

Global Crossing (Bidco) Limited
Registered number 3855219

Directors' report and financial statements for the year ended 31 December 2011

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Global Crossing (Bidco) Limited

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Global Crossing (Bidco) Limited

Directors' Report

The directors present their Directors' report and financial statements for the year ended 31 December 2011

Principal activities

The principal activity of Global Crossing (Bidco) Limited ("the Company" or "GC Bidco") the Company is to act as holding company to a group of companies that provide telecommunication services to enterprise and carrier customers

Global Crossing (Bidco) Limited is a company registered in England and Wales. GC Bidco is a wholly owned subsidiary of Global Crossing Holdings Limited ("GCHL"), a company registered in Bermuda. The ultimate parent company of the Company is Level 3 Communications, Inc (Level 3), a company incorporated in Delaware, U S A. The smallest and largest group into which the results of the Company are consolidated is that headed by Level 3 Communications, Inc, whose accounts can be obtained from Investor Relations, Level 3 Communications Inc, 1025 Eldorado Boulevard, Broomfield, CO 80021, USA

Business Review

Revenue for the year amounted to *£nil (2010 £nil)*. Loss before and after tax for the year amounted to *£2.4 million (2010 Loss before and after tax for the year amounted to £2.4 million)*

Group situation

The Company was a member of the Global Crossing Group. On the 4th October 2011 Global Crossing Limited, the beneficial owner of 100% of the shares in the Company completed its amalgamation with Apollo Amalgamation Sub, Ltd, a subsidiary of Level 3 Communications, Inc. The Level 3 Group ('The Group') is a facilities based provider of a broad range of integrated communications services. The Group network is an international, facilities based communications network. The Group have designed their network to provide communications services that employ and take advantage of rapidly improving underlying optical, Internet Protocol, computing and storage technologies.

The Group are currently focused on a number of operational and financial objectives, including (1) growing revenue by increasing sales generated by their Core Network Services, (2) continually improving the customer experience to increase customer retention and reduce customer churn, (3) completing the integration of acquired businesses, (4) reducing network costs and operating expenses, (5) achieving sustainable generation of positive cash flows from operations in excess of capital expenditures, (6) continuing to show improvement in Adjusted EBITDA, (7) localizing certain decision making and interaction with mid-market enterprise customers, including leveraging existing network assets, (8) concentration on capital expenditures on those technologies and assets that enable the Group to develop its Core Network Services, (9) managing the Wholesale Voice Services for margin contribution, and (10) refinancing future debt maturities.

Management continues to review the existing lines of business and service offerings to determine how those lines of business and service offerings assist with their focus on the delivery of communications services and meeting their financial objectives. This exercise takes place in the ordinary course of the business and with respect to integration activities. To the extent that certain lines of business or service offerings are not considered to be compatible with the delivery of communications services or with obtaining the Group's financial objectives, the Group may exit those lines of business or stop offering those services in part or in whole.

Global Crossing (Bidco) Limited

Future prospects

The communications industry has been and remains highly competitive. The industry is subject to rapid and significant changes in technology. We believe that advances in optical and Internet Protocol, or IP, technologies have, and will continue to, facilitate decreases in unit costs for communications service providers that are able to most effectively take advantage of these technology advances. These service providers will be able to offer lower prices, which we believe, will stimulate substantial increases in the demand for communications services. We believe that, over time, rapidly improving technologies and high demand elasticity are the two primary factors that are continuing to drive this market dynamic.

In view of these market and technology opportunities, we seek to serve business customers by providing a broad range of communications services over the Group's advanced and extensive fiber optic network. The processes and systems were designed to provide efficient services over a modern fiber optic network that deploys Internet Protocol technologies. With the network extensive geographic reach and deep reach into major metropolitan areas of the U.S., Europe and Latin America, we are positioned to provide end-to-end services for business customers entirely on the Group's own facilities across multiple continents. We plan to continually expand this fiber optic network to new locations where the demands of customers and potential customers justify the costs of expansion.

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 10 to these financial statements.

Political and Charitable Donations

Grants and charitable donations made during the period amounted to £nil (2010: £nil). There were no political contributions made during the period (2010: £nil).

Dividends

The directors do not recommend the payment of a dividend (2010: £nil).

Directors

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

<i>Name</i>	<i>Appointed</i>	<i>Resigned</i>
J Heard	4 October 2011	
R Haywood	4 October 2011	
B Keogh	25 June 2007	4 October 2011
Q Qadeer	28 November 2008	4 October 2011

During the year, four directors exercised share options in Level 3 during the year (2010: none).

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.

