Global Crossing (Bidco) Limited

Financial statements for the year ended 31 December 2003
together with directors' and independent auditors' reports

Registered number: 3855219

Contents

Directors' report

For the year ended 31 December 2003

The Directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activities of the Company Group are the provision of telecommunication services to corporate customers and wholesale capacity to the carrier services market. The company acts as a holding company.

Business review and subsequent events

On 28 January 2002, Global Crossing Ltd., the Company's ultimate parent company at that date, and certain of its subsidiaries commenced Chapter 11 proceedings in the United States Bankruptcy Court for the Southern District of New York ("Bankruptcy Court") and co-ordinated proceedings in the Supreme Court of Bermuda. Some additional cases were subsequently filed by other subsidiaries of Global Crossing Ltd. and their administration was consolidated with that of the initial cases.

On 9 August 2002, Hutchison Telecommunications Limited ("Hutchison") and Singapore Technologies Telemedia PTE Limited ("ST Telemedia") signed an agreement (the "Purchase Agreement") pursuant to which each of them would, subject to a number of conditions including compliance with financial covenants, purchase a 30.75% equity stake in a newly-formed company that will hold the assets of Global Crossing Ltd (including its indirect ownership interest in the Company). This agreement received the approval of the Bankruptcy Court judge and was supported by the various creditor groups who would receive the remaining 38.5% equity stake. However, on 30 April 2003 Hutchison withdrew from the Purchase Agreement, which provided that either investor may take over the investment opportunity of the other on such a withdrawal. Accordingly, ST Telemedia assumed the rights and obligations of Hutchison under the Purchase Agreement.

The Bankruptcy Court confirmed Global Crossing's Plan of Reorganisation on 26 December 2002. On 10 December 2003, the newly constituted group parent company, Global Crossing Limited (formerly GC Acquisition Ltd.) ("New Global Crossing") emerged from Chapter 11, and ST Telemedia acquired a 61.5% holding in New Global Crossing for consideration of $250million.

The Company and its subsidiaries will continue to require support in the form of existing loans payable to other group companies not being called to enable them to continue trading for the foreseeable future. In addition, in common with a number of other group companies, the Company is a party to a guarantee agreement whereby $200million of loan notes issued by GC North America Holdings Inc, a subsidiary of New Global Crossing, are secured by a first priority lien on the shares and assets of the Company and its main trading subsidiary. There are a number of covenants within the guarantee, including reporting covenants, which required New Global Crossing to file its 10Q for the quarter ended 31 March 2004 by 15 May 2004. This document has not yet been filed due to delays caused by an anticipated restatement of New Global Crossing's 2002 and 2003 results relating to accruals for cost of access. If this position is not corrected within 45 days after notice from the Trustee holder of the lien, this would constitute an event of default. New Global Crossing has not received notice from the Trustee holder of the lien at this time. New Global Crossing expects to receive waiver of this default allowing sufficient time in order to file its 10Q for the quarter ended 31 March 2004.

Should there be a call on this guarantee or a call on the existing loans payable to other group companies, the Company and its subsidiaries may be unable to meet their debts as they fall due.

New Global Crossing is currently seeking to arrange financing to fund the anticipated liquidity requirements through to the end of 2004. Subsequent to 31 December 2003, New Global Crossing has secured $100 million of additional funding from STT Communications Ltd., a subsidiary of ST Telemedia, via a loan to the Company's subsidiary, Global Crossing UK Telecommunications Limited, secured on its assets, which is being drawn down in three tranches commencing 1 June 2004. This is to be repaid by 31 December 2004 and bears interest at Libor + 9.9%. The monies raised will be used by the Company's subsidiary to repay amounts owed to the Company. The Company will then use the monies received from its subsidiary to repay amounts owed to its immediate parent. In the longer term, the group will seek external finance, including possible additional debt funding by the Group.

Based on discussions with the management of New Global Crossing, the directors of the Company have concluded that New Global Crossing will have sufficient resources to continue to fund the company and will allow the Company to continue in operation and to meet its debts as they fall due for the foreseeable future.

Consequently, the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any asset write downs (including write-downs of receivables from other group companies), provisions, reclassifications or other adjustments that would be required if this basis were no longer valid.

Results and dividends

Turnover for the year amounted to £300,326,000 (period to 31 December 2002: £277,427,000) with a profit before tax of £31,463,000 (period to 31 December 2002 loss of: £44,417,000).

The directors do not recommend the payment of a dividend (2002: £nil).

Future prospects

As a result of the emergence from Chapter 11 and the ST Telemedia investment, the directors anticipate an increased level of activity during 2004 arising from both an increased customer (and would-be customer) confidence due to the stability brought by the new investor, and from the implementation of a global growth-focused strategy.

Directors' report (continued)

For the year ended 31 December 2003

Directors

The directors of the Company during the year and since the end of the year (except as noted) are as follows:

Name	*Date Appointed*	*Date Resigned*
P Metcalf	15 April 2002	
C Moir	1 October 2001	12 February 2003
C Nash	3 November 1999	19 October 2003
J A Rios	15 April 2002	

None of the directors has any interest in shares requiring disclosure by Schedule VII of the Companies Act 1985.

No directors exercised share options in New Global Crossing Ltd. in the year (2002: nil).

Employee involvement and consultation

Employee involvement and commitment is the established responsibility of the Board of Directors and requires their participation. Regular contact and exchanges of information between managers and staff are maintained through departmental meetings. The Company Group promotes the principle of team briefings on a regular and continuing basis with the aim of ensuring that all employees are personally advised of the financial and commercial progress of the Global Crossing Group.

Disabled persons

The Company's Group's attitude concerning the employment of disabled persons is the same as that relating to all other staff in matters of recruitment, continuity of employment, training, development and promotion. Nevertheless the Company is very conscious of the difficulties experienced by the disabled and takes account sympathetically of individual circumstances.

