

CenturyLink EMEA Holdings Limited
Registered number: 3855219

Directors' report and financial statements for the year ended 31 December 2018



CenturyLink EMEA Holdings Limited

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CenturyLink EMEA Holdings Limited

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2018.

Principal activities

CenturyLink EMEA Holdings Limited ("the Company") is a company registered in England and Wales. 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 CenturyLink Group of Companies ("the Group" or "CenturyLink"), an international facilities-based communications company engaged primarily in providing an integrated array of services to business and residential customers. The communications services include local and long-distance voice, virtual private network ("VPN") data network, private line (including business data services), ethernet, information technology, wavelength, broadband, colocation and data centre services, managed services, professional and other services provided in connection with selling equipment, network security and various other ancillary 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 network is an international 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 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) growing free cash flow per share as it believes that it has the ability to drive that growth, first through synergy achievement, and then through ongoing efficiencies and profitable revenue growth over the long term; (2) continuing growth in adjusted EBITDA; (3) strong free cashflow generation; (4) achieving the expected operating expense and capital cost savings; (5) investing in the products, services and customer experience platforms necessary to meet the connectivity and managed services needs of the business market; (6) focusing on customers' needs and improving overall customer experience; (7) concentrating its capital expenditures on those technologies and assets that enable the Group to increase its Core Network Services revenue; and (8) 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 CenturyLink, Inc., a company registered in the United States of America. The results of the Company are consolidated, into CenturyLink, Inc., whose group financial statements can be obtained from Investor Relations, 100 CenturyLink Drive, Monroe, Louisiana, 71203, United States of America.

Business review

On 14 December 2018, Level 3 Holdings B.V. transferred its ownership of the Company to Level 3 International Inc. for £1, being the Company's deemed fair value.

On 19 December 2018, Level 3 International Inc. transferred its ownership of Level 3 Holdings B.V. to the Company for £1 (€1), being the Company's deemed fair value.

On 20 December 2018, Global Crossing International Limited transferred its ownership of CenturyLink Communications Europe Limited to the Company for a consideration of \$1, being the Company's deemed fair value.

On 20 December 2018, CenturyLink Communications Europe Limited issued shares totalling £139 million to the Company, in consideration for the settlement of the same amount of CenturyLink Communications Europe Limited's interest bearing loan balance due to the Company.

CenturyLink EMEA Holdings Limited

Directors' Report *(continued)*

On 20 December 2018, the Company issued shares totalling £125 million to Level 3 International, Inc., in consideration for the settlement of the same amount of Level 3 International, Inc.'s interest bearing loan balance due from the Company.

Financial performance

Revenue for the year amounted to £nil (2017: £nil). The loss before and after tax for the year amounted to £128.5 million (2017: £50.8 million). The net liabilities as at 31 December 2018 were £372.7 million (2017: £369.2 million).

The directors do not recommend the payment of a dividend (2017: £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.

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

CenturyLink, Inc., the ultimate parent company of CenturyLink EMEA Holdings Limited, has confirmed that CenturyLink, 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 financial risk management objective and policies in respect of financial instruments are discussed in Note 10 to these financial statements.

Risks related to integration following the acquisition by Centurylink, Inc.

As a result of the acquisition there are a number of systems and functions that will be integrated. The combined Company has devoted significant attention and resources to integrating the combined businesses to ensure that any potential risks are mitigated.

Risks related to Brexit

The 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. CenturyLink remains steadfast and committed to the EMEA region. The full impact of this upon the financial markets and the Global economy will continue to be monitored and evaluated. Whilst the UK exit date is still uncertain, measures have been put in place to ensure that any business impact will be minimised. The key customer and supplier relationships have been reviewed, as has the impact upon supply chain, logistics and other areas of potential impact.

CenturyLink EMEA Holdings Limited

Directors' Report *(continued)*

Political and Charitable Donations

Grants and charitable donations made during the period amounted to £nil (2017: £nil). There were no political contributions made during the period (2017: £nil).

Directors

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

D. Robinson
N. Spence (resigned 13 March 2019)
Q. Qadeer (appointed 13 March 2019)

Directors' liabilities

In 2017, the CenturyLink Group had an indemnity provision in force in respect of the directors of the Company against liability in respect of any proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 (section 234). Such qualifying third-party indemnity provision remains in force at the date of approving the Directors' Report.

Strategic report

In accordance with Section 414B of the Companies Act 2006, the Company is entitled to and has taken advantage of, the small companies exemption in relation to the requirement to prepare a strategic report.