Global Crossing (Bidco) Limited

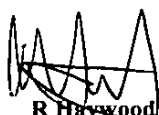
Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office

Disclosure of Information to the auditor

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

By order of the Board,



R Haywood
Director

Date 26 September 2012

Registered office
10 Fleet Place
London
EC4M 7RB

Registered number
3855219

Global Crossing (Bidco) Limited

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

We have audited the financial statements of Global Crossing (Bidco) Limited for the year ended 31 December 2011 set out on pages 9 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at <http://www.frc.org.uk/apb/scope/private.cfm>.

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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

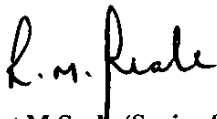
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent 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



Robert M Seale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

26 September 2012

KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

Global Crossing (Bidco) Limited

Statement of Comprehensive Loss for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £000	2010 £000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Distribution costs		-	-
Administrative expense		(3)	(165)
Operating loss	3	(3)	(165)
Finance revenue	5	7,952	505
Finance costs	5	(10,371)	(2 788)
Loss before tax		(2,422)	(2,448)
Tax	6	-	-
Loss for the year		(2,422)	(2,448)
Other comprehensive (loss)/income			
Other comprehensive (loss)/income for the year, net of tax		-	-
Comprehensive loss for the year		(2,422)	(2,448)

The accompanying notes are an integral part of these financial statements

Global Crossing (Bidco) Limited

Statement of Changes in Equity for the year ended 31 December 2011

	Equity share capital £000	Accumulated deficit £000	Total equity £000
At 1 January 2010	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
Loss for the year	-	(2,422)	(2,422)
Total comprehensive loss for the year	-	(2,422)	(2,422)
At 31 December 2011	76,377	(68,662)	7,715

The accompanying notes are an integral part of these financial statements

Global Crossing (Bidco) Limited

Statement of Financial Position as at 31 December 2011

		31 December	
	Note	2011 £000	2010 £000
<i>Non-current assets</i>			
Investments	7	21,894	21,895
Trade and other receivables	8	306,333	-
		328,227	21,895
<i>Current assets</i>			
Trade and other receivables	8	9,601	8,876
Cash and cash equivalents		38	37
		9,639	8,913
Total assets		337,866	30,808
<i>Non-current liabilities</i>			
Trade and other payables	9	(306,333)	-
		(306,333)	-
<i>Current liabilities</i>			
Trade and other payables	9	(23,818)	(20,671)
		(23,818)	(20,671)
Total liabilities		(330,151)	(20,671)
Net assets		7,715	10,137
<i>Capital and reserves</i>			
Equity share capital	11	76,377	76,377
Accumulated deficit		(68,662)	(66,240)
Total equity		7,715	10,137

The accompanying notes are an integral part of these financial statements

These financial statements were approved by the Board of Directors on ²⁶XX September 2012 and are signed on its behalf by


R Haywood
Director

Global Crossing (Bidco) Limited
Directors' report and financial statements
31 December 2011
Registered Number 3855219

Global Crossing (Bidco) Limited

Statement of Cash Flow for the year ended 31 December 2011

	Year ended 31 December	
	2011	2010
	£000	£000
Cash flows from operating activities		
Loss for the year	(2,422)	(2,448)
<i>Adjustments for</i>		
Finance costs, net	2,419	2,283
Changes in operating working capital	3	166
	<hr/>	<hr/>
Cash generated from/(used in) operations	-	1
Interest paid	-	-
	<hr/>	<hr/>
<i>Net cash provided by/(used in) operating activities</i>	-	1
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	-	-
	<hr/>	<hr/>
<i>Net cash provided by investing activities</i>	-	-
	<hr/>	<hr/>
Cash flows from financing activities		
Loans provided to group companies	-	-
Loans provided by group companies	-	-
	<hr/>	<hr/>
<i>Net cash used in financing activities</i>	-	-
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	-	1
Cash and cash equivalents at the beginning of year	37	36
	<hr/>	<hr/>
Cash and cash equivalents at the end of year	37	37
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

Global Crossing (Bidco) Limited

Notes to the Financial Statements

1. Reporting entity

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's is a wholly owned subsidiary of Global Crossing Holdings Limited ("GCHL"), a company registered in Bermuda. The ultimate parent company of the Company is Level 3 Communications, Inc (Level 3), a company incorporated in Delaware, U S A. The smallest and largest group into which the results of the Company are consolidated is that headed by Level 3 Communications Inc, whose accounts can be obtained from Investor Relations, Level 3 communications Inc, 1025 Eldorado Boulevard, Broomfield, CO 80021, USA.

2. Accounting policies

Basis of preparation

Global Crossing (Bidco) Limited is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

The directors have prepared the financial statements on a going concern basis.

Global Crossing (Bidco) Limited

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 and valuation 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.

Global Crossing (Bidco) Limited

2 Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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.

Impairment

The carrying amounts of the Company’s investments are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Global Crossing (Bidco) Limited

3 Operating loss

Operating loss has been arrived at after charging

	Year ended 31 December	
	2011	2010
	£000	£000
Auditors' remuneration for audit services (see below)		
- Company	-	-
Loss on foreign exchange	2	164

Amounts payable to KPMG LLP by the Company in respect of non-audit services were £nil (2010 £nil). In respect of the year ended 31 December 2011, auditor's remuneration of £4,500 (2010 £3,974) was borne by the Company's subsidiary Level 3 Communications UK Limited (formerly Global Crossing (UK) Telecommunications Limited) on behalf of the Company.

4 Employee costs and remuneration of directors and key management

Employee costs

The average number of employees during the year was nil (2010 nil).

Employee remuneration during the year was also £nil (2010 £nil).

Remuneration of directors and key management

The remuneration of directors, who are the key management and personnel of the Company, is £nil (2010 £nil).

The number of directors accruing benefits under money purchase schemes was two (2010 two).

Four directors exercised share options in Level 3 during the year (2010 none).

5 Finance Revenue and Charges

i) Finance revenue

	Year ended 31 December	
	2011	2010
	£000	£000
Interest receivable from other Level 3 Group Companies ⁽¹⁾ (see note 15)	7,952	505
Total finance revenue	7,952	505

⁽¹⁾ calculated using effective interest rate method

Global Crossing (Bidco) Limited

5. Finance Revenue and Charges (continued)

n) Finance charges

	Year ended 31 December	
	2011	2010
	£000	£000
Interest payable to other Level 3 Group Companies ⁽¹⁾ (see note 16)	10,371	2,788
Total finance costs	10,371	2,788

⁽¹⁾ calculated using effective interest rate method

6. Taxation

There has been no current year tax charge in the year ended 31 December 2011 (2010 £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 2010 and 2011 is as follows

	Year ended 31 December	
	2011	2010
	£000	£000
Accounting loss before tax	(2,422)	(2,448)
Tax at the UK corporation tax rate of 26.5% (2010 28%)	(642)	(685)
<i>Factors affecting tax charge for the year</i>		
- Adjustment for UK to UK transfer pricing	317	394
- Surrender of group relief	325	291
Income tax credit reported in the statement of comprehensive loss	-	-

A number of changes to the UK Corporation tax system were announced in the March 2011 Budget Statement. The Finance Act 2011, which was enacted on 19th July 2011, includes legislation reducing the main rate of corporation tax from 26% to 25% from 1 April 2012. In the March 2012 Budget, it was announced that the corporation tax rate applicable from 1 April 2012 will, in fact, be 24%. However, this was not substantively enacted as at the balance sheet date and, accordingly, not reflected in these financial statements. As no deferred tax balances are recognized as at 31 December 2011, the impact of the March 2012 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 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and therefore the impact on our deferred tax assets has not been included in these financial statements. The overall impact is not expected to be material to these financial statements.

Global Crossing (Bidco) Limited

7. Investments

	Subsidiary undertakings £000
Cost	
At 1 January 2011	21,895
Reduction to cost*	(1)
At 31 December 2011	<u>21,894</u>

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>			
Level 3 Communications UK Limited (formerly 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

* Racal Telecommunications Inc was dissolved on 31 December 2011 and the companies' £1,000 investment written off to the Statement of Comprehensive Loss

** International Optical Network LLC was dissolved on 31 December 2011

Global Crossing (Bidco) Limited

8. Financial assets

Trade and other receivables

Trade and other receivables consist of

	31 December	
	2011	2010
	£000	£000
<i>Amounts due within one year</i>		
Amounts owed by Level 3 Group Companies (see note 15)	9,598	8 873
Other receivables	3	3
	9,601	8 876
<i>Amounts due after more than one year</i>		
Amounts owed by Level 3 Group Companies (see note 15)	306,333	-
	306,333	-
	315,934	8,876
Total amounts due	315,934	8,876

Amounts owed by Level 3 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 it relates (the due date) will become interest bearing from that due date.

9. Financial liabilities

Trade and other payables

	31 December	
	2011	2010
	£000	£000
<i>Amounts due within one year</i>		
Amounts owed to Level 3 Group Companies (see note 15)	23,818	20,671
<i>Amounts due in more than one year</i>		
Amounts owed to Level 3 Group Companies (see note 15)	306,333	-
	330,151	20,671
Total amounts due	330,151	20,671

Amounts owed to Level 3 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 it relates (the due date) will become interest bearing from that due date.

Global Crossing (Bidco) Limited

10. 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 Level 3 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 Level 3 Communications, Inc. on behalf of the Level 3 Group. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2010 and 2011 is the carrying amounts of such balances.

Treasury policy and risk management

The Company's treasury management is conducted primarily by Level 3 Communications, Inc. on behalf of Level 3 Group Companies. Level 3 Communications, Inc. is responsible for raising finance for operations, together with associated liquidity management, and the management of foreign exchange and interest rate risk. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Level 3 Communications, Inc. Audit Committee, which receives regular updates of treasury activity. Financial instruments are entered into for risk management purposes only. It is the Level 3 Group 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 2010 and 2011, the split of net interest bearing receivables/liabilities into their core currencies was pounds sterling 40% and 39% and US dollars 60% and 61%, 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 2011, the Company recognised a total foreign currency loss of £0.02 million (2010 loss of £0.2 million), on assets and liabilities denominated in currencies other than our function currency.

Global Crossing (Bidco) Limited

10. 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
2011	+ 10%	641	641
	- 10%	(784)	(784)
	+25%	1,412	1,412
	- 25%	(2,351)	(2,351)
2010	+ 10%	641	641
	- 10%	(784)	(784)
	+25%	1,411	1,411
	- 25%	(2,351)	(2,351)

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 2011		31 December 2010	
	US dollars £000	Total £000	US dollars £000	Total £000
<i>Functional currency of the Company</i>				
Pounds Sterling	(7,057)	(7,057)	(7,055)	(7,055)

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 Company'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 Company to obtain such funding.

Global Crossing (Bidco) Limited

10 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	
	2011	2010	2011	2010
	£000	£000	£000	£000
<i>Financial assets</i>				
- Amounts owed by Level 3 Group Companies ⁽¹⁾	315,931	8,873	315,931	8,873
<i>Financial liabilities</i>				
- Amounts owed to Level 3 Group Companies ⁽²⁾	<u>(330,151)</u>	<u>(20,671)</u>	<u>(330,151)</u>	<u>(20,671)</u>

⁽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

11. Equity share capital and reserves

	31 December	
	2011	2010
	£000	£000
<i>Authorised</i>		
350,000,000 ordinary shares of £1 each	<u>350,000</u>	<u>350,000</u>
<i>Called up, allotted and fully paid</i>		
76,376,853 ordinary shares of £1 each	<u>76,377</u>	<u>76,377</u>

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

12. Operating lease commitments

The Company as lessor

The Company has no operating lease commitments as lessor (2010 £nil)

The Company as lessee

The Company has no operating lease commitments as lessee (2010 £nil)

Global Crossing (Bidco) Limited

13. Purchase commitments

The Company has no purchase commitments (2010 £nil)

14. Ultimate parent and controlling party

GC Bidco's is a wholly owned subsidiary of Global Crossing Holdings Limited ("GCHL"), a company registered in Bermuda

The ultimate parent company of the Company is Level 3 Communications, Inc (Level 3), a company incorporated in Delaware, U S A

The smallest and largest group into which the results of the Company are consolidated is that headed by Level 3 Communications Inc , whose accounts can be obtained from Investor Relations, Level 3 communications Inc , 1025 Eldorado Boulevard, Broomfield, CO 80021, USA

15. Related party transactions

Transactions with Level 3 Group Companies

The Company has a number of financial relationships with Level 3 and other Level 3 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	
	2011 £000	2010 £000
<i>Debtor balance due in less than one year from</i>		
Global Crossing PEC Holdings BV	5,981	5,256
Global Crossing Conferencing	3,617	3,617
<i>Debtor balance due in more than one year from</i>		
Level 3 Communications UK Limited (formerly Global Crossing (UK) Telecommunications Limited)	306,333	-
	<u>315,931</u>	<u>8,873</u>
<i>Creditor balances due in less than one year to</i>		
Level 3 Communications Europe Limited (formerly Global CrossingEurope Limited)	19,558	16,416
Global Crossing Development Co	4,231	4,229
Other Group Companies	29	26
<i>Creditor balances in more than one year to</i>		
Level 3 International, Inc	306,333	-
	<u>330,151</u>	<u>20,671</u>

Global Crossing (Bidco) Limited

15. Related party transactions (continued)

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

	Year ended 31 December	
	2011	2010
	£000	£000
<i>Interest receivable from other Level 3 Group Companies</i>		
Level 3 Communications UK Limited (formerly Global Crossing (UK) Telecommunications Limited)	7,228	-
Global Crossing PEC Holdings BV	724	127
Fibernet Holdings Limited	-	378
	<u>7,952</u>	<u>505</u>
<i>Interest payable to other Level 3 Group Companies</i>		
Level 3 International, Inc	7,228	-
Level 3 Communications Europe Limited (formerly Global Crossing Europe Limited)	3,143	2,788
	<u>10,371</u>	<u>2,788</u>