Auditors

A resolution for the appointment of Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

Centennium House
100 Lower Thames Street
London
EC3R 6DL

28 July 2004

By order of the Board,

P C Metcalf
Director

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which 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 those 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the *Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the* company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

To the Members of Global Crossing (Bidco) Limited

We have audited the financial statements of Global Crossing (Bidco) Limited for the year ended 31 December 2003 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet and the related notes 1 to 27.

These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern - fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the fundamental uncertainty over the ability of the company to continue to meet its debts as they fall due if its subsidiaries are unable to repay their debts to the company, there is a call upon the guarantee provided to the new controlling party in respect of the senior secured loan notes to the value of $200 million issued pursuant to the New Global Crossing Group emerging from Chapter 11, or a call to repay the additional $100 million funding obtained by the company's subsidiary from STT Communications Ltd. Details of the amounts owed to the Company by other Global Crossing entities are given in Note 14.

In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Registered Auditors and Chartered Accountants
Reading

29 July 2004

Profit and loss account

For the year ended 31 December 2003

	Note	Year ended 31 December *2003* £'000	Year ended 31 December *2002* £'000
Turnover: Group and share of joint ventures			
Continuing operations		300,805	277,791
Less: share of joint ventures turnover		(479)	(364)
Group turnover from continuing operations		300,326	277,427
Group turnover	2	300,326	277,427
Cost of sales	3	(203,038)	(220,865)
Gross profit		97,288	56,562
Distribution costs	3	*(9,647)*	*(12,276)*
Administrative costs		(52,741)	(88,733)
Group operating profit /(loss)			
Continuing operations		*34,900*	*(43,111)*
Discontinued operations		-	(1,336)
		34,900	(44,447)
Share of operating profit in joint venture	19	315	1,616
Finance charges (net)	5	(3,752)	(1,586)
Profit/(loss) on ordinary activities before taxation	4	31,463	(44,417)
Tax credit charge on profit/(loss) on ordinary activities	8	-	(22)
Profit/(loss) on ordinary activities after taxation, being retained profit/(loss) for the year	22	31,463	(44,439)

There were no other recognised gains or losses other than the loss for the current period and accordingly no consolidated statement of total recognised gains or losses has been presented.

Consolidated balance sheet

31 December 2003

	Note		2003 £'000		2002 £'000
Fixed assets					
Goodwill	10		-		-
Investments	11		4		4
Tangible fixed assets	12		165,502		175,372
			165,506		175,376
Current assets					
Stocks	13		-		4,933
Debtors: amounts receivable in less than one year	14		143,879		162,434
Debtors: amounts receivable in more than one year	14		11,244		13,117
Investments - short term deposits			35,158		37,227
Cash at bank and in hand			15,439		4,574
			205,720		222,285
Creditors: amounts falling due within one year	15		(404,286)		(766,150)
Net current liabilities			(198,566)		(543,865)
Total assets less current liabilities			(33,060)		(368,489)
Creditors: amounts falling due after more than one year	16		(87,424)		(69,738)
Provisions for liabilities and charges	17		(30,926)		(30,454)
Provision for joint venture deficit: Share of gross assets		6,118		7,027	
Share of gross liabilities		(7,214)		(8,438)	
	19		(1,096)		(1,411)
Net liabilities			(152,506)		(470,092)
Capital and reserves					
Called-up share capital	20		300,000		300,000
Share premium account			17,800		17,800
Profit and loss account	21		(470,306)		(787,892)
Equity shareholders' deficit	22		(152,506)		(470,092)

Approved by the Board of Directors and signed on its behalf by:

P C Metcalf

Director

28 July 2004

Balance sheet

31 December 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Investments	11	-	-
Current assets			
Debtors	14	360,933	474,334
Investments - short term deposits		158	236
Cash at bank and in hand		36	-
		361,127	474,570
Creditors: Amounts falling due within one year	15	(267,849)	(531,599)
Net assets / (liabilities)		93,278	(57,029)
Capital and reserves			
Called-up share capital	20	300,000	300,000
Share premium account		17,800	17,800
Profit and loss account	21	(224,522)	(374,829)
Equity shareholders' funds/(deficit)	22	93,278	(57,029)

Approved by the Board of Directors and signed on behalf of the Board.

P C Metcalf

Director

28 July 2004

Notes to the accounts

For the year ended 31 December 2003

1 Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The financial statements are prepared under the historical cost convention. A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout the year, and the preceding year.

a) Basis of preparation

At 31 December 2003, the Group had net current liabilities of £198,566,000 and net liabilities of £152,506,000. The Company and its subsidiaries have benefited from previous years' restructuring plans and the group anticipates making a profit into the foreseeable future, and expects to have positive net cashflows without any group intervention from other New Global Crossing group companies. However the Company and its subsidiaries will continue to require support in the form of existing loans payable to other New Global Crossing group companies not being called to enable them to continue trading for the foreseeable future. In addition, in common with a number of other group companies, the Company and certain of its subsidiaries are parties to a guarantee agreement whereby $200million of loan notes issued by GC North America Holdings Inc. are secured by a first priority lien on the shares and assets of the Company and its main trading subsidiary. Should there be a call on this guarantee or a call on existing loans payable to other New Global Crossing companies, the Company and its subsidiaries may be unable to meets their debts as they fall due.

On 28 January 2002, Global Crossing Ltd., the Company's ultimate parent company at that date, and certain of its affiliates commenced Chapter 11 proceedings in the United States Bankruptcy Court for the Southern District of New York ("Bankruptcy Court") and co-ordinated proceedings in the Supreme Court of Bermuda. Some additional cases were subsequently filed by other subsidiaries of Global Crossing Ltd. and their administration was consolidated with that of the initial cases.

