

**Level 3 EMEA Holdings Limited (previously Global Crossing (Bidco)  
Limited)**

*Registered number: 3855219*

Directors' report and financial statements for the year ended 31 December 2015



## **Level 3 EMEA Holdings Limited**

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## **Level 3 EMEA Holdings Limited**

### **Directors' Report**

The directors present their report and financial statements for the year ended 31 December 2015.

#### **Principal activities**

Level 3 EMEA Holdings Limited (or "the Company") is a company registered in England and Wales. On 1 April 2016, the Company changed its name from Global Crossing (Bidco) Limited.

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.

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

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

Adjusted EBITDA is defined as the net result for the year before tax, depreciation, amortisation, impairment, non-cash share-based payment charges and discontinued operations.

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

#### **Business review**

Revenue for the year amounted to £nil (2014: £nil). The loss before and after tax for the year amounted to £58.1 million (2014: £200.4 million).

The directors do not recommend the payment of a dividend (2014: £nil).

#### **Future developments**

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

Level 3 EMEA Holdings Limited  
Directors' report and financial statements  
31 December 2015  
Registered Number 3855219

## **Level 3 EMEA Holdings Limited**

### **Directors' Report *(continued)***

#### **Future developments *(continued)***

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

#### **Going Concern**

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

#### **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.

The United Kingdom ("UK") voted in June 2016 to leave the European Union, which has led to a period of uncertainty in both the UK and in the wider European and Global economies. Level 3 remains steadfast and committed to the Europe, Middle East and Africa region. The full impact of this upon the financial markets and the global economy will continue to be monitored and evaluated.

#### **Political and Charitable Donations**

Grants and charitable donations made during the period amounted to £nil (2014: £nil). There were no political contributions made during the period (2014: £nil).

#### **Directors**

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

##### ***Name***

D. Robinson  
N. Spence

#### **Directors' liabilities**

In 2015, the Level 3 Group had an indemnity provision in force in respect of the directors of the Company against liability in respect of any proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 (section 234). Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report.

## Level 3 EMEA Holdings Limited

### Directors' Report *(continued)*

#### Strategic report

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

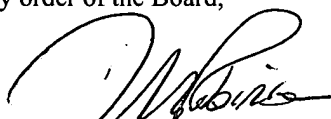
#### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will 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 auditor is unaware, and the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board,



D Robinson  
Director

24 August 2016

*Registered office*  
7<sup>th</sup> Floor, 10 Fleet Place  
London  
EC4M 7RB

*Registered number:*  
3855219

## **Level 3 EMEA Holdings 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 Level 3 EMEA Holdings Limited**

We have audited the financial statements of Level 3 EMEA Holdings Limited for the year ended 31 December 2015 set out on pages 7 to 22. 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Independent Auditor's Report to the members of Level 3 EMEA Holdings Limited (continued)**

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



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

24 August 2016

KPMG LLP  
Chartered Accountants  
15 Canada Square  
London E14 5GL



# **Level 3 EMEA Holdings Limited**

## **Statement of Comprehensive Loss for the year ended 31 December 2015**

	Note	Year ended 31 December	
		2015 £000	2014 £000
Administrative expenses		(4)	(3)
<b>Exceptional items</b>			
Impairment arising on group restructuring	7	-	(191,000)
<b>Operating loss</b>	3	(4)	(191,003)
Finance revenue	5	-	34,851
Finance costs	5	(58,098)	(44,244)
<b>Net finance costs</b>		(58,098)	(9,393)
<b>Loss before tax</b>		(58,102)	(200,396)
Tax	6	-	-
<b>Loss for the year</b>		(58,102)	(200,396)
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Comprehensive loss for the year</b>		(58,102)	(200,396)

The notes on pages 11 to 22 form an integral part of these financial statements.

## Level 3 EMEA Holdings Limited

### Statement of Changes in Equity for the year ended 31 December 2015

	Equity share capital £000	Accumulated deficit £000	Total equity £000
At 1 January 2014	76,377	(77,987)	(1,610)
Loss for the year	-	(200,396)	(200,396)
Total comprehensive loss for the year	-	(200,396)	(200,396)
At 31 December 2014	76,377	(278,383)	(202,006)
Loss for the year	-	(58,102)	(58,102)
Total comprehensive loss for the year	-	(58,102)	(58,102)
At 31 December 2015	76,377	(336,485)	(260,108)

The notes on pages 11 to 22 form an integral part of these financial statements.