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

23 September 2019

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

Registered number:
3855219

CenturyLink 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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of CenturyLink EMEA Holdings Limited

Opinion

We have audited the financial statements of CenturyLink EMEA Holdings Limited ("the Company") for the year ended 31 December 2018 which comprise the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of financial position, statement of cash flow and related notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Brexit other matter paragraph

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill, accounts receivables and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Members of CenturyLink EMEA Holdings Limited

(continued)

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover this report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in the report for the financial year is consistent with the financial statements; and
- in our opinion the report has been prepared in accordance with the Companies Act 2006..

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Members of CenturyLink EMEA Holdings Limited
(continued)

The purpose of our audit work and to whom we owe our responsibilities

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.



John Edwards (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London United Kingdom

23 September 2019

CenturyLink EMEA Holdings Limited

Statement of Comprehensive Loss for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Administrative expenses		(3)	(5)
Exceptional item – impairment of investment	7	(75,312)	-
Operating loss	3	(75,315)	(5)
Finance income	5	2,161	88
Finance charges	5	(55,372)	(52,772)
Net finance charges		(53,211)	(52,684)
Loss before tax		(128,526)	(52,684)
Tax credit	6	-	1,868
Loss for the year		(128,526)	(50,821)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Comprehensive loss for the year		(128,526)	(50,821)

The notes on pages 14 to 24 form an integral part of these financial statements.

CenturyLink EMEA Holdings Limited

Statement of Changes in Equity for the year ended 31 December 2018

	Equity share capital £000	Accumulated deficit £000	Total equity £000
At 1 January 2017	76,377	(394,761)	(318,384)
Loss for the year	-	(50,821)	(50,821)
Total comprehensive loss for the year	-	(50,821)	(50,821)
At 31 December 2017	76,377	(445,582)	(369,205)
Allotment of shares	125,000	-	125,000
Loss for the year	-	(128,526)	(128,526)
Total comprehensive profit for the year	125,000	(128,526)	(3,526)
At 31 December 2018	201,377	(574,108)	(372,731)

The notes on pages 14 to 24 form an integral part of these financial statements.


CenturyLink EMEA Holdings Limited

Statement of Financial Position as at 31 December 2018

	Notes	2018 £000	2017 £000
<i>Non-current assets</i>			
Investments in subsidiaries	7	372,984	309,407
<i>Current assets</i>			
Trade and other receivables	8	62	1,881
Cash and cash equivalents		28	31
		<u>90</u>	<u>1,912</u>
Total assets		<u>373,074</u>	<u>311,319</u>
<i>Non-current liabilities</i>			
Trade and other payables	9	(418,072)	(407,748)
<i>Current liabilities</i>			
Trade and other payables	9	(327,733)	(272,776)
Total liabilities		<u>(745,805)</u>	<u>(680,524)</u>
Net liabilities		<u>(372,731)</u>	<u>(369,205)</u>
<i>Capital and reserves</i>			
Equity share capital	11	201,377	76,377
Accumulated deficit		(574,108)	(445,582)
Shareholders' deficit		<u>(372,731)</u>	<u>(369,205)</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 September 2019 and are signed on its behalf by:


D Robinson
Director

CenturyLink EMEA Holdings Limited

Statement of Cash Flow for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Loss for the year		(128,526)	(50,821)
<i>Adjustments for:</i>			
Finance costs, net	5	53,211	52,685
Exceptional items		75,312	-
Deferred tax credit		-	(1,868)
		<hr/>	<hr/>
Net cash used in operating activities		(3)	(4)
		<hr/>	<hr/>
<i>Cashflows from investing activities</i>		-	-
<i>Cash flows from financing activities</i>		-	-
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of year		31	35
		<hr/>	<hr/>
Cash and cash equivalents at the end of year		28	31
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 14 to 24 form an integral part of these financial statements.

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements For the year ended 31 December 2018

1. Reporting entity

CenturyLink EMEA Holdings Limited ("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.

The Company is a wholly owned subsidiary of Level 3 International, Inc., a company registered in the United States of America. The ultimate parent company of the Company is CenturyLink, Inc. ("the Group" or "CenturyLink"), a company registered in the United States of America. The results of the Company are consolidated, into CenturyLink, Inc., whose group financial statements can be obtained from Investor Relations, 100 CenturyLink Drive, Monroe, Louisiana, 71203, United States of America.

On 19 December 2018, Level 3 International, Inc. transferred its ownership of Level 3 Holdings B.V. to the Company for £1 (€1), being the Company's deemed fair value.