On 9 August 2002, Hutchison Telecommunications Limited ("Hutchison") and Singapore Technologies Telemedia PTE Limited ("ST Telemedia") signed an agreement (the "Purchase Agreement") pursuant to which each of them would purchase a 30.75% equity stake in a newly-formed Bermuda company that will hold the assets of Global Crossing Limited (including its indirect ownership interest in the Company). This agreement received the approval of the United States Bankruptcy Court judge and was supported by the various creditor groups who will receive the remaining 38.5% equity stake. On 30 April 2003 Hutchison withdrew from the Purchase Agreement, which provided that either investor may take over the investment opportunity of the other on such a withdrawal. Accordingly, ST Telemedia assumed the rights and obligations of Hutchison under the Purchase Agreement. The Bankruptcy Court confirmed Global Crossing's Plan of Reorganisation on 26 December 2002. On 10 December 2003, the newly constituted group parent company, Global Crossing Limited (formerly GC Acquisition Ltd.) ("New Global Crossing") emerged from Chapter 11, and ST Telemedia acquired a 61.5% holding in New Global Crossing Parent for consideration of $250million.

As a result of emergence from Chapter 11 and pursuant to the Plan of Reorganisation, intercompany claims of Global Crossing Ltd., Global Crossing Holdings Ltd. and other group companies were substantially eliminated and discharged by either offset, distribution, cancellation, or contribution of such claims, which resulted in significant intercompany debtor and creditor balances being forgiven. This waiver of intercompany balances is reflected as a

1 Accounting policies (continued)

capital contribution. As at 31 December 2003, this resulted in the reduction of group intercompany debtor balances by £185,766,743 and group intercompany creditor balances by £471,889,756.

Also on the date of emergence GC North America Holdings Inc., a subsidiary of New Global Crossing, issued $200 million of new debt in the form of 11% senior secured notes to ST Telemedia. These notes mature on the third anniversary of their issuance. In common with a number of other group companies, the Company and its main trading subsidiary are parties to a guarantee agreement whereby these notes are secured by first priority lien on the Company's shares and assets and those of its main trading subsidiary. There are a number of covenants within the guarantee, including reporting covenants, which require New Global Crossing to file its 10Q for the quarter ended 31 March 2004 by 15 May 2004. This document has not yet been filed due to delays caused by an anticipated restatement of Global Crossing's 2002 and 2003 results relating to accruals for cost of access. If this position is not corrected within 45 days after notice from the Trustee holder of the lien, this would constitute an event of default. New Global Crossing has not received notice from the Trustee holder of the lien at this time. New Global Crossing expects to receive waiver of this default allowing sufficient time in order to file its 10Q for the quarter ended 31 March 2004.

New Global Crossing is currently seeking to arrange financing to fund the anticipated liquidity requirements through the end of 2004. Subsequent to the Company's year end, New Global Crossing has secured $100 million of additional funding from STT Communications Ltd., a subsidiary of ST Telemedia, via a loan to the company's subsidiary, Global Crossing UK Telecommunications Limited ("GCUKTL"), secured on its assets, which is being drawn down in three tranches commencing 1 June 2004. This is to be repaid by 31 December 2004 and bears interest at Libor + 9.9%. GCUKTL will use these monies to repay amounts owed to the Company which will in turn repay a portion of its own intra group liabilities. To compensate GCUKTL for the effective replacement of non-interest bearing group debt with interest bearing external debt, the Company will waive a portion of the group debt due and will in turn benefit from a waiver of a portion of the debt it owes. The New Global Crossing parent has indicated that it will provide funds for GCUKTL to repay the secured loan when required and will act as a guarantor of the loan.

Based on discussions with group management, the directors are confident that New Global Crossing has a reasonable prospect of accessing sufficient funding to enable it to continue operating, and to meet its debts, including intercompany balances and obligations under the $200 million guaranteed loan notes and additional secured loans, as they fall due for the foreseeable future. They are confident that any breach of the reporting covenants under the guarantee will be waived by ST Telemedia. In addition, while there is no formal subordination of intercompany debt other than its subordination to the first priority lien for the $200 million guaranteed loan notes, the directors are confident that New Global Crossing and its subsidiaries will not require repayment of the Company's intercompany debt (except in respect of monies raised from the STT loan noted above) if such repayment would place the Company in a position whereby it could not meet its external debts as and when they fall due.

Accordingly, the directors believe it is appropriate, in the circumstances, to prepare the financial statements on a going concern basis. However there remain significant uncertainties and the financial statements do not include any asset write downs (including write-downs of receivables from other group companies), provisions, reclassifications or other adjustments that would be required if this basis were no longer valid. The Directors have also considered the probability of a call on the guarantee given by the company and its main trading subsidiary and consider such a call to be remote due to anticipated ongoing support from ST Telemedia.

1 Accounting policies (continued)

b) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

c) Basis of consolidation

The Group financial statements consolidate the financial statements of Global Crossing (Bidco) Limited ("the Company") and all its subsidiary undertakings drawn up to 31 December 2003. Previously the company had been exempt from producing group accounts but, due to the disposal of its immediate parent company, consolidated accounts for both the current and prior financial years have been prepared. For joint ventures the Group includes its share of their profits and losses in the consolidated profit and loss account and its share of net assets in the consolidated balance sheet.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings and joint ventures acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

d) Turnover

Turnover is stated at the amounts receivable (net of sales taxes) from the provision of products and services. Turnover from the sale of products is recognised on delivery. Turnover arising from the provision of services is recognised as the service is performed. Turnover from long term agreements for the sale of dark fibre is accounted for as detailed in note e) below.

e) Long term agreements for the sale of dark fibre

i) Turnover

Long term agreements entered into with customers for dark fibre over dedicated routes that transfer substantially all of the risks and rewards of ownership are included in turnover in the year in which the later of contract signature or the fibre being available for use occurs. Revenue relating to future maintenance is deferred and recognised over the life of the agreement. *Gross profit in respect of sales of dark fibre is £3,464,000 (2002: £8,225,000).*

ii) Cost of sales

The costs of constructing or acquiring the dark fibres sold to customers under long term agreements and any recurring direct costs attributable to dark fibres, such as wayleave costs, which are payable by the Group during the year of the contract are accrued and are recognised as cost of sales upon the recognition of the related revenue.

f) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates ruling at that date. Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Translation differences are dealt with in the profit and loss account.

g) Stocks

Stocks comprise the cost incurred on dark fibres that are intended for sale under long-term contracts. Provision is made where net realisable value is lower than cost.