# Level 3 EMEA Holdings Limited

## Statement of Financial Position as at 31 December 2015

	Note	31 December	
		2015 £000	2014 £000
<i>Non-current assets</i>			
Investments in subsidiaries	7	309,407	309,114
		<u>309,407</u>	<u>309,114</u>
<i>Current assets</i>			
Trade and other receivables	8	136,528	3,699
Cash and cash equivalents		35	39
		<u>136,563</u>	<u>3,738</u>
<b>Total assets</b>		<u><u>445,970</u></u>	<u><u>312,852</u></u>
<i>Non-current liabilities</i>			
Trade and other payables	9	(463,777)	(408,088)
		<u>(463,777)</u>	<u>(408,088)</u>
<i>Current liabilities</i>			
Trade and other payables	9	(242,301)	(106,770)
		<u>(242,301)</u>	<u>(106,770)</u>
<b>Total liabilities</b>		<u><u>(706,078)</u></u>	<u><u>(514,858)</u></u>
<b>Net liabilities</b>		<u><u>(260,108)</u></u>	<u><u>(202,006)</u></u>
<i>Capital and reserves</i>			
Equity share capital	11	76,377	76,377
Accumulated deficit		<u>(336,485)</u>	<u>(278,383)</u>
<b>Total equity</b>		<u><u>(260,108)</u></u>	<u><u>(202,006)</u></u>

The notes on pages 11 to 22 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 August 2016 and are signed on its behalf by:

  
D Robinson  
Director

## Level 3 EMEA Holdings Limited

### Statement of Cash Flow for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £000	2014 £000
<b>Cash flows from operating activities</b>			
Loss for the year		(58,102)	(200,396)
<i>Adjustments for:</i>			
Finance costs, net	5	58,098	9,393
Impairment arising on group restructuring	7	-	191,000
		<hr/>	<hr/>
Cash used in operations		(4)	(3)
Interest paid		-	-
		<hr/>	<hr/>
<i>Net cash used in operating activities</i>		(4)	(3)
<i>Net cash provided by investing activities</i>		-	-
<i>Cash flows from financing activities</i>		-	-
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		(4)	(3)
<b>Cash and cash equivalents at the beginning of year</b>		39	42
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of year</b>		<u>35</u>	<u>39</u>

The notes on pages 11 to 22 form an integral part of these financial statements.

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements

#### 1. Reporting entity

Level 3 EMEA Holdings Limited (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.

In 2014, the Company’s ownership changed, from it previously being a wholly owned subsidiary of Level 3 GC Limited, a company registered in Bermuda, to becoming a wholly owned subsidiary of Level 3 Holdings, B.V., a company registered in the Netherlands.

#### 2. Accounting policies

##### *Basis of preparation*

The Company is exempt by virtue of section 401 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.

These financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”) and prepared on the historical cost basis.

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 presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates and all amounts have been rounded to the nearest £1,000.

##### **Going Concern**

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

##### *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.

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements (*continued*)

#### 2. Accounting policies (*continued*)

##### *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*

Transactions in currencies other than the functional currency 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 the Statement of Comprehensive Loss, except for foreign exchange gains or losses resulting from foreign currency receivables, which are shown beneath the operating result.

##### *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 the Statement of Cash Flow, 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.

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements (*continued*)

#### 2. Accounting policies (*continued*)

##### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Loss, 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.

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements *(continued)*

#### 3. Operating loss

Operating loss has been arrived at after charging:

	Year ended 31 December	
	2015	2014
	£000	£000
Auditor's remuneration for audit services	-	-

In respect of the years ended 31 December 2014 and 2015, auditor's remuneration was borne on behalf of the Company by the Company's subsidiary, Level 3 Communications UK Limited.

#### 4. Employee costs and remuneration of directors and key management

##### *Employee costs*

The average number of employees during the year was nil (2014: nil).  
Employee remuneration during the year was also £nil (2014: £nil).

##### *Remuneration of directors and key management*

The remuneration of the directors was borne by another group company, as in the prior year. The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

#### 5. Finance Revenue and Charges

##### *i) Finance revenue*

	Year ended 31 December	
	2015	2014
	£000	£000
Interest receivable from other Level 3 Group Companies <sup>(1)</sup> (see note 15)	-	34,851

<sup>(1)</sup> Calculated using an effective interest rate method

##### *ii) Finance charges*

	Year ended 31 December	
	2015	2014
	£000	£000
Interest payable to other Level 3 Group Companies <sup>(1)</sup> (see note 15)	55,603	43,781
Foreign exchange losses	2,495	463
Total finance costs	58,098	44,244

<sup>(1)</sup> Calculated using an effective interest rate method



## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements *(continued)*

#### 6. Taxation

There has been no current year tax charge in the year ended 31 December 2015 (2014: £nil).