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

CenturyLink, Inc., the ultimate parent company of CenturyLink EMEA Holdings Limited, has confirmed that CenturyLink, 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.

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 changes in the economic environment will be reflected in the financial statements in future periods.

Finance income and costs

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

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements (*continued*) ***For the year ended 31 December 2018***

2. Accounting policies (*continued*)

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.

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

Financial assets are initially recognised at fair value and in the case of loans, any directly attributable transaction costs. Financial assets comprise of amounts owed by Group Companies.

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.

Financial liabilities

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

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.

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements (*continued*) *For the year ended 31 December 2018*

2. Accounting policies (*continued*)

Impairment of investments

The carrying amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine if there are any indications of impairment.

If any indications of impairment exists, then a value-in-use calculation is computed which involves discounting estimated future cash flows 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 arises if the carrying amount of an asset exceeds its estimated recoverable amount and any loss is recognised immediately in the Statement of Comprehensive loss.

Any impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive loss and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

New Standards to be adopted from 1 January 2018

IFRS 9: "Financial Instruments"

This Standard replaces IAS 39: "Financial Instruments: Recognition and Measurement" and contains two primary measurement categories for financial assets:

- Amortised cost; and
- Fair value.

Financial assets are classified into one of these categories on initial recognition. A financial asset is measured at amortised cost, if the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Company has now completed its evaluation of its assessment of the impact of IFRS 9, and there is no material impact on the Company's opening retained earnings or to the financial statements for the current and prior years.

3. Operating loss

In respect of the years ended 31 December 2017 and 2018, auditor's remuneration was borne on behalf of the Company by the Company's subsidiary, CenturyLink Communications UK Limited.

4. Employee costs and remuneration of directors and key management

The average number of employees during the year was nil (2017: nil). Employee remuneration during the year was also £nil (2017: £nil).

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.

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements (*continued*) For the year ended 31 December 2018

5. Finance income and charges

i) Finance income

	Year ended 31 December	
	2018	2017
	£000	£000
Foreign exchange gains	2,161	88
Total finance income	<u>2,161</u>	<u>88</u>

ii) Finance charges

	Year ended 31 December	
	2018	2017
	£000	£000
Interest payable to other Group Companies (see note 12)	(55,372)	(52,772)
Total finance charges	<u>(55,372)</u>	<u>(52,772)</u>
Net finance charges	<u>(53,211)</u>	<u>(52,684)</u>

6. Taxation

A reconciliation between the tax expense and accounting profit, multiplied by the applicable tax rate for the years ended 31 December 2018 and 2017, is as follows:

	Year ended 31 December	
	2018	2017
	£000	£000
Loss before tax	(128,526)	(52,689)
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	(24,420)	(10,143)
<i>Factors affecting tax charge for the year:</i>		
- Expenses not deductible for tax purposes	24,830	10,142
- Adjustment for UK to UK Transfer Pricing	-	28
- Unrecognised tax losses carried forward	(410)	(27)
- Group relief claimed in respect of prior periods	-	(1,868)
Income Tax credit reported in the Statement of Comprehensive Loss	-	(1,868)

Finance Act 2016, which was enacted on 15 September 2016, includes legislation reducing the main rate of corporation tax from 20% to 19% from 1 April 2017. Finance Act (No 2) 2015 which was enacted on 18 November 2015, further reduces the rate to 18% from 1 April 2018 and 17% from 1 April 2020. The overall impact is not expected to be material to these financial statements.

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2018

6. Taxation (continued)

Provision for liabilities and charges

Deferred taxation provided and not provided are as follows:

	31 December	
	2018	2017
	£000	£000
Tax losses available	44,556	35,835

A deferred tax asset is not recognised on the basis that there is insufficient evidence of taxable profits arising in the future.

7. Investment in subsidiaries

	CenturyLink Communications UK Limited £000	Level Three Telecommunications Kenya Limited £000	CenturyLink Communications Europe Limited £000	Total £000
Investments in group undertakings				
At 1 January 2017 and 31 December 2017	309,113	294	-	309,407
Additions during the year	-	-	63,577	63,577
At 31 December 2018	309,113	294	63,577	372,984

On 20 December 2018, CenturyLink Communications Europe Limited allotted and issued 138,888,889 of Ordinary Shares of £1 to the Company, resulting in an investment of £138,888,889 and an impairment charge of £75,312,056 following a review of the fair value of this investment.

On 19 December 2018, Level 3 International Inc. transferred its ownership of Level 3 Holdings B.V. to the Company for £1 (€1), being the Company's deemed fair value.

Details of all investments, are as follows:

Direct investments	Country of incorporation	Proportion of ownership	Nature of business
<i>Name of company</i>			
CenturyLink Communications UK Limited	England	100%, ordinary shares	Telecommunications
Level Three Telecommunications Kenya Limited	Kenya	99.9% ordinary shares	Telecommunications
CenturyLink Communications Europe Limited	England	100% ordinary shares	Telecommunications
Level 3 Holdings B.V.	The Netherlands	100% ordinary shares	Telecommunications

The registered office of CenturyLink Communications UK Limited is 7th Floor, 10 Fleet Place, London, EC4M 7RB.

The registered office of Level 3 Telecommunications Kenya Limited is L.R. No. 1870/1/569, 2nd Floor, Apollo Centre, Ring Road, Parklands, Westlands, P.O. Box 41968 00100, Nairobi.

The registered office of CenturyLink Communications Europe Limited is 7th Floor, 10 Fleet Place, London. EC4M 7RB.

CenturyLink EMEA Holdings Limited

The registered office of Level 3 Holdings B.V. is Stekkenbergweg 4, 1105 AJ, Amsterdam, the Netherlands.

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2018

7. Investment in subsidiaries (continued)

Indirect investments	Country of incorporation	Parent company	Nature of business
<i>Name of Company</i>			
Fibernet UK Limited	England	CenturyLink Communications UK Limited	Telecommunications
CenturyLink Communications NL B.V.	The Netherlands	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications S.A., Belgium	Belgium	Level 3 Holdings B.V.	Telecommunications
Level 3 Communications Limited, United Kingdom	United Kingdom	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Germany GmbH, Germany	Germany	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Ireland Limited, Ireland	Ireland	Level 3 Holdings B.V.	Telecommunications
Level 3 Communications A.B., Sweden	Sweden	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications CZ s.r.o.	Czech Republic	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications spol. s r.o., Slovakia	Slovakia	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Hungary Kft., Hungary	Hungary	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Luxembourg S.à r.l., Luxembourg	Luxembourg	Level 3 Holdings B.V.	Telecommunications
Level 3 Europe B.V.	The Netherlands	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications S.R.L., Romania	Romania	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications CDN Ireland Limited, Ireland	Ireland	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Bulgaria EOOD, Bulgaria	Bulgaria	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Finland Oy, Finland	Finland	Level 3 Holdings B.V.	Telecommunications
CenturyLink Komunikacijske Usluge d.o.o., Croatia	Croatia	Level 3 Holdings B.V.	Telecommunications
CenturyLink telekomunikacijske storitve d.o.o., Slovenia	Slovenia	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Sp. z o.o., Poland	Poland	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Estonia OÜ, Estonia	Estonia	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications OOO, Russia	Russia	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Norge AS, Norway	Norway	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications France s.à r.l., France	France	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications RS d.o.o., Beograd-Stari Grad, Serbia	Serbia	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications South Africa (Pty) Limited, South Africa	South Africa	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Iceland ehf, Iceland	Iceland	Level 3 Holdings B.V.	Telecommunications
Level Three Communications Israel Limited, Israel	Israel	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Italia Srl, Italy	Italy	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Switzerland AG, Switzerland	Switzerland	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Espana S.A., Spain	Spain	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Telekomünikasyon Hizmetleri Ticaret Limited Şirketi, Turkey	Turkey	Level 3 Holdings B.V.	Telecommunications
GC Pan European Crossing UK Limited, UK	United Kingdom	Level 3 Holdings B.V.	Telecommunications

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2018

8. Financial and other assets

Trade and other receivables

Trade and other receivables consist of:

	31 December	
	2018	2017
	£000	£000
<i>Amounts receivable within one year</i>		
Amounts owed by Group Companies (see note 12)	62	1,881

Amounts due from Group companies include trading and loan balances. The loan balances incur interest at 8% (2017: 8%) per annum, with interest being receivable quarterly in arrears.

9. Financial and other liabilities

	31 December	
	2018	2017
	£000	£000
<i>Amounts due in more than one year</i>		
Amounts owed to Group Companies (see note 12)	418,071	407,748
<i>Amounts due in within one year</i>		
Amounts owed to Group Companies (see note 12)	327,733	272,776
Total amounts due	745,804	680,524

Amounts owed to Group companies include trading and loan balances. The loan balances incur interest at 8% (2017: 8%) per annum, with interest being payable quarterly in arrears.

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements (*continued*) For the year ended 31 December 2018

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 financing activities, which primarily relates to balances with other Group companies.

Treasury policy and risk management

The Company's treasury management is conducted primarily by CenturyLink, Inc. on behalf of Group companies. CenturyLink, Inc. is responsible for raising finance for operations, together with associated liquidity management and the management of foreign exchange and interest rate risk.

Treasury policy and risk management (continued)

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the CenturyLink, Inc. Audit Committee, which receives regular updates of treasury activity. Financial instruments are entered into for risk management purposes only. It is the Group policy that all hedging is only for the purpose of covering 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As noted above, the Company's obligations primarily relates to amounts owed to Group companies.

Foreign exchange management

As at 31 December 2018 and 2017, the net interest-bearing receivables / liabilities were each GBP denominated.

In the year ended 31 December 2018, the Company recognised total foreign currency gains of £2.2 million (2017: £nil) as stated in Note 5.

Currency risks

The Company's exposure to foreign currency risk, is as follows:

	31 December 2018			31 December 2017		
	Euro £000	US dollars £000	Total £000	Euro £000	US dollars £000	Total £000
Pounds Sterling	11	2	13	12	13	25

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

10. Financial instruments (continued)

Foreign exchange management (continued)

Sensitivities

The following table illustrates the sensitivity on the net result for the year and equity in regards to possible changes in the US Dollar and Euro exchange rates. If pounds sterling had strengthened / (weakened) by 10% or 25%, the effects would have been as follows:

	Strengthened / (weakened) against the US Dollar rates	Effect on profit before tax £000	Effect on equity £000
2018	10%	-	-
	(10%)	-	-
	25%	-	-
	(25%)	1	1
2017	+ 10%	(1)	(1)
	(10%)	1	1
	+25%	(3)	(3)
	(25%)	4	4

	Strengthened / (weakened) against the Euro rates	Effect on profit before tax £000	Effect on equity £000
2018	10%	(1)	(1)
	(10%)	1	1
	25%	(2)	(2)
	(25%)	4	4
2017	+ 10%	(1)	(1)
	(10%)	1	1
	+25%	(2)	(2)
	(25%)	4	4

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2018

10. Financial instruments (continued)

Foreign exchange management (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	
	2018	2017	2018	2017
	£000	£000	£000	£000
<i>Financial and other assets</i>				
- Amounts owed by Group Companies	62	1,881	62	1,881
- Cash and cash equivalents	28	31	28	31
<i>Financial and other liabilities</i>				
- Amounts owed to Group Companies	(745,804)	(680,524)	(745,804)	(680,524)

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

11. Equity share capital

	31 December	
	2018	2017
	£000	£000
<i>Authorised:</i>		
350,000,000 ordinary shares of £1 each	350,000	350,000
<i>Called up, allocated and fully paid:</i>		
76,376,853 ordinary shares of £1 each	76,377	76,377
125,000,000 ordinary shares of £1 each	125,000	-
Total	201,377	76,377

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

On 20 December 2018, the Company issued shares totalling £125 million to Level 3 International, Inc., in consideration for the settlement of the same amount of Level 3 International, Inc.'s interest bearing loan balance due from the Company.

CenturyLink EMEA Holdings Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2018

12. Related party transactions

Transactions with Group Companies

The Company has a number of financial relationships with other Group Companies which were governed by respective inter-company agreements. The balances as a result of these relationships are as follows:

	31 December	
	2018	2017
	£000	£000
<i>Debtor balance due in less than one year from:</i>		
CenturyLink Communications UK Limited	49	1,868
Other Group companies	13	13
	<u>62</u>	<u>1,881</u>

	31 December	
	2018	2017
	£000	£000
<i>Creditor balances in more than one year to:</i>		
Level 3 International, Inc.	<u>418,071</u>	<u>407,748</u>
<i>Creditor balances due in less than one year to:</i>		
Level 3 International, Inc.	327,733	272,773
Other Group companies	-	3
	<u>327,733</u>	<u>272,776</u>
	<u>745,804</u>	<u>680,524</u>

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

	Year ended 31 December	
	2018	2017
	£000	£000
<i>Interest payable to other Group Companies:</i>		
Level 3 International, Inc.	<u>55,372</u>	<u>52,772</u>

13. Subsequent events

No significant events have occurred after the balance sheet date which would require the adjustment to or disclosure in these financial statements.