1 Accounting policies (continued)

h) Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, except freehold land, at such rates as to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful lives as follows:

Network assets		
-Fibre optic and other distribution cabling	-	21 – 25 years
-Transmission equipment and other network assets	-	5 – 21 years
-Block wiring	-	5 years
Fixtures and fittings tools and equipment		
-Motor vehicles	-	2 – 5 years
-Fixtures and fittings	-	5 – 10 years
-Computer equipment	-	2 – 3 years
-Rolling stock	-	2 – 10 years
-Other plant and machinery	-	2 – 5 years
Short term leaseholds		
-Leasehold improvements	-	lesser of the lease term or 10 years

i) Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life. Provision is made for any impairment.

j) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

1 Accounting policies (continued)

k) Pension costs

For the defined benefit elements of the Company's pension schemes, the pension costs, which are periodically calculated by professionally qualified actuaries, are charged against profits so that the expected cost of providing pensions is recognised during the period in which benefit is derived from the employees' services. The costs of the various pension schemes may vary from the funding dependent upon actuarial advice with any difference between pension cost and funding being treated as an accrual or prepayment.

For the defined contribution elements of the Company's pension schemes, the pension costs charged to the profit and loss account are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

l) Investments

Fixed asset investments are shown at cost less provision for impairment.

m) Cash flow statement

The Company is exempt from the requirement of FRS 1 (Revised) "Cash flow statements" to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Global Crossing Intermediate UK Holdings Limited, whose consolidated financial statements, which include the Company's financial statements, are publicly available.

n) Leases

Tangible fixed assets held under finance leases and hire purchase contracts and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excesses of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Certain of these finance leases are subject to a capacity agreement entered into with a Thales group company on identical terms to the related lease obligations to the lessors and are recorded in the balance sheet as leases receivable. Neither profit nor losses arise in respect of this capacity agreement.

Rentals payable under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

o) Connection Costs

The Company is charged initial connection fees when taking on new ISDN/PSTN circuits from local loop suppliers, predominantly (though not solely) from British Telecommunications plc. These circuits are purchased by the company solely and specifically for the purposes of providing connectivity over the final leg of the connection between a customer's premises and the Global Crossing network. Such initial connection costs are treated as prepaid costs within debtors, and amortised as expenses on a straight-line basis over the required lifetime of material contracts or two years.

1 Accounting policies (continued)

p) Joint ventures

In the Group financial statements, investments in joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the Group's share of joint ventures profits less losses, while the Group's share of the gross assets and liabilities is shown in the consolidated balance sheet. Goodwill arising on the acquisition of joint ventures is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in joint ventures.

2 Turnover

Substantially all revenue arises from sales to customers in the United Kingdom.

Turnover may be further analysed:	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Provision of telecommunication services	283,880	257,924
Dark fibre sales under long term contracts	16,446	19,503
Group turnover	300,326	277,427
Share of joint venture turnover – provision of telecommunication services	479	364
	300,805	277,791

3 Cost of sales, gross profit and other operating expenses

Year ended 31 December 2003	Cost of sales	Gross profit	Distribution costs	Administrative expenses	Other operating income
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Continuing operations	(203,038)	97,288	(9,647)	(52,741)	-

Year ended 31 December 2002	Cost of sales	Gross profit	Distribution costs	Administrative expenses	Other operating income
	£'000	£'000	£'000	£'000	£'000
Continuing operations	(220,865)	56,562	(12,276)	(87,397)	-
Discontinued operations	-	-	-	(1,336)	-
Total	(220,865)	56,562	(12,276)	(88,733)	-

Discontinued operations comprise the Group's cellular business. The trade and assets associated with this business were sold to a third party in January 2002.

4 Profit/(loss) on ordinary activities before taxation

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit/(loss) on ordinary activities has been arrived at after charging /(crediting):		
Auditors' remuneration and expenses		
- audit fees, group	118	122
- audit fees, company	-	-
- non-audit fees	-	1
Depreciation of tangible fixed assets		
- owned assets	33,197	31,498
- leased assets	758	3,455
Payments under operating leases		
- hire of plant and machinery	21,155	22,579
- other operating leases	8,413	7,749
Receipts under operating leases	(813)	(825)
Loss on disposal of discontinued activities	-	1,336
Exceptional cost – redundancy costs	594	7,471
Exceptional cost – onerous lease provisions	2,096	14,174
Exceptional gain – rates rebate in respect of changes in agreed rateable values	(3,260)	(7,452)

5 Finance charges (net)

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Interest payable and similar charges		
Finance charges on hire purchase contracts and finance leases	(3,417)	(3,991)
Unwinding of discount on provisions and other long-term liabilities	(1,676)	-
Other financing costs	(380)	(108)
Interest payable to fellow group companies	-	(187)
	(5,473)	(4,286)
Interest receivable and similar income		
Investment Income	-	7
Finance lease interest receivable	683	1,010
Other interest receivable	1,038	1,683
	1,721	2,700
Finance charges (net)	(3,752)	(1,586)

6 Information regarding directors

The remuneration of the directors was as follows:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Fees and other emoluments	25	172
Company contributions to money purchase pension schemes	1	10
Compensation for loss of office	37	37
	63	219

The remuneration of the highest paid director was as follows:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Fees and other emoluments	25	160
Company contributions to money purchase pension schemes	1	9
Compensation for loss of office	37	-
	63	169

In addition, 4 directors (2002: 3) received total remuneration in respect of services to group companies of £1,953,859 (2002: £2,535,297) but it is not practicable to allocate this between group companies.

No directors are members of a defined benefit pension scheme (2002: nil). One director is a member of a defined contribution pension scheme (2002: two).

7 Information regarding employees

Employee costs during the period:

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Wages and salaries	27,630	31,998
Social security costs	3,149	3,702
Other pension costs	(466)	1,584
	30,313	37,284

The pension charge for the year is a credit due to the release of accruals from the previous financial year.