A reconciliation between the tax expense and accounting profit, multiplied by the applicable tax rate for the years ended 31 December 2015 and 2014, is as follows:

#### *Reconciliation of effective tax rate:*

	Year ended 31 December	
	2015	2014
	£000	£000
Loss before tax	(58,102)	(200,396)
Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	(11,766)	(43,085)
<i>Factors affecting tax charge for the year:</i>		
- Expenses not deductible for tax purposes	6,627	41,065
- Adjustment for UK to UK Transfer Pricing	1,387	(577)
- Unrecognised tax losses carried forward	3,326	-
- Surrender of group relief	426	2,597
Income tax credit reported in the statement of comprehensive loss	-	-

Finance Act 2015, which was enacted on 8 July 2015, includes legislation reducing the main rate of corporation tax from 21% to 20% from 1 April 2015. Finance Act (No 2) 2015 which was enacted on 18 November 2015, further reduces the rate to 19% from 1 April 2017 and 18% from 1 April 2020. The overall impact is not expected to be material to this financial statements.

There have been no deferred tax movements recognised in the current or prior year on the basis that there is insufficient evidence of taxable profits arising in the future.

	Year ended 31 December	
	2015	2014
	£000	£000
Tax losses	16,425	-

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements (*continued*)

#### 7. Investment in subsidiaries

	Level 3 Communications UK Ltd £000	Level Three Telecommunications Kenya Ltd £000	Total £000
<b>Investments in group undertakings</b>			
At 1 January 2014	21,894	1	21,895
Additions during the year	287,219	-	287,219
At 31 December 2014	309,113	1	309,114
Net additions during the year	-	293	293
At 31 December 2015	309,113	294	309,407

In 2014, Level 3 Communications UK Limited allotted and issued 478,219,244 of Ordinary Shares of £1 to the Company. The consideration payable by the Company for these shares was satisfied by the Company entering into a Deed of Release, whereby Level 3 Communications UK Limited was relieved of its debt due to the Company of £478,219,244, resulting in a net investment of £287,219,244 and an impairment charge of £191,000,000.

In 2015, Level Three Telecommunications Kenya Limited allotted and issued 450,000,000 shares of one hundred Kenyan Shillings each to the Company. The consideration payable for these shares was satisfied by the Company entering into a Deed of Release, whereby Level Three Telecommunications Kenya Limited was relieved of its debt due to the Company, resulting in an increase in the investment of £293,000.

Details of all investments, including the name, country of incorporation and proportion of ownership interest is given below:

#### *Direct investments*

Name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business
Level 3 Communications UK Limited	England	100%, ordinary shares	Telecommunications
Level Three Telecommunications Kenya Limited	Kenya	99.9% ordinary shares	Telecommunications

#### *Indirect investments*

Name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business
Fibernet UK Limited	England	100%, ordinary shares held by Level 3 Communications UK Ltd	Telecommunications

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements (continued)

#### 8. Financial and other assets

##### *Trade and other receivables*

Trade and other receivables consist of:

	31 December	
	2015	2014
	£000	£000
<i>Amounts receivable within one year</i>		
Amounts owed by Level 3 Group Companies (see note 15)	136,528	3,699
	136,528	3,699
	136,528	3,699

Amounts due from Level 3 Group companies include trading and loan balances. The loan balances incur interest at 10% (2014: 10%) per annum, with interest being receivable 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 date.

#### 9. Financial and other liabilities

	31 December	
	2015	2014
	£000	£000
<i>Amounts due within one year</i>		
Amounts owed to Level 3 Group Companies (see note 15)	242,301	106,770
<i>Amounts due in more than one year</i>		
Amounts owed to Level 3 Group Companies (see note 15)	463,777	408,088
	706,078	514,858
Total amounts due	706,078	514,858

Amounts owed to Level 3 Group companies include trading and loan balances. The loan balances incur interest at 10% (2014: 10%) per annum, 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 date.

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements (*continued*)

#### 10. Financial instruments

##### *Credit risk*

Credit risk is the risk that a counter-party 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 represents 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 2014 and 2015 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 2015 and 2014, the net interest bearing receivables / liabilities were each GBP denominated.

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 2015, the Company recognised total foreign currency losses of £2.5 million (2014: losses of £0.5 million).

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 and Euro exchange rates. If pounds sterling had strengthened / weakened by 10% or 25%, the effects on the financial statements would have been:

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements *(continued)*

#### 10. Financial instruments *(continued)*

##### *Foreign exchange management (continued)*

	Strengthened / weakened against the US Dollar and Euro rates	Effect on profit before tax £000	Effect on on equity £000
2015	+ 10%	439	439
	- 10%	(439)	(439)
	+25%	1,098	1,098
	- 25%	(1,098)	(1,098)
2014	+ 10%	418	418
	- 10%	(418)	(418)
	+25%	1,046	1,046
	- 25%	(1,046)	(1,046)

##### *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 these assets and liabilities.

	31 December 2015			31 December 2014		
	Euro £000	US dollars £000	Total £000	Euro £000	US dollars £000	Total £000
<i>Functional currency of the Company</i>						
Pounds Sterling	-	(4,393)	(4,393)	2,515	(4,183)	(1,668)

##### *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.

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements *(continued)*

#### 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.

	Carrying amount		Fair value	
	2015	2014	2015	2014
	£000	£000	£000	£000
<i>Financial assets</i>				
- Amounts owed by Level 3 Group Companies <sup>(1)</sup>	136,528	3,699	136,528	3,699
<i>Financial liabilities</i>				
- Amounts owed to Level 3 Group Companies <sup>(2)</sup>	<u>(706,078)</u>	<u>(514,858)</u>	<u>(706,078)</u>	<u>(514,858)</u>

<sup>(1)</sup> Classified as receivables

<sup>(2)</sup> Classified as financial liabilities at amortised costs

The fair value of amounts approximates to their carrying values, due to both their short term and interest bearing natures.

#### 11. Equity share capital and reserves

	31 December	
	2015	2014
	£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 carries no right to fixed income.

#### 12. Operating lease commitments

##### *The Company as lessor*

The Company has no operating lease commitments as lessor (2014: £nil).

##### *The Company as lessee*

The Company has no operating lease commitments as lessee (2014: £nil).

#### 13. Purchase commitments

The Company has no purchase commitments (2014: £nil).

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements *(continued)*

#### 14. Ultimate parent and controlling party

In 2014, the Company's ownership changed, from it previously being a wholly owned subsidiary of Level 3 GC Limited, a company registered in Bermuda, to becoming a wholly owned subsidiary of Level 3 Holdings, B.V., a company registered in the Netherlands. The ultimate parent company of the Company is Level 3 Communications, Inc., a company incorporated in Delaware, United States of America. The smallest and largest group into which the results of the Company are consolidated is that headed by Level 3 Communications, Inc., whose accounts can be obtained from Investor Relations, Level 3 Communications, Inc., 1025 Eldorado Boulevard, Broomfield, CO 80021, United States of America.

#### 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 inter-company agreements. The balances as a result of these relationships are as follows:

	31 December	
	2015	2014
	£000	£000
<i>Debtor balance due in less than one year from:</i>		
Level 3 Communications UK Limited	68,506	-
Level 3 Communications Europe Limited	50,635	-
Level 3 Holdings B.V.	17,275	3,690
Other Group companies	112	9
	<u>136,528</u>	<u>3,699</u>
	31 December	
	2015	2014
	£000	£000
<i>Creditor balances due in less than one year to:</i>		
Level 3 International, Inc.	235,839	82,462
Global Crossing Telecommunications Inc	4,402	4,191
Level 3 Communications PEC Services Europe Ltd	1,866	-
Level 3 Communications UK Ltd	-	18,948
Level 3 Holdings B.V.	-	1,169
Other Group companies	194	-
	<u>242,301</u>	<u>106,770</u>
<i>Creditor balances in more than one year to:</i>		
Level 3 International, Inc.	463,777	408,088
	<u>706,078</u>	<u>514,858</u>

## Level 3 EMEA Holdings Limited

### Notes to the Financial Statements *(continued)*

#### 15. Related party transactions (continued)

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

	Year ended 31 December	
	2015	2014
	£000	£000
<i>Interest receivable from other Level 3 Group Companies:</i>		
Level 3 Communications UK Limited	-	34,851
<i>Interest payable to other Level 3 Group Companies:</i>		
Level 3 International, Inc.	54,569	39,285
Level 3 Holdings B.V.	1,034	-
Level 3 Communications Europe Limited	-	4,496
	<u>55,603</u>	<u>43,781</u>