Global Crossing (Bidco) Limited

Registered number 3855219

Annual report and financial statements for the year ended 31 December 2010

Global Crossing (Bidco) Limited

Contents

Directors' Report

The directors present their audited financial statements for the year ended 31 December 2010

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 England and Wales 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 ("GCHL"), a company registered in Bermuda References to "GC Group" are to Global Crossing Holdings Limited and its subsidiary undertakings

Results and dividends

In accordance with section 401 of the Companies Act 2006, 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 prepares group financial statements are disclosed in note 15

Revenue for the year amounted to £nil *(2009 £nil)* Loss before and after tax for the year amounted to £2 4 million *(2009 Loss before and after tax for the year amounted to £1 6 million)*

The directors do not recommend the payment of a dividend *(2009 £nil)*

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

The principal liability on the statement of financial position relates to £16 4 million owed to Global Crossing Europe Limited ("GCE"), a fellow GC Group Company (see note 16) The directors of the Company have obtained confirmation from the Directors of GCE that they will not seek repayment of this balance for a period of at least 12 months

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 June 2011, GCL's available liquidity consisted of $259 million of unrestricted cash and cash equivalents As at 30 June 2011, GCL also held $10 million in restricted cash and cash equivalents which primarily comprised of cash collateral for letters of credit or performance bonds issued in favour of certain of our vendors and deposits securing real estate obligations

Directors' Report (continued)

During the six months ended 30 June 2011 GCL's revenue was $1,353 million GCL had a net decrease in cash and cash equivalents of $113 million and had net cash used in operating activities of $1 million Their 2011 cash flow expectations are based in part on raising financing for such property and equipment from vendors and others in amounts slightly lower than those arranged in 2010 Their ability to arrange such financings is subject to negotiating acceptable terms from equipment vendors and financing parties In the long term, GCL expects to generate positive cash flow from operating activities in an amount sufficient to fund all investing and financing requirements, subject to the possible need to refinance its existing major debt instruments GCL currently expect cash provided by operating activities (including Indefeasible Rights to Use and other prepaid sales) to exceed purchases of property and equipment for the full year 2011

On 10 April 2011, GCL entered into an Agreement and Plan of Amalgamation with Level 3 Communications, Inc , a Delaware corporation ("Level 3"), and Apollo Amalgamation Sub, Ltd , a Bermuda company and wholly owned subsidiary of Level 3 ("Amalgamation Sub"), pursuant to which our parent and Amalgamation Sub will be amalgamated under Bermuda law with the surviving amalgamated company continuing as a subsidiary of Level 3 (the "Amalgamation") Under the terms and subject to the conditions of the Plan of Amalgamation, each share of capital stock of our parent will be converted into common stock of Level 3 The Plan of Amalgamation contains customary representations and warranties and covenants, and is subject to certain closing conditions including receipt of certain regulatory and governmental approvals The transaction is expected to close before the end of 2011

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

Directors

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

Name

B Keogh

Q Qadeer

During the year, no directors exercised share options in GCL (*2009 none*)

Directors' liabilities

During the year, the GC 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

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 Company and its suppliers, providing that all trading terms and conditions have been complied with

Directors' Report (continued)

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 11 to these financial statements

Management's Annual Report on Internal Control over Financial Reporting

Management of the company is responsible for establishing and maintaining adequate internal control over financial reporting Internal control over financial reporting refers to a process designed by, or under the supervision of, our Managing Director and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, including those policies and procedures that

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets,
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of our assets that could have a material effect on the financial statements

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance of the prevention or detection of misstatements In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate

With the participation of our Managing Director and Chief Financial Officer, our management conducted an evaluation of the effectiveness of internal control over financial reporting as at 31 December 2010 The company also participated in GCL's evaluation, conducted on the same basis, insofar as such evaluation encompassed the operations of the company Based on its evaluation, our management concluded that our internal control over financial reporting was effective as of 31 December 2010

Auditors

The Directors have passed a resolution in accordance with section 485 of the Companies Act 2006 to dispense with the requirement to appoint auditors annually

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 4 Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that

- to the best of each director's 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 26 September 2011

Registered office
10 Fleet Place
London
EC4M 7RB

Registered number
3855219

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

Under Company Law, the directors must not approve financial statements unless they are satisfied that they present fairly the financial position, 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 IAS 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 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 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 2010 which comprise the Statement of Comprehensive Loss, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related notes 1 to 18 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union

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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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 Auditors Report to the Members of Global Crossing (Bidco) 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

Ernst & Young LLP

Nick Powell (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

29 September 2011

Global Crossing (Bidco) Limited

Statement of Comprehensive Loss

	Note	Year ended 31 December 2010 £000	2009 £000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Distribution costs		-	-
Administrative (expense)/gain		(165)	418
Operating (loss)/profit	3	(165)	418
Finance revenue	5	505	495
Finance costs	5	(2,788)	(2,474)
Loss before tax		(2,448)	(1,561)
Tax	6	-	-
Loss for the year		(2,448)	(1,561)
Other comprehensive (loss)/income			
Other comprehensive (loss)/income for the year, net of tax		-	-
Comprehensive loss for the year		(2,448)	(1,561)

The accompanying notes are an integral part of these financial statements

Statement of Changes in Equity

	Equity share capital £000	Accumulated deficit £000	Total equity £000
At 1 January 2009	**76,377**	**(62,231)**	**14,146**
Loss for the year	-	(1,561)	(1,561)
Total comprehensive loss for the year	-	(1,561)	(1,561)
At 31 December 2009	**76,377**	**(63,792)**	**12,585**
Loss for the year	-	(2,448)	(2,448)
Total comprehensive loss for the year	-	(2,448)	(2,448)
At 31 December 2010	**76,377**	**(66,240)**	**10,137**

The accompanying notes are an integral part of these financial statements

Statement of Financial Position

	Note	31 December 2010 £000	2009 £000
Non-current assets			
Investments	8	21,895	21,895
		21,895	21,895
Current assets			
Trade and other receivables	9	8,876	8,367
Cash and cash equivalents		37	36
		8,913	8,403
Total assets		**30,808**	**30,298**
Current liabilities			
Trade and other payables	10	(20,671)	(17,713)
Total liabilities		**(20,671)**	**(17,713)**
Net assets		**10,137**	**12,585**
Capital and reserves			
Equity share capital	12	76,377	76,377
Accumulated deficit		(66,240)	(63,792)
Total equity		**10,137**	**12,585**

The accompanying notes are an integral part of these financial statements

These financial statements were approved by the Board of Directors on 26 September 2011 and are signed on its behalf by

Q Qadeer
Director

Registered number

3855219

Statement of Cash Flow

	Year ended 31 December 2010 £000	2009 £000
Operating activities		
Loss for the year	(2,448)	(1,561)
Adjustments for		
Finance costs, net	2,283	1,979
Changes in operating working capital	166	(420)
Cash generated from/(used in) operations	1	(2)
Interest paid	-	-
Net cash provided by/(used in) operating activities	1	(2)
Investing activities		
Interest received	-	-
Net cash provided by investing activities	-	-
Financing activities		
Loans provided to group companies	-	-
Net cash used in financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	**1**	**(2)**
Cash and cash equivalents at the beginning of year	**36**	**38**
Cash and cash equivalents at the end of year	**37**	**36**

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

1. Description of business

Global Crossing (Bidco) Limited ("GC Bidco" or the "Company") is a company registered in England and Wales at 10 Fleet Place, London, EC4M 7RB 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 ("GCHL"), 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 2010 were authorised for issue by the Board of Directors on 26 September 2011 and were signed on the Board's behalf by Q Qadeer

As permitted by the European Union's IAS Regulation and the Companies Act 2006 these financial statements are prepared in conformity with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU")

In accordance with section 401 of the Companies Act 2006 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 15

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

Going concern

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

The principle liability on the statement of financial position relates to £16 4 million owed to Global Crossing Europe Limited ("GCE"), a fellow GC Group Company (see note 16) The directors of the Company have obtained confirmation from the Directors of GCE that they will not seek repayment of this balance for a period of at least 12 months

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 June 2011, GCL's available liquidity consisted of $259 million of unrestricted cash and cash equivalents As at 30 June 2011, GCL also held $10 million in restricted cash and cash equivalents which primarily comprised of cash collateral for letters of credit or performance bonds issued in favour of certain of our vendors and deposits securing real estate obligations

Notes to the financial statements (continued)

2. Accounting policies (continued)

During the six months ended 30 June 2011 GCL's revenue was $1,353 million GCL had a net decrease in cash and cash equivalents of $113 million and had net cash used in operating activities of $1 million Their 2011 cash flow expectations are based in part on raising financing for such property and equipment from vendors and others in amounts slightly lower than those arranged in 2010 Their ability to arrange such financings is subject to negotiating acceptable terms from equipment vendors and financing parties In the long term, GCL expects to generate positive cash flow from operating activities in an amount sufficient to fund all investing and financing requirements, subject to the possible need to refinance its existing major debt instruments GCL currently expect cash provided by operating activities (including Indefeasible Rights to Use and other prepaid sales) to exceed purchases of property and equipment for the full year 2011

Recently adopted accounting guidance

The following IFRS's, International Accounting Standards ("IAS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are relevant to the Company have been adopted during the period

Improvements to IFRS 2009

Issued in April 2009, the Improvements to International Financial Reporting Standard 2009 is the second standard to be issued under the IASB's annual improvements process and incorporates amendments to twelve standards Adoption of this standard has not materially affected the results of the Company or its operations and has resulted in no additional disclosure

IFRS 3	Business combinations (revised 2008)
IAS 27	Consolidated and Separate Financial Statements (revised 2008)

Issued in January 2008, these revisions to IFRS 3 and IAS 27 apply to business combinations In particular the revisions

(i) include greater emphasis on the use of fair value,

(ii) focus on changes in control as a significant economic event, and

(iii) focus on what is given to the vendor as consideration, rather than what is spent to achieve the acquisition

Adoption of these revised standards has not affected the results of the Company or its operations and has resulted in no additional disclosure

IAS 39	Financial Instruments Recognition and Measurement (Amendment)

Issued in July 2008, this amendment to IAS 39 provides clarification on two issues related to hedge accounting (i) identifying inflation as a hedged risk or portion, and (ii) hedging with options Adoption of this amendment to IAS 39 has not affected the results of the Company or its operations and has resulted in no additional disclosure

IFRS 2	Share based payment (Amendment)

Issued in June 2009 this amendment to IFRS 2 clarifies the scope of IFRS 2 and also the accounting for group cash-settled share-based payment transactions in the individual financial statements of the entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award Adoption of this amendment to IFRS 2 has not affected the results of the Company or its operations and has resulted in no additional disclosure in these consolidated financial statements

Notes to the financial statements (continued)

2. Accounting policies (continued)

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 Such estimates include the valuation of accounts receivables andvaluation of investments 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 As future events and their effects cannot be determined with precision, actual results could differ from those estimates Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods

Finance Revenue

Interest income is accrued using the effective interest rate method The method applies this rate to the principal outstanding to determine interest income each period, except for short term receivables when the recognition of interest would be immaterial

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)

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 reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of that reporting period All foreign currency gains or losses are included in administrative (expense)/gain in the statement of comprehensive loss except for foreign exchange gains or losses resulting from foreign currency receivables, which are included in their own separate line beneath the operating (loss)/profit

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position 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

Financial liabilities

Financial liabilities are initially recognised at fair value and in the case of loans and borrowings, directly attributable transaction costs Financial liabilities comprise amounts owed to Group Companies

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

2. Accounting policies (continued)

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 profit as reported in the statement of comprehensive loss 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 end of each reporting period

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 end of each reporting period Deferred tax assets and liabilities are not discounted

The carrying amount of any deferred tax assets is reviewed at the end of each reporting 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 statement of comprehensive loss, 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

Borrowing costs

Borrowing costs are expensed as incurred IAS 23 "Borrowing Costs" ("IAS 23") requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the borrowing costs of that asset, The Company has no such qualifying assets

2. Accounting policies (continued)

Recently issued accounting pronouncements and interpretations not applied

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

IAS interpretations	*Effective date*
Improvements to International Financial Reporting Standards 2010	1 January 2011 unless otherwise specified

Issued in May 2010, Improvements to International Financial Reporting 2010 is the third standard to be issued under the IASB's annual improvements process and incorporates amendments, considered to be necessary but non urgent, to seven standards Adoption of this revised standard is not expected to materially affect the results of the Company or its operations

IFRS 7 (Amendment)	Financial Instruments Disclosures	1 July 2011

Issued in October 2010, the IASB has issued amendments to IFRS 7 Financial Instruments Disclosures—Transfers of Financial Assets The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, for example securitizations, including understanding the possible effects of any risks that may remain with the entity that transferred the assets The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period Adoption of this revised standard is not expected to materially affect the results of the Company or its operations This standard has still to be endorsed by the EU

IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013

Issued in May 2011, these standards are the outcome of the IASB review of the accounting requirements for off balance sheet activities and joint arrangements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated finance statements of the parent company

IFRS 11 focuses on the rights and obligations of a joint arrangement , rather than the legal form The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled ventures

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles

The impact of these standards on the results of the Company and its operations is currently being assessed These standards have still to be endorsed by the EU

IFRS 13	Fair Value Measurement	1 January 2013

Issued in May 2011, this standard completes a convergence project between the IASB and the US Financial Accounting Standards Board This standard will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS

The impact of this standard on the results of the Company and its operations is currently being assessed The standard has still to be endorsed by the EU

Notes to the financial statements (continued)

3. Operating (loss)/profit

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

	Year ended 31 December 2010 £000	2009 £000
Auditors' remuneration for audit services (see below)		
- Company	-	-
Loss/(gain) on foreign exchange	164	(420)

Amounts payable to Ernst & Young LLP by the Company in respect of non-audit services were £nil *(2009 £nil)* In respect of the year ended 31 December 2010, auditor's remuneration of £3,974 *(2009 £4,739)* was borne by the Company's subsidiary Global Crossing (UK) Telecommunications Limited on behalf of the Company The Bidco Group paid £286,000 *(2009 £450,000)* to its auditors in respect of audit services The Bidco Group also paid £12,000 *(2009 £nil)* to its auditors in respect of non-audit services

4. Employee costs and remuneration of directors and key management

Employee costs

The average number of employees during the year was nil (*2009 nil)*

Employee remuneration during the year was also £nil *(2009 £nil)*

Remuneration of directors and key management

The remuneration of directors, who are the key management and personnel of the Company, is £nil *(2009 £nil)*

The number of directors accruing benefits under money purchase schemes was two (*2009 two*)

All directors received remuneration in respect of services to companies in the GC Group, totalling £0 4 million *(2009 £0 5 million)* but it is not practicable to allocate this between Group Companies

No directors exercised share options in GCL during the year *(2009 none)*

5. Finance Revenue and Charges

i) Finance revenue

	Year ended 31 December 2010 £000	2009 £000
Interest receivable from other GC Group Companies [1] (see note 16)	505	495
Total finance revenue	505	495

[1] calculated using effective interest rate method

5. Finance Revenue and Charges (continued)

ii) Finance charges

	Year ended 31 December 2010 £000	2009 £000
Interest payable to other GC Group Companies [1] (see note 16)	2,788	2,474
Total finance costs	2,788	2,474

[1] calculated using effective interest rate method

6. Taxation

There has been no current year tax charge in the year ended 31 December 2010 *(2009 £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 2009 and 2010 is as follows

	Year ended 31 December 2010 £000	2009 £000
Accounting loss before tax	(2,448)	(1,561)
Tax at the UK corporation tax rate of 28% *(2009 28%)*	(685)	(437)
Factors affecting tax charge for the year		
- Adjustment for UK to UK transfer pricing	394	275
- Surrender/(utilisation) of group relief	291	162
Income tax credit reported in the statement of comprehensive loss	-	-

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010, which was enacted on 27 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011 In the March 2011 Budget, it was announced that the corporation tax rate applicable from 1 April 2011 will in fact be 26%, However, this was not substantively enacted as at the balance sheet date and, accordingly, not reflected in these financial statements The reduction from 26% to 25% in the main rate of corporation tax effective from 1 April 2012, was substantively enacted on 5 July 2011 As no deferred tax balances are recognised as at 31 December 2010, the impact of the March 2011 Budget release does not have a material impact on the financial statements Further reductions are proposed to reduce the tax rate by 1% per annum to 23% by 1 April 2014 These further changes had not been substantively enacted at the balance sheet date The overall impact is not expected to be material to these financial statements

7. Dividends

The directors do not recommend the payment of a dividend *(2009 £nil)*

Notes to the financial statements (continued)

8. Investments

	Subsidiary undertakings £000
Cost	
At 1 January 2009, 31 December 2009 and 31 December 2010	21,895

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
Subsidary undertaking			
Global Crossing (UK) Telecommunications Limited	England	100%, ordinary shares	Telecommunications
Racal Telecommunications Inc	United States of America	100%, ordinary shares	Telecommunications
Joint venture undertakings			
International Optical Network LLC	United States of America	50%, ordinary shares	Telecommunications

9. Financial assets

Trade and other receivables

Trade and other receivables consist of

	31 December 2010 £000	31 December 2009 £000
Amounts due within one year		
Amounts owed by GC Group Companies (see note 16)	8,873	8,364
Other receivables	3	3
	8,876	8,367

Amounts owed by GC Group Companies within one year include trading and loan balances The loan balance bears interest at 11 250% with interest being receivable quarterly in arrears Any interest not received by the last day of the quarter following that to which is relates (the due date) will become interest bearing from that due date

10. Financial liabilities

Trade and other payables

	31 December	
	2010	2009
	£000	£000
Amounts due within one year		
Amounts owed to GC Group Companies (see note 16)	20,671	17,713

Amounts owed to GC Group Companies include trading and loan balances The loan balance incurs interest at a rate of 12 125% with interest being payable quarterly in arrears Any interest not paid by the last day of the quarter following that to which is relates (the due date) will become interest bearing from that due date

11. Financial instruments

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 its operating activities (primarily from amounts owed by Group Companies) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments

The Company's principal financial assets are bank balances and cash, and amounts owed by GC Group Companies which represent the maximum exposure to credit risk in relation to financial assets

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed primarily by GCL on behalf of the GC Group The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2009 and 2010 is the carrying amounts of such balances

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

As at 31 December 2009 and 2010, the split of net interest bearing receivables/liabilities into their core currencies was pounds sterling 27% and 40% and US dollars 73% and 60%, 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 2010, the Company recognised a total foreign currency loss of £0 2 million (*2009 gain of £0 4 million*), on assets and liabilities denominated in currencies other than our function currency

Notes to the financial statements (continued)

11. 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 pounds sterling had strengthened/weakened against the US Dollar by 10% or 25% the effects on the financial statements would be

	Increase/decrease in US Dollar rate	Effect on profit before tax £000	Effect on equity £000
2010	+ 10%	641	641
	- 10%	(784)	(784)
	+25%	1,411	1,411
	- 25%	(2,351)	(2,351)
2009	+ 10%	622	622
	- 10%	(760)	(760)
	+25%	1,368	1,368
	- 25%	(2,280)	(2,280)

Currency risks

The Company's currency exposures give rise to the net currency gains and losses recognised in the statement of comprehensive loss 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 liabilities

	31 December 2010		31 December 2009	
	US dollars £000	Total £000	US dollars £000	Total £000
Functional currency of the Company				
Pounds Sterling	(7,055)	(7,055)	(6,842)	(6,842)

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, which have continued to tighten over the last year due to the ongoing crisis in global capital markets and which could make it more difficult for the Bidco Group to obtain such funding

11. 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	
	2010	**2009**	**2010**	**2009**
	£000	**£000**	**£000**	**£000**
Financial assets				
- Amounts owed by GC Group Companies [1]	8,873	8,364	8,873	8,364
Financial liabilities				
- Amounts owed to GC Group Companies [2]	(20,671)	(17,713)	(20,671)	(17,713)

[1] Classified as loan and receivables

[2] Classified as financial liability at amortised costs

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 and short term nature

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

12 Equity share capital and reserves

	31 December	
	2010	**2009**
	£000	**£000**
Authorised		
350,000,000 ordinary shares of £1 each	350,000	350,000
Called up, allotted and fully paid		
76,376,853 ordinary shares of £1 each	76,377	76,377

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

13. Operating lease commitments

The Company as lessor

The Company has no operating lease commitments as lessor *(2009 £nil)*

The Company as lessee

The Company has no operating lease commitments as lessee *(2009 £nil)*

14. Purchase commitments

The Company has no purchase commitments (*2009 £nil)*

Notes to the financial statements (continued)

15. Ultimate parent and controlling party

At 31 December 2010, 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 smallest group in which the results of the Company are consolidated is that headed by Global Crossing Limited The consolidated financial statements of Global Crossing Limited are available from Wessex House, 45 Reid Street, Hamilton, Bermuda

16. 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 2010 £000	31 December 2009 £000
Debtor balance due in less than one year from		
Global Crossing PEC Holdings BV	5,256	3,611
Global Crossing Conferencing	3,617	-
Fibernet Holdings Limited	-	4,753
	8,873	8,364
Creditor balances due in less than one year to		
Global Crossing Europe Limited	16,416	13,628
Global Crossing Development Co	4,229	4,058
Other Group Companies	26	27
	20,671	17,713

Interest income and charges on the above balances are as follows

	Year ended 31 December 2010 £000	Year ended 31 December 2009 £000
Interest receivable from other GC Group Companies		
Fibernet Holdings Limited	378	495
Global Crossing PEC Holdings BV	127	-
	505	495
Interest payable to other GC Group Companies		
Global Crossing Europe Limited	2,788	2,474
	2,788	2,474

17. Contingent liabilities

Litigation

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 loss or statement of cash flows

18. Subsequent events

Level 3 Communications Inc

On 10 April 2011, our parent entered into an Agreement and Plan of Amalgamation (the "Plan of Amalgamation") with Level 3 Communications, Inc, a Delaware corporation ("Level 3"), and Apollo Amalgamation Sub, Ltd, a Bermuda company and wholly owned subsidiary of Level 3 ("Amalgamation Sub"), pursuant to which GCL and Amalgamation Sub will be amalgamated under Bermuda law with the surviving amalgamated company continuing as a subsidiary of Level 3 (the "Amalgamation") Under the terms and subject to the conditions of the Plan of Amalgamation, each share of capital stock of our parent will be converted into 16 shares of common stock of Level 3 (and, in the case of our parent's preferred shares, the right to receive accrued and unpaid dividends thereon) The Plan of Amalgamation contains customary representations and warranties and covenants, and is subject to certain closing conditions including receipt of certain regulatory and governmental approvals