7 Information regarding employees (continued)

Average number of persons employed (including Directors):

	Year ended 31 December 2003 Number	Period ended 31 December 2002 Number
Indirect	624	780

The Company's employees participate in two occupational pension schemes, the Global Crossing Pension Scheme ("Global Scheme") and the Global Crossing Shared Cost Section of the Railways Pension Scheme ("Railways Scheme"). The assets of these schemes are held separately from those of the Company in independently administered trusts. Contributions to the schemes in respect of the Company's defined benefit obligations are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

The Global Crossing Pension Scheme

The Global Scheme is an occupational pension scheme with two sections. The defined contribution section is used to provide ongoing pension benefits for its employees. The defined benefit section is closed but there is a commitment to receive a transfer from the Racal Group pension schemes and provide benefits based on final pay and accrued service for a group of employees who were previously members of the Racal Electronics Group pension schemes.

The Company's pension obligations are assessed by a qualified actuary on the basis of triennial valuations. The first formal valuation of the Global Scheme as at 31 March 2001 has been completed in accordance with the minimum funding requirement (but no allowance was made for the impact of transfers from employees who were previously members of the Racal Group pension schemes). Provisional calculations have been conducted for the purposes of estimating the Company's pension charge for the year and the Scheme's liabilities at 31 December 2003. For these purposes the projected unit credit funding method was used.

The employer makes annual contributions to the defined benefit section of £125,000 p.a.

The Scheme also provides defined contribution benefits. The cost for 2003 was £1,441,000 (2002: £1,885,000)

The Global Crossing Shared Cost Section – Railways Pension Scheme

The last valuation of the Railways Scheme was carried out as at 31 December 2001, using the projected unit method. The assumptions which have the most significant effects on the results of the valuation are those relating the rate of return on investments to the rates of increase to salaries and pensions. It was assumed that investment returns would be at 5.68% per annum and 6.30% per annum for existing assets and new investments respectively, that salary inflation would average 4.0% per annum and that present and future pensions that are guaranteed to increase in line with limited price indexation would increase at the rate of 2.5% per annum.

7 Information regarding employees (continued)

The most recent actuarial valuation of the Railways Pension Scheme shows that the market value of the scheme's assets was £26.9 million and that the actuarial value of those assets represented 114% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contributions of the Group and employees remain at 7.5% and 5% of earnings respectively.

The employer contribution rate to the plan for the year ending 31 December 2003 was 7.5% of pensionable salary benefits is split 60%/40% between the Company and the employees. The sharing of the cost in this manner has been recognised when determining the net pension asset (i.e. a surplus attributable to employees has been identified) and the employer's current service cost, the expected return on the plan assets and interest on pension liabilities (these items are derived by taking 60% of the full charge).

A full actuarial valuation was carried out at 31 December 2001 and updated to 31 December 2003 by a qualified independent actuary.

Both schemes

The total pension charge amounted to £270,000. This included £120,000 in respect of the amortisation of surpluses/deficits that are being recognised over 10 years and 13 years (the average remaining service life of employees in the Global Scheme and Railways Scheme respectively).

A total prepayment of £1.8m (representing a provision of £0.7m for the Global Scheme and a prepayment of £2.5m for the Railways Scheme) in compliance with the reporting requirements of SSAP 24 is included under 'Debtors – amounts due after more than one year' in the balance sheet as at 31 December 2003 (31 December 2002: £1.7m).

SSAP 24 disclosures

As required by SSAP24, the figures included in the accounts in respect of the group pension scheme are based on an actuarial valuation carried out at 1 April 2002 for the Global Scheme and 31 December 2001 for the Railways Pension Scheme. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP24 triennial valuation as at 1 April 2005 and 31 December 2004 respectively based upon which subsequent pension costs will be determined until the adoption of FRS17.

7 Information regarding employees (continued)

FRS17 disclosures

In accordance with the transitional arrangements for the implementation of FRS17 'Retirement Benefits', the following closing balance sheet information is given for each defined benefit scheme. The data provided is based on a review conducted by a qualified actuary at 31 December 2003 and 2002 respectively.

	GC Shared Cost Section. Railways Pension Scheme			The Global Crossing Pension Scheme		
ASSUMPTIONS	**At 31 December 2003**	**At 31 December 2002**	**At 31 December 2001**	**At 31 December 2003**	**At 31 December 2002**	**At 31 December 2001**
- Rate of increase in salaries (including merit / promotion)	4.50%	4.00%	4.25%	4.50%	4.00%	4.25%
- Rate of increase of pensions in payment	2.50%	2.00%	2.25%	2.50%	2.00%	2.25%
- Discount rate	5.50%	5.50%	5.75%	5.50%	5.50%	5.75%
- Inflation assumption	2.50%	2.00%	2.25%	2.50%	2.00%	2.25%
- Long-term expected rate of return						
- Fixed Interest Bonds	4.75%	4.50%	5.00%	4.75%	4.50%	5.00%
- Equities	8.25%	7.50%	8.00%	8.25%	8.00%	8.00%
- Other	8.25%	7.50%	8.00%	4.50%	N/A	6.50%
- Average	7.70%	7.20%	7.70%	6.10%	5.80%	7.50%

								Total	
BALANCE SHEET	**At 31 December 2003 £'000**	**At 31 December 2002 £'000**	**At 31 December 2001 £'000**	**At 31 December 2003 £'000**	**At 31 December 2002 £'000**	**At 31 December 2001 £'000**	**At 31 December 2003 £'000**	**At 31 December 2002 £'000**	**At 31 December 2001 £'000**
Fixed Interest Bonds	3,980	2,220	2,686	1,250	1,787	1,300	5,230	4,007	3,986
Equities	17,670	15,136	20,980	1,050	1,013	6,650	18,720	16,149	27,630
Other	1,750	3,045	3,693	400	-	300	2,150	3,045	3,993
-- Total market value of assets	23,400	20,401	27,359	2,700	2,800	8,250	26,100	23,201	35,609
-- Present value of scheme liability	(22,110)	(19,544)	(23,750)	(4,980)	(6,238)	(11,000)	(27,090)	(25,782)	(34,750)
-- Surplus (deficit) in the scheme	1,290	857	3,609	(2,280)	(3,438)	(2,750)	(990)	(2,581)	859
-- Unrecoverable surplus	-	-	(1,447)	-	-	-	-	-	(1,447)
-- Surplus attributable to employees	(510)	(343)	-	-	-	-	(510)	(343)	-
-- Net pension asset/(liability)	780	514	2,162	(2,280)	(3,438)	(2,750)	(1,500)	(2,924)	(588)

