeds were loaned to GC Acquisitions UK Limited ("GC Acquisitions") (see note 9) to finance its acquisition of Fibernet Group Limited. GC Acquisitions repaid this loan in full during 2007.

In May 2007, GCL entered into a \$250 million senior secured term loan with Goldman Sachs Credit Partners L.P. ("GSCP") and Credit Suisse Securities (USA) LLC. On 1 June 2007, GCL entered into an amendment to the original agreement and pursuant to the amendment, GCL borrowed an additional \$100 million. The loans mature in May 2012 and are guaranteed by substantially all of the assets of GCL subsidiaries other than GCUK and the Impsat group of companies. GCL immediately used a portion of the proceeds received on 9 May 2007 to fund a portion of the cost of the acquisition of Impsat, to repay a working capital facility in full and permanently to retire that facility (however, \$29 million letters of credit previously issued under the working capital facility have been collateralised with cash proceeds from the term loan and will remain outstanding in accordance with their terms). The remaining proceeds will be used for general corporate purposes and working capital, which may include the acquisition of assets or businesses that are complementary to the existing business.

In August 2007, in connection with the term loan referred to above, STT Crossing Ltd ("STT Crossing") converted the \$250 million of Mandatorily Convertible Notes held by it into approximately 16.58 million shares of common stock in GCL. In connection with the senior secured term loan, GCL, GSCP, as agent for the lenders under the senior secured term loan, Wells Fargo Bank, N.A., as trustee under the indenture for the convertible notes held by STT Crossing, and STT Crossing entered into an intercreditor agreement pursuant to which GCL's payment obligations and related security interests under the convertible notes indenture with STT Crossing have been subordinated to GCL's payment obligations and related security interests under the senior secured term loan. GCL and certain of its subsidiaries perfected a collateral package pursuant to the senior secured term loan agreement, in September 2007.

During 2008, GCL expects unrestricted cash and cash equivalents to decrease with declines in the first half of the year being partially offset by modest cash inflows in second half. Global Crossing's current expectation, based on business projections, is that unrestricted cash on hand, together with cash flow from operations and anticipated equipment financings, will provide the necessary liquidity to fund the debt service requirements and investing activities.

On 2 December 2008, the Board of Directors of the Company approved a reduction in the issued share capital and share premium account through the cancellation of 223,623,150 issued ordinary shares and elimination of the £17.8 million capital reserve. This was achieved through assignment or novation of the certain intercompany balances with other group companies, as at 30 November 2008, the immediate parent company, GC Holdings Limited.

Global Crossing (Bidco) Limited

Directors' Report (continued)

Future prospects

Company directors believe the Company has the liquidity to fund its operations and to meet its financing needs for a period of no less than one year from the date of signing of these financial statements.

In the event the Company does not have sufficient liquidity to fund its operations and to meet its financing needs, the directors of the company consider that, although not legally obligated to do so, GCL is in a position to provide the necessary support to the Company to enable it to continue to operate and to meet its long term financing needs for a period of not less than one year from the date of signing of these financial statements.

As at 30 September 2008, GCL, the beneficial owner of 100% of the shares in GC Bidco, had a consolidated unrestricted cash balance of \$346 million and consolidated debt of \$1,242 million. This capitalisation reflects a restructuring plan effectuated by GCL in the second and third quarters of 2007 pursuant to which GCL borrowed senior secured term loans aggregating \$350 million and STT Crossing Ltd effectively converted \$250 million original principal amount of mandatorily convertible notes due December 2008 (the "Mandatorily Convertible Notes") into approximately 16.58 million shares of GCL common stock. Upon such conversion, the debt interests of STT Crossing Ltd. were terminated.

During the nine months ended 30 September 2008 GCL posted a net operating loss of \$73 million and had net cash of \$4 million provided by operating and investing activities.

Going forward, GCL expects its operating results to improve as a result of (i) the continued growth of its higher margin enterprise, carrier data and indirect channels business, including the economies of scale expected to result from such growth; (ii) the inclusion of Impsat in its results and the cost savings and other benefits anticipated to result from the successful integration of this business; (iii) cost savings resulting from a 10 May 2007 restructuring plan and prior restructuring activities; and (iv) its cost reduction initiatives to optimize the access network and effectively lower unit prices. Over time, GCL expects these improvements to more than offset the increased interest expense resulting from the significant increase in its debt balance during the year ended 31 December 2007. Thus, in the long-term GCL expects to generate positive cash flow from operating activities. However, in the short term it anticipates using capital leases and other forms of equipment financing or cash on hand to compensate for the cash used in operating and investing activities. Although operational constraints require GCL to maintain significant minimum cash balances in each of its segments, GCL believes that its unrestricted cash balances are sufficient to enable it to reach the point of generating recurring positive cash flow from operating activities.

Accordingly, the directors of the Company believe that it is appropriate to prepare the financial statements on a going concern basis.

Results and dividends

In accordance with section 228A of the Companies Act 1985, the Company is exempt from the requirement to prepare and deliver group financial statements. Financial information is presented about the Company as an individual undertaking and not about the Bidco Group. Details of the ultimate parent undertaking which draw up group financial statements are disclosed in note 16.

Revenue for the year amounted to £nil (2006: £nil). Profit before and after tax for the year amounted to £12.9 million (2006 restated: £2.8 million).

The directors do not recommend the payment of a dividend (2006: £nil).

Global Crossing (Bidco) Limited

Directors' Report (continued)

Directors

The directors of the Company, throughout and since the end of the year, except as noted, are as follows:

<i>Name</i>	<i>Date appointed</i>	<i>Date resigned</i>
A Christie	11 April 2007	2 December 2008
B Keogh	25 June 2007	
P Metcalf		6 April 2007
Q Qadeer	2 December 2008	
J A Rios		25 June 2007

During the year, two directors exercised share options in GCL (2006: *one*).

Directors' liabilities

During the year, the GC Group had in force an indemnity provision 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 1985. Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report

Creditor payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2007, the Company had an average of nil days (2006: *nil days*) purchases outstanding in trade creditors.

Business Risks

The Company's principal risks and uncertainties relate to financial instruments. The Company's financial risk management objective and policies, in respect of financial instruments, are discussed in note 12 to these financial statements.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors. The Directors have passed a resolution in accordance with section 386 of the Companies Act 1985 to dispense with the requirement to appoint auditors annually.

Global Crossing (Bidco) Limited

Directors' Report (continued)

Directors' statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving the directors' report are listed on page 5. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each directors' knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board,



Q Qadeer
Director

Date: 5 February 2009

Registered office
1 London Bridge
London
SE1 9BG

Global Crossing (Bidco) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and IFRS as adopted by the European Union.

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the company and the financial performance and cash flows of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the company has complied with IFRSs, subject to any material departure disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which 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 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.

Global Crossing (Bidco) Limited

Independent Auditors' Report to the Members of Global Crossing (Bidco) Limited

We have audited the financial statements of Global Crossing (Bidco) Limited for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 20. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS as adopted by the European Union ("EU") are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the directors' report is consistent with the financial statements.

In addition we 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 consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments 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

Global Crossing (Bidco) Limited

Independent Auditors' Report to the Members of Global Crossing (Bidco) Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- 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.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

Date: *11 February 2009*

1. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Global Crossing (Bidco) Limited

Income Statement

	Note	Year ended 31 December	
		2007	2006
		£000	£000
		(as restated ⁽¹⁾)	
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Distribution costs		-	-
Administrative (expense)/income		(746)	667
Operating (loss)/profit	3	(746)	667
Finance revenue	5	17,018	5,219
Finance costs	6	(3,395)	(3,130)
Profit before tax		12,877	2,756
Tax	7	-	-
Profit for the year		12,877	2,756

⁽¹⁾ For details on the prior period adjustment see note 19

The accompanying notes are an integral part of these financial statements.

Global Crossing (Bidco) Limited

Statement of Changes in Equity

	Note	Share capital £000	Capital reserve £000	Other reserve £000	Accumulated deficit £000	Total equity £000
At 1 January 2006 (as previously reported)		300,000	17,800	-	(124,701)	193,099
Prior year adjustment ⁽¹⁾	19	-	-	-	(178)	(178)
At 1 January 2006 (as restated)		300,000	17,800	-	(124,879)	192,921
Profit for the year		-	-	-	3,286	3,286
Total income and expense for the year		-	-	-	3,286	3,286
At 31 December 2006 (as previously reported)		300,000	17,800	-	(121,593)	196,207
Prior year adjustment ⁽¹⁾	19	-	-	-	(530)	(530)
At 31 December 2006 (as restated)		300,000	17,800	-	(122,123)	195,677
Profit for the year		-	-	-	12,877	12,877
Fair value adjustment on intercompany loan	17	-	-	(54,507)	-	(54,507)
Unwind of fair value adjustment	17	-	-	1,742	(1,742)	-
Total income and expense for the year		-	-	(52,765)	11,135	(41,630)
At 31 December 2007		300,000	17,800	(52,765)	(110,988)	154,047

⁽¹⁾ For details on the prior period adjustment see note 19

The accompanying notes are an integral part of these financial statements.

Global Crossing (Bidco) Limited

Balance Sheet

		31 December	
	Note	2007	2006
		£000	£000
		(as restated ⁽¹⁾)	
<i>Non-current assets</i>			
Investments	9	21,895	21,895
Trade and other receivables	10	29,023	-
		<u>50,918</u>	<u>21,895</u>
<i>Current assets</i>			
Trade and other receivables	10	137,592	208,625
Cash and cash equivalents		33	-
		<u>137,625</u>	<u>208,625</u>
Total assets		<u>188,543</u>	<u>230,520</u>
<i>Current liabilities</i>			
Trade and other payables	11	(34,496)	(32,419)
Derivative financial instruments		-	(2,424)
Total liabilities		<u>(34,496)</u>	<u>(34,843)</u>
Net assets		<u>154,047</u>	<u>195,677</u>
<i>Capital and reserves</i>			
Equity share capital (300,000,003 shares outstanding at £1 each)	13	300,000	300,000
Capital reserve		17,800	17,800
Other reserve		(52,765)	-
Accumulated deficit		(110,988)	(122,123)
Total equity		<u>154,047</u>	<u>195,677</u>

⁽¹⁾ For details on the prior period adjustment see note 19

These financial statements were approved by the Board of Directors on 5 February 2009 and are signed on its behalf by



Q Qadeer
Director

The accompanying notes are an integral part of these financial statements.

Global Crossing (Bidco) Limited

Cash Flow Statement

	Year ended 31 December	
	2007	2006
	£000	£000
		(as restated ⁽¹⁾)
Operating activities		
Profit for the year	12,877	2,756
<i>Adjustments for:</i>		
Finance costs, net	(13,623)	(2,089)
Operating cash flows before movements in working capital	(746)	667
Changes in operating working capital	84,966	(2,997)
Changes in other assets and liabilities	(84,212)	2,424
Cash generated by operations	8	94
Interest paid	-	(52)
<i>Net cash provided by operating activities</i>	8	42
Investing activities		
Interest received	25	-
<i>Net cash provided by investing activities</i>	25	-
Financing activities		
Loans provided to group companies	(81,750)	(51,782)
Loans repaid by group companies	81,750	51,872
<i>Net cash used in financing activities</i>	-	-
Net increase in cash and cash equivalents	33	42
Cash and cash equivalents at the beginning of year	-	(42)
Cash and cash equivalents at the end of year	33	-

⁽¹⁾ For details on the prior period adjustment see note 19

The accompanying notes are an integral part of these financial statements.

Global Crossing (Bidco) Limited

Notes to the financial statements

1. Description of business

Global Crossing (Bidco) Limited ("GC Bidco") is a company registered in England and Wales at 1 London Bridge, London, SE1 9BG. The principal activity of the Company is to act as holding company to a group of companies that provide telecommunication services to enterprise and carrier customers.

GC Bidco is part of a group of companies (the "Group Companies" or the "Bidco Group") owned by Global Crossing Limited, a company organised under the laws of Bermuda ("GCL"). GC Bidco's immediate parent company is Global Crossing Holdings Limited, a company registered in Bermuda. References to "GC Group" are to Global Crossing Holdings Limited and its subsidiary undertakings.

2. Accounting policies

Basis of preparation

The financial statements of Global Crossing (Bidco) Limited for the year ended 31 December 2007 were authorised for issue by the Board of Directors on 5 February 2009 and were signed on the Board's behalf by Q Qadeer.

As permitted by the European Union's IAS Regulation and the Companies Act 1985, as amended by the Companies Act 2006, these 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 differ 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.

In accordance with section 228A of the Companies Act 1985 and paragraphs 10 and 11 of International Accounting Standard 27 "Consolidated and Separate Financial statements" ("IAS 27"), the Company is exempt from the requirement to prepare and deliver group accounts. Financial information is presented about the Company as an individual undertaking and not about its Group. Details of the ultimate parent undertaking which draw up group financial statements are disclosed in note 16.

In preparing the financial statements, the directors have formed a judgment that there is a reasonable expectation that the Bidco Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements.

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are recorded at fair value.

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year.

IFRS 1	Amendment - Presentation of Financial Statements: Capital disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 11	IFRS 2 - Group and treasury share transactions

The principal effects of these changes are as follows:

IAS 1	Presentation of Financial Statements
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This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in note 12.

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

2. Accounting policies (continued)

IFRS 7

Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IFRIC 11

IFRS 2 - Group and Treasury Share Transactions

The Company has elected to adopt IFRIC Interpretation 11 as of 1 January 2007, insofar as it applies to the Company's financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. Adoption of this interpretation has had no impact on the financial statements of the Company.

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

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the year. Actual results could differ from those estimates. The estimates are based on historical factors, current circumstances and experience and judgment of the Company's management. The Company evaluates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in the evaluation.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (their functional currency).

In order to hedge its exposure to certain foreign exchange risks, the Company has previously entered into swap agreements. See "Derivative financial instruments and hedge accounting" below for details of the Company's accounting policies in respect of such swap agreements.

Transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Loans receivable that are interest-free are carried at the present value of expected future cash flows, other interest bearing loans receivable are carried at nominal value.

Cash and cash equivalents

Cash and cash equivalents includes cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

For the purposes of cash flow statements, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

2. Accounting policies (continued)

Financial liabilities

Financial liabilities issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Derivative financial instrument and hedge accounting

Derivative financial instruments are recorded at fair value as either assets or liabilities contained within the balance sheet. For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Hedge accounting is only used where, at the inception of the hedge, there is formal designation and documentation of the hedging relationship and it meets the Company's risk management objective strategy for undertaking the hedge.

Changes in the fair value of derivative financial instruments that are not designated as hedges and/or ineffective portions of hedges are required to be recognised in the income statement in the current year. Changes in the fair value of the effective portions of cash flow hedges are required to be recognised in the hedging reserve in equity. Changes in fair value of effective portions of fair value hedges are recognised in the income statement with the change in the value of the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction is recorded in the income statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the year.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from result as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is measured at the rates that are expected to apply in the years in which temporary 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 assets and liabilities are not discounted.

The carrying amount of any deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current tax liabilities and when they relate to taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

2. Accounting policies (continued)

Borrowing costs

Borrowing costs are expensed as incurred.

Recently issued accounting pronouncements and interpretations not applied

During the year and subsequent to the year end, the IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

<i>International Accounting Standards (IAS) / (IFRS)</i>	<i>Effective date</i>
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IAS 23	Borrowing costs	1 January 2009
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Issued in March 2007, IAS 23 requires capitalisation of borrowing costs if they are directly attributable to the acquisition, construction or production of a qualifying asset. The option to immediately recognise such costs, as a charge to the income statement, has been discontinued. Adoption of IAS 23 is not expected to materially affect the results of the Company or its operations.

IAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
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Issued in September 2007, this revision to IAS 1 changes the titles under which financial information is presented within financial statements. Adoption of this revision to IAS 1 is not expected to materially affect the results of the Company or its operations but will result in changes to disclosure.

IAS 32 (Amendment)	Financial Instruments: Presentation	1 January 2009
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Issued in February 2008, this amendment to IAS 32 is relevant to entities that have issued financial instruments that are (i) puttable financial instruments, or (ii) instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro-rata share of net assets of the entity only on liquidation. Under IAS 32, subject to certain criteria being met, these instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. Adoption of this amendment to IAS 32 is not expected to materially affect the results of the Company or its operations.

IFRS 2 (Amendment)	Share-based Payment	1 January 2009
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This amendment to IFRS 2, issued in January 2008, clarifies the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based arrangement. Adoption of this amendment to IFRS 2 is not expected to impact the results of the Company or its operations.

IFRS 3 (Revised)	Business Combinations	1 July 2009
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IAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 July 2009
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Issued on 10 January, 2008, the revised and amended standards (both IFRS 3 and IAS 27) apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual financial reporting period beginning on or after 1 July, 2009. Adoption of these standards is not expected to impact the results of the Company or its operations.

IFRS 1 (Amendment)	First-time Adoption of International Financial Reporting Standards	1 January 2009
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IAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 January 2009
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Issued on 22 May 2008, these amendments (both IFRS 1 and IAS 27) provide guidance on the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time. Adoption of these amendments is not expected to affect the results of the Company or its operations.

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

2. Accounting policies (continued)

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement July 1, 2009

Issued on 31 July 2008, this amendment to IAS 39 clarifies how the existing principles underlying hedge accounting should be applied in certain situations. Adoption of this amendment is not expected to materially affect the results of the Group or its operations.

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement 1 July 2008

IFRS 7 (Amendment) Financial Instruments: Disclosures 1 July 2008

Issued 13 October 2008, these amendments (both IAS 39 and IFRS 7) permit the reclassification of some financial instruments, which were already permitted under US generally accepted accounting principles (GAAP) in rare circumstances. Adoption of this amendment to IAS 32 is not expected to materially affect the results of the Group or its operations.

Improvements to International Financial Reporting Standards 2008 1 January 2009

On 22 May, 2008, the IASB issued its first standard to be published under the IASB's annual improvement process which is intended to deal with non-urgent, minor amendments to standards. The standard includes 35 amendments, split into those that result in changes to presentation, recognition or measurement and those that are terminology or editorial changes only which the IASB expects to have no or minimal effect on accounting. The Company is in the process of assessing how, if at all, the adoption of this standard will affect its results and operations and any associated disclosure.

IFRIC interpretations *Effective date*

IFRIC 14 Interpretation on IAS 19 – defined benefit assets and minimum funding requirement 1 January 2008

IFRIC 14 addresses the interaction between a minimum funding requirement and the limit placed by IAS 19 "Employee Benefits" on the measurement of the defined benefit asset or liability. Adoption of IFRIC 14 has not impacted the results of the Company or its operations.

3. Operating profit/(loss)

Operating profit/(loss) has been arrived at after charging/(crediting):

	Year ended 31 December	
	2007	2006
	£000	£000
		(as restated)
Auditors' remuneration for audit services (see below)		
- Company	3	10
Loss/(gain) on foreign exchange	741	(641)

Amounts payable to Ernst & Young LLP by the Company in respect of non-audit services were £nil (2006: £nil).

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

4. Employee costs and remuneration of directors and key management

Employee costs

The average monthly number of employees during the year was nil (2006: nil).

Employee remuneration during the year was also £nil (2006: £nil).

Remuneration of directors and key management

The remuneration of directors, who are the key management and personnel of the company, is £nil (2006: £nil).

The number of directors accruing benefits under money purchase schemes was two (2006: one).

All directors received remuneration in respect of services to companies in the GC Group, totalling £2.0 million (2006: £1.1 million) but it is not practicable to allocate this between Group Companies.

The number of directors who exercised share options was two (2006: one).

5. Finance revenue

	Year ended 31 December	
	2007	2006
	£000	£000
Interest receivable from other GC Group Companies (see note 17)	18,187	21,887
Foreign exchange(loss) /gain on loans receivable from other GC Group Companies	(1,191)	(16,668)
Interest on bank deposits	22	-
Total finance revenue	<u>17,018</u>	<u>5,219</u>

6. Finance costs

	Year ended 31 December	
	2007	2006
	£000	£000
		(as restated)
Interest payable to other group companies ⁽¹⁾ (see note 17)	3,395	3,130
Total finance costs	<u>3,395</u>	<u>3,130</u>

⁽¹⁾ calculated using effective interest rate method

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

7. Taxation

There has been no current or prior year tax charge in the year ended 31 December 2007 (2006: *£nil*). There have been no deferred tax movements recognised in equity in the current or prior year.

A reconciliation between the tax expense and accounting profit multiplied by the applicable tax rate for the years ended 31 December 2006 and 2007 is as follows:

	Year ended 31 December	
	2007	2006
	£000	£000
		(as restated)
Accounting profit before tax	12,877	2,756
Tax at the UK corporation tax rate of 30% (2006: 30%)	3,863	827
Factors affecting tax charge for the year:		
- Non taxable income	(534)	-
- Utilisation of unrecognised tax losses and other temporary differences brought forward	(3,624)	(1,122)
- Adjustment for UK to UK transfer pricing	295	295
Income tax credit reported in the income statement	-	-

During the years ended 31 December 2006 and 2007, there was no current or deferred tax charge. The following is the analysis of the deferred tax asset for financial reporting purposes.

	Year ended 31 December	
	2007	2006
	£000	£000
		(as restated)
Tax losses available	6,809	10,918
Total deferred tax asset	6,809	10,918
Less : deferred tax asset not recognised	(6,809)	(10,918)
Net deferred tax asset	-	-

At the balance sheet date, the Company has unused gross tax losses of £24.3 million (2006: £36.4 million) available for offset against future profits. No deferred tax assets have been recognised. The Company may carry forward its tax losses indefinitely.

On 19 July 2007, the UK Government fully enacted a reduction in the UK corporation tax rate from 30% to 28% with effect from 1 April 2008. The effect of the reduction to the tax rate was to decrease the future value of the companies recognised and unrecognised deferred tax assets by £nil and £0.7 million, respectively.

8. Dividends

The directors do not recommend the payment of a dividend (2006: *£nil*).

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

9. Investments

	Subsidiary undertakings £000
Cost	
At 1 January 2006 and 31 December 2006	21,895
Additions	-
	<hr/>
At 31 December 2007	21,895
	<hr/>

Details of significant investments (holding greater than 20%), including the name, country of incorporation and proportion of ownership interest is given below:

Name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business
<i>Subsidiary undertaking</i>			
GC Acquisitions UK Limited	England	100%, ordinary shares	Acquisitions
Global Crossing (UK) Telecommunications Limited	England	100%, ordinary shares	Telecommunications
Racal Telecommunications Inc	United States of America	100%, ordinary shares	Telecommunications
<i>Joint venture undertakings</i>			
International Optical Network LLC	United States of America	50%, ordinary shares	Telecommunications

10. Financial assets

Trade and other receivables

Trade and other receivables consist of:

	31 December 2007 £000	2006 £000 (as restated)
<i>Amounts due greater than one year</i>		
Amounts owed by GC Group Companies	29,023	-
	<hr/>	<hr/>
<i>Amounts due within one year</i>		
Amounts owed by GC Group Companies	137,592	208,625
	<hr/>	<hr/>

Amounts owed by GC Group Companies within one year bear interest at rates between 10.300% and 12.125% with interest being receivable quarterly in arrears. Any interest not received by the last day of the quarter following that to which it relates (the due date) will become interest bearing from that due date.

Amounts owed by GC Group companies, due in greater than one year consists of an interest free loan made to GC Impsat Holdings I plc ("GC Impsat") during 2007. See note 17 for more details.

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

10. Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

The Company's principal financial assets are trade and other receivables which represent the maximum exposure to credit risk in relation to financial assets.

11. Financial liabilities

Trade and other payables

	31 December	
	2007	2006
	£000	£000
	(as restated)	
<i>Amounts due within one year</i>		
Amounts owed to GC Group Companies	34,496	32,419

Amounts owed to GC Group Companies incur interest at a rate of 11.875% with interest being payable quarterly in arrears. Any interest not paid by the last day of the quarter following that to which it relates (the due date) will become interest bearing from that due date.

12. Financial instruments

Treasury policy and risk management

The Company's treasury management is conducted primarily by GCL on behalf of GC Group Companies. GCL 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 GCL Audit Committee, which receives regular updates of treasury activity. Financial instruments are entered into for risk management purposes only. It is the GC Group's policy that all hedging is to cover known risks and that no trading in financial instruments is undertaken.

Interest rate management

The Company has no significant financial exposure in respect of interest rates. All interest bearing receivables and payables balances are at fixed rates of interest.

Foreign exchange management

Substantially all the Company's monetary assets and liabilities are denominated in pounds sterling or US dollars. As at 31 December 2006 and 2007, the split of net interest bearing receivables into their core currencies was pounds sterling 61% and 49% and US dollars 39% and 51%, respectively.

The Company assesses its currency exchange exposure and enters into financial instruments, as it believes necessary, to manage risk.

In the year ended 31 December 2007, the Company recognised a foreign currency loss of £0.7 million (2006: a gain of £0.6 million), on monetary and non monetary assets and liabilities denominated in currencies other than our function currency.

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

12. Financial instruments (continued)

The following table illustrates the sensitivity on the net result for the year and equity in regards to the Company's financial assets and liabilities of possible changes in the US Dollar exchange rate. If pound sterling had strengthened/weakened against the dollar by 10% the following effects on the financial statements would be:

	Increase/decrease in US Dollar rate	Effect on profit before tax £	Effect on equity £
2007	+ 10%	(7,823)	(7,823)
	-10%	7,556	7,556
2006	+ 10%	(8,018)	(8,018)
	-10%	7,744	7,744

Currency risks

The Company's currency exposures give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the net monetary assets and liabilities of the Company that are not denominated in the functional currency of the entity involved. The following table presents the exposure of net foreign currency monetary assets.

	31 December 2006		31 December 2006	
	US dollars £000	Total £000	US dollars £000	Total £000
<i>Functional currency of the Company</i>				
Pounds Sterling	67,987	67,987	69,693	69,693

In 2006 the Company used its cross currency swap to manage its exposure to foreign exchange rate movements on a portion of its intercompany debt. The cross currency swap had a fair value estimated to be a liability of £2.4 million as 31 December 2006. This amount was based on the market values of equivalent instruments at the balance sheet date. The cross currency swap was not designated effective as cash flow hedge or fair value hedge, and therefore all of the movement in the fair value of the swap was recognised in the income statement. The swap arrangement ceased in 2007.

Capital management

The capital structure of the Company consists of equity attributable to equity holders of the parent, comprising issued capital and reserves. The objective of the Company's capital management is to enable it to continue as a going concern.

The Bidco Group's ability to access the credit markets to fund capital leases or other forms of equipment financing depends on market conditions and our credit profile at the time. The liquidity crisis that began in 2007 as a result of the collapse of the subprime mortgage market in the United States has adversely impacted global credit markets and could make it more difficult for the Bidco Group to obtain such funding.

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

12. Financial instruments (continued)

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	
	2007	2006	2007	2006 (as restated)
	£000	£000	£000	£000
	(as restated)		(as restated)	
<i>Financial assets</i>				
- Amounts owed by GC Group Companies ⁽¹⁾	166,615	208,625	166,615	208,625
<i>Financial liabilities</i>				
- Amounts owed to GC Group Companies ⁽²⁾	(34,496)	(32,419)	(34,496)	(29,995)
- Cross currency interest rate swap ⁽³⁾	-	(2,424)	-	(2,424)

⁽¹⁾ Classified as loan and receivables

⁽²⁾ Classified as financial liability at amortized costs

⁽³⁾ Classified as fair value through the income statement

The fair value of amounts owed by Group Companies due in less than one year approximates to their carrying value due to their interest bearing or short term nature. The fair value of amounts owed by Group Companies due in greater than one year approximates their carrying value due to the loan being carried at the present value of its expected future cash flows (see note 17).

The fair value of amounts owed to Group Companies approximates to their carrying value due to their short term nature.

13. Equity share capital and reserves

	31 December	
	2007	2006
	£000	£000
<i>Authorised:</i>		
350,000,000 ordinary shares of £1 each	350,000	350,000
<i>Called up, allotted and fully paid:</i>		
300,000,003 ordinary shares of £1 each	300,000	300,000

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

Other reserves is a reserve account which holds the difference between the fair value and the initial value of the interest free loan to GC Impsat has been included within other reserves and will be unwound over the period of the loan. See note 17 for more details.

14. Operating lease commitments

The Company as lessor

The Company has no operating lease commitments as lessor.

The Company as lessee

The Company has no operating lease commitments as lessee.

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

15. Purchase commitments

The Company has no purchase commitments.

16. Ultimate parent and controlling party

At 31 December 2007, the Company's directors regarded Temasek Holdings (Private) Limited ("Temasek"), a company incorporated in the Republic of Singapore, as the ultimate parent company and ultimate controlling party. The largest group, which includes the Company and for which financial results are prepared is that headed by Temasek, whose registered office is 60B Orchard Road, #06-18, Tower 2, Singapore 238891.

The Company's immediate parent is GC Holdings Limited, a company registered in Bermuda. The consolidated financial statements of GC Holdings Limited include the results of the Company and are available to the public from Wessex House, 45 Reid Street, Hamilton, Bermuda.

17. Related party transactions

Transactions with GC Group Companies

The Company has a number of financial relationships with GCL and other GC Group Companies which are governed by respective intercompany agreements. The debtor and creditor balances as a result of these relationships are as follows:

	31 December	
	2007	2006
	£000	£000
		as restated
<i>Debtor balance due in less than one year from:</i>		
Global Crossing Services Europe Limited	75,590	67,079
Global Crossing PEC Networks BV	3,547	3,551
Global Crossing Holdings Ltd	46,291	76,670
GC Acquisitions UK Limited	-	52,970
Global Crossing Europe Ltd	8,352	8,355
Fibernet Holdings Limited	3,812	-
	<u>137,592</u>	<u>208,625</u>
<i>Debtor balance due in more than one year from:</i>		
GC Impsat Holdings I plc	29,023	-
	<u>166,615</u>	<u>208,625</u>
<i>Creditor balances due to:</i>		
Global Crossing Development Co	4,533	4,603
Global Crossing Network Centre Ltd	669	594
Global Crossing Network Ltd	334	296
Global Crossing PEC UK Ltd	15,519	14,997
GT U.K. Ltd	13,429	11,917
Other Group Companies	12	12
	<u>34,496</u>	<u>32,419</u>

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

17. Related party transactions (continued)

During 2007, the company made an interest free loan of \$163.1 million (equivalent to £81.8 million at the date of the loan) to GC Impsat. The loan is due for repayment on 31 December 2018, and subordinated to GC Impsats obligations in respect of its 9.875% senior notes due 2017. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" this loan is carried at the present value of its expected future cash flows. The difference between this and the initial value of the loan has been included within other reserves and will be unwound over the period of the loan

Interest income and charges on the above balances are as follows:

	31 December	
	2007	2006
	£000	£000
<i>Interest receivable from other GC Group Companies:</i>		
Global Crossing Services Europe Limited	8,511	7,553
Global Crossing Holdings Ltd	7,575	13,237
GC Acquisitions UK Limited	148	1,097
Fibernet Holdings Limited	211	-
GC Impsat Holdings I plc	1,742	-
	18,187	21,887
<i>Interest payable to other GC Group Companies:</i>		
GC Pan European Crossing UK Limited	1,771	1,688
GT U.K. Ltd	1,512	1,341
Other Group Companies	112	101
	3,395	3,130

18. 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 adverse outcome that would have a material effect on the Company balance sheets, income statements or cash flow statements.

19. Prior period adjustment

Following a review of the loan arrangements between the GC Bidco and other Group companies, it was identified that there had been an undercharge of interest to the Company in prior periods which totalled approximately £0.7 million. A prior period adjustment has been made to the amounts previously reported in respect, the effect being to increase the finance costs in respect of the year ended 31 December 2006 by £0.5 million, with a corresponding increase in amounts owed to group companies. A further adjustment of £0.2 million has been made to the opening balances as at 1 January 2006, resulting in an increase to the accumulated deficit previously reported and a corresponding increase in amounts owed to group companies.

Global Crossing (Bidco) Limited

Notes to the financial statements (continued)

20. Subsequent events

Reduction in capital

On 2 December 2008, the Board of Directors of the Company approved a reduction in the issued share capital and share premium account through the cancelation of 223,623,150 issued ordinary shares and elimination of the £17.8 million capital reserve. This was achieved through assignment or novation of the certain intercompany balances with other group companies, as at 30 November 2008, the immediate parent company, GC Holdings Limited.