7 Information regarding employees (continued)

	GC Shared Cost Section. Railways Pension Scheme		The Global Crossing Pension Scheme		Total	
	At 31 December 2003 £'000	At 31 December 2002 £'000	At 31 December 2003 £'000	At 31 December 2002 £'000	At 31 December 2003 £'000	At 31 December 2002 £'000
ANALYSIS OF THE AMOUNT THAT WOULD BE CHARGED TO OPERATING PROFIT						
-- Employer's current service cost	250	223	100	210	350	433
ANALYSIS OF THE AMOUNT THAT WOULD BE CREDITED/ TO OTHER FINANCE INCOME/(CHARGED TO OTHER FINANCE COST)						
-- Expected return on pension plan assets	910	1,213	160	389	1,070	1,602
-- Interest on pension liabilities	(630)	(782)	(340)	(462)	(970)	(1,244)
-- Net return	280	431	(180)	(73)	100	358
ANALYSIS OF AMOUNT THAT WOULD BE RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS/LOSSES						
-- Actual return less expected return on plan assets	3,400	(5,924)	(260)	274	3,140	(5,650)
-- Experience gains / (losses) arising on the plan's liabilities	-	2,596	1,950	(583)	1,950	2,013
-- Changes in assumptions underlying the plan liabilities	(3,130)	-	(470)	(348)	(3,600)	(348)
-- Increase in unrecoverable surplus	-	-	-		-	-
-- Increase in surplus attributable to employees	(170)	1,104	-	-	(170)	1,104
-- Actuarial loss recognised in STRGL	100	(2,224)	1,220	(657)	1,320	(2,881)
RECONCILIATION OF SURPLUS/(DEFICIT)						
-- Surplus/(deficit) in plan at beginning of the year	514	2,162	(3,440)	(2,750)	(2,926)	(588)
-- Employer's current service cost	(250)	(223)	(100)	(210)	(350)	(433)
-- Employer's contributions	140	368	220	252	360	620
-- Other finance income/(cost)	280	431	(180)	(73)	100	358
-- Actuarial gain/(loss)	100	(2,224)	1,220	(657)	1,320	(2,881)
-- Surplus/(deficit) in plan at end of the year	784	514	(2,280)	(3,438)	(1,496)	(2,924)
HISTORY OF EXPERIENCE GAINS AND LOSSES						
-- Actual return less expected return on plan assets						
-- amount	3,400	(5,924)	(260)	274	3,140	(5,650)
-- percentage of plan assets	15%	(29%)	(9%)	10%	12%	24%
-- Experience gains / (losses) on plan liabilities						
-- amount	-	2,596	1,950	(583)	1,950	2,013
-- percentage of the present value of the plan liabilities	-%	13%	39%	(9%)	7%	8%
-- Total loss recognised in statement of total recognised gains and losses						
-- amount	100	(2,224)	1,220	(657)	1,320	(2,881)
-- percentage of the present value of the plan liabilities	-%	(11%)	25%	(11%)	5%	(11%)

Had FRS 17 been fully adopted, the reserves position would have been as follows:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Equity shareholders' deficit	(152,506)	(470,092)
Pension Fund Liability	(1,500)	(2,924)
Revised equity shareholders deficit	(154,006)	(473,016)

8 Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Overseas corporation tax payable	-	(22)

The Group has UK corporation tax losses at 30% available to carry forward to future periods; no amount has been recorded in these financial statements to reflect the benefit of these tax losses to the Group.

There is no current tax charge at 30% to UK corporation tax in either period.

There is no deferred tax charge or credit in either period as there is no deferred tax asset or liability recognised in either period. However, at both year ends there is a significant deferred tax asset, which has been principally generated by the company's losses to date. This deferred tax asset has not been recognised based on a review of the company's recent trading performance, due to the uncertainty surrounding its crystallisation.

The tax charge for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2003 £'000	2002 £'000
Profit/(loss) on ordinary activities before taxation	31,463	(4,417)
Tax on profit at 30%	9,439	(13,325)
Factors affecting tax charge for the year:		
Expenses not deductible for tax purposes	1,098	93,085
Non-taxable income	-	(92,725)
Taxable amounts credited to reserves	6,080	-
Deficit of tax allowances over book depreciation	(8,658)	(14,301)
Other timing differences	(1,873)	5,565
Tax losses carried forward	5	9,102
Utilisation of losses brought forward	(5,786)	-
Current year loss surrendered as group relief	-	12,599
Utilisation of group relief	(305)	-
Current tax charge for the year	-	-

9 Profit attributable to Global Crossing Bidco Limited

The profit for the financial period dealt with in the financial statements of Global Crossing Bidco Limited was £1,683,000 (2002: £298,762,119). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

10 Intangible fixed assets – goodwill

	£'000
Cost	
At 31 December 2002 and 2003	28,535
Depreciation	
At 31 December 2002 and 2003	28,535
Net book value	
At 31 December 2002 and 2003	-

A review undertaken by the directors showed that the Group's assets at 31 December 2000 were impaired. In accordance with the provisions of FRS 11 "Impairment of fixed assets and goodwill", the impairment charge was allocated first against goodwill, the remaining balance being recorded as an impairment of tangible fixed assets. The net book value of goodwill was reduced to £nil in the 2000 financial statements, causing an exceptional expense within administrative expenses. The impairment review in relation to the 2003 financial statements confirmed that the carrying value of goodwill remains £nil.

11 Fixed asset investments

	Group £'000	Company £'000
Trade investment	4	-

The Company has investments in the following subsidiary undertakings and joint ventures:

	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned
Subsidiary undertaking				
Global Crossing (UK) Telecommunications Limited	England and Wales	Telecommunications	Ordinary	100%
Global Crossing (UK) Telecommunications Networks Limited	England and Wales	Dormant	Ordinary	100%
Global Crossing (UK) Internet Services Limited	England and Wales	Dormant	Ordinary	100%
Global Crossing Communications International Limited	England and Wales	Dormant	Ordinary	100%
Racal Telecommunications, Inc	USA	Telecommunications	Ordinary	100%
Joint ventures				
International Optical Network LLC	USA	Telecommunications	Ordinary	50%
International Optical Network Limited	England and Wales	Telecommunications	Ordinary	50%

11 Fixed asset investments (continued)

Subsidiary undertakings

	Total £'000
Cost	
At 1 January 2003 and 31 December 2003	104,850
Amounts written off	
At 1 January 2003 and 31 December 2003	104,850
Net book value	
At 31 December 2002 and 31 December 2003	-

As required by FRS 11 "Impairment of fixed assets and goodwill", the Directors have considered whether the value of the Company's investment in its subsidiary undertakings has become impaired. They have considered the future forecast outflows cashflows from these investments, possible group reorganisations and indicative offers received for the share capital of one subsidiary. On this basis, the carrying value of investments was reduced to £nil in relation to the 2000 financial statements. The impairment review in relation to the 2003 financial statements confirmed that the carrying value of investments remains £nil.

12 Tangible fixed assets

Group

	Short term leaseholds £'000	Fixtures and fittings, tools and equipment £'000	Network assets £'000	Total £'000
Cost				
At 1 January 2003	17,649	32,215	636,535	686,399
Reclassifications	(2,350)	2,136	214	-
Additions	345	50	23,691	24,086
Disposals	-	-	(1)	(1)
At 31 December 2003	15,644	34,401	660,439	710,484
Depreciation				
At 1 January 2003	(10,466)	(29,531)	(471,030)	(511,027)
Reclassifications	225	1,112	(1,337)	-
Charge for the year	(634)	(2,885)	(30,436)	(33,955)
Disposals	-	-	-	-
At 31 December 2003	(10,875)	(31,304)	(502,803)	(544,982)
Net book value				
At 31 December 2003	4,769	3,097	157,636	165,502
At 31 December 2002	7,183	2,684	165,505	175,372

An impairment review, undertaken in respect of the 2002 financial statements, has been updated in the current year, and the directors' believe no additional asset impairment charge is required for the year ended 31 December 2003 (2002: Nil). In reaching this assessment, the directors have followed the provisions of FRS 11 "Impairment of fixed assets and goodwill" and have considered the forecast cashflows of the business.

The net book value of the Company's network assets includes £6,507,000 (2002: £3,474,000) of assets held under finance leases and hire purchase contracts and includes £8,787,000 (2002: £41,587,000) of construction in progress, which is not depreciated.

12 Tangible fixed assets (continued)

Assets held for use in operating leases are as follows:	2003 £'000	2002 £'000
Cost	1,051	1,051
Accumulated depreciation	(1,051)	(1,051)
Net book value	-	-

Assets held to lease under finance leases are as follows:	2003 £'000	2002 £'000
Cost	19,469	19,469
Accumulated depreciation	(13,903)	(9,417)
Net book value	5,566	10,052

Rentals received for assets leased under finance leases were £5,139,000 (2002: £5,232,000)

13 Stocks

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Dark fibres held for resale under long term contracts	-	-	4,933	-

Notes to the accounts (continued)

For the year ended 31 December 2003

14 Debtors

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts due within one year:				
Trade debtors	40,007	-	44,566	-
Amounts owed by group undertakings	69,382	360,932	81,231	474,334
Overseas corporation tax	-	-	-	-
Other taxes and social security costs	-	-	-	-
Other debtors	11,101	1	9,638	-
Prepayments and accrued income	18,956	-	22,010	-
Amounts receivable under finance leases	4,433	-	4,989	-
	143,879	360,933	162,434	474,334
Amounts due after more than one year:				
Amounts receivable under finance leases	1,630	-	6,061	-
Prepayments and accrued income	6,226	-	3,231	-
Trade debtors	1,593	-	2,125	-
SSAP 24 pension prepayment (note 7)	1,795	-	1,700	-
	11,244	-	13,117	-
Total amounts due	155,123	360,933	175,551	474,334

Notes to the accounts (continued)
For the year ended 31 December 2003

15 Creditors: amounts falling due within one year

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade creditors	35,119	-	44,025	-
Amounts owed to group companies	312,408	267,849	644,630	531,599
Other creditors	1,074	-	2,574	-
Obligations under finance leases and hire purchase contracts	7,850	-	9,905	-
Overseas corporation tax	-	-	-	-
Other taxes and social security costs	728	-	3,324	-
Accruals and deferred income	47,107	-	61,692	-
	404,286	267,849	766,150	531,599

Of the above amount owed to group undertakings, £nil (2002: £44,844,000) bears interest at 1 month Libor plus 1% (2002: 1 month Libor plus 1%). All other amounts owed to group companies are non-interest bearing.

16 Creditors: amounts falling due after more than one year

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Obligations under finance leases and hire purchase contracts	35,083	-	36,605	-
Accruals and deferred income	51,038	-	31,776	-
Other creditors	1,303	-	1,357	-
	87,424	-	69,738	-
Obligations under finance leases and hire purchase contracts:				
Falling due within one year	7,850	-	9,905	-
Falling due between two and five years	18,533	-	16,413	-
Falling due after five years	16,550	-	20,192	-
	42,933	-	46,510	-

Obligations under finance leases and hire purchase contracts are secured against hybrid transmitter networks and bear finance charges at rates ranging from 7.9% to 10.0% per annum.

17 Provisions for liabilities and charges

Group	Decom-missioning costs £'000	Dilapidations £'000	Onerous leases £'000	Litigation £'000	Dark fibre costs £'000	Total £'000
Balance at 31 December 2002	2,172	2,364	14,174	133	11,611	30,454
Amounts charged to the profit and loss account	(1,601)	(187)	2,096	-	3,130	3,438
Adjustment arising from unwinding of discount	-	338	1,338	-	-	1,676
Adjustment arising from change in discount rate	-	64	417	-	-	481
Utilised in the year	(425)	-	(4,189)	(133)	(376)	(5,123)
Balance at 31 December 2003	146	2,579	13,836	-	14,365	30,926

The provision for decommissioning is in respect of the estimated costs of decommissioning the Company's equipment installed at third party premises, on expiry of a long-term contract for the provision of telecommunication services. The directors estimate that this provision will be fully utilised within the next year.

The dilapidations provision is the estimated net present value of making good dilapidations on the Company's portfolio of properties held under lease with third parties. The Company has entered into various property leases that largely expire between one year and 17 years from the balance sheet date.

The onerous lease provision has been created in accordance with the requirements of FRS 12, and is the current cost estimated by the directors that will be incurred against properties where the lease is deemed to be onerous. This provision will be fully utilised over the remaining lives of the leases of the related properties.

The litigation provision was the liability that had arisen from commercial and employment related claims.

The dark fibre costs provision is the estimated total wayleave costs that will be incurred over the life of dark fibre revenue contracts sold, being up to 25 years from the balance sheet date.

17 Provisions for liabilities and charges (continued)

Deferred taxation provided and deferred taxation not provided are as follows:

	Provided		Not Provided	
	Asset		Asset	
	2003	2002	2003	2002
Group	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	(10,389)	(19,132)
Other timing differences	-	-	(6,714)	(8,587)
Tax losses available	-	-	(74,267)	(80,213)
	-	-	(91,370)	(107,932)
Company				
Accelerated capital allowances	-	-	-	-
Other timing differences	-	-	(1,570)	(2,080)
Tax losses available	-	-	(20,465)	(20,521)
	-	-	(22,035)	(22,601)

18 Contingent liabilities

In 2002 an investigation was commenced by the United Kingdom Office of Fair Trading ("OFT") into an allegation that various subsea cable operator entities, including the Company, had engaged in an illegal agreement collectively to boycott a location in the United Kingdom and a means for the landing of subsea telecommunications cables in the United Kingdom. The Company responded to that investigation in 2002 denying the allegation. In August 2003, the OFT extended its investigation to include allegations of price fixing and information sharing on the level of fees that the subsea entities would pay landowners for permission to land submarine telecommunication cables on their land in the United Kingdom. The Company responded to those allegations on October 10, 2003, and continues to engage with the OFT concerning these investigations.

In the event that the OFT determines that the Company engaged in anti-competitive behaviour, the OFT may impose a fine up to a maximum of 10% of the responsible party's revenue in the field of activity in the United Kingdom for up to three years preceding the year on which the infringement ended.

19 Provision for share of net liabilities in joint venture

	£'000
Share of net liabilities	
At 31 December 2002	(1,411)
Share of retained profit for the year	315
At 31 December 2003	(1,096)

20 Called-up share capital

	31 December *2003* £'000	31 December *2002* £'000
Authorised		
350,000,000 Ordinary shares of £1 each	350,000	350,000
Called-up, allotted and fully paid		
300,000,003 Ordinary shares of £1 each	300,000	300,000

21 Reserves

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Retained loss at beginning of the year	(787,892)	(374,829)	(743,453)	(673,592)
Profit/(loss) for the financial year	31,463	1,683	(44,439)	298,763
Capital contribution	286,123	148,624	-	-
Retained loss at end of the year	(470,306)	(224,522)	(787,892)	(374,829)

As a result of emergence from Chapter 11 and pursuant to the Plan of Reorganisation, intercompany claims of Global Crossing Ltd., Global Crossing Holdings Ltd. and other group companies were substantially eliminated and discharged by either offset, distribution, cancellation, or contribution of such claims, which resulted in significant intercompany debtor and creditor balances being forgiven. The waiver of intercompany balances is reflected as a capital contribution.

22 Reconciliation of movements in equity shareholders' deficit

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Opening equity shareholders' deficit	(470,092)	(57,029)	(425,653)	(355,792)
Profit/(loss) for the financial period	31,463	1,683	(44,439)	298,763
Capital contribution	286,123	148,624	-	-
Closing equity shareholders' deficit	(152,506)	93,278	(470,092)	(57,029)

23 Future capital expenditure

Capital expenditure contracted for at 31 December 2003 for which no provision has been made in these financial statements was as follows:

Group	31 December 2003 £'000	31 December 2002 £'000
Contracted	3,227	4,240

24 Financial commitments

At 31 December 2003, the Group had annual commitments under non-cancellable operating leases as follows:

	31 December 2003			
	Group		Company	
	Land and buildings £'000	Other assets £'000	Land and buildings £'000	Other assets £'000
Payable on operating leases that expire				
- within one year	240	1,289	-	-
- between two and five years	68	10,205	-	-
- after five years	8,294	4,524	-	-
	8,602	16,018	-	-

	31 December 2002			
	Group		Company	
	Land and buildings £'000	Other assets £'000	Land and buildings £'000	Other assets £'000
Payable on operating leases that expire				
- within one year	246	5,097	-	-
- between two and five years	69	10,537	-	-
- after five years	8,308	5,084	-	-
	8,623	20,718	-	-

Global Crossing (UK) Telecommunications Ltd incurs the lease costs on the Centennium House property, although GC Pan European Crossing Networks B.V. ("GC PEC Networks") and GC Pan European Crossing UK Ltd. ("GC PEC UK") is contractually liable for these. The Directors confirm that it is the Company's intention to continue to meet all contractual costs on this property on behalf of GC PEC UK and GC PEC Networks and, accordingly, the commitment has been treated in these accounts as if it were the Company's lease.

25 Ultimate parent company and controlling party

As at 31 December 2003, the directors regarded Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore, as the ultimate parent company and ultimate controlling party. The largest group, which now includes the Company and for which consolidated financial results are prepared, is that headed by STT Communications Ltd., a company incorporated in the Republic of Singapore and whose registered office is 51 Cuppage Road, #10-11/17, StarHub Centre, Singapore 229469.

The Company's immediate parent company is Global Crossing Limited, a company registered in Bermuda. This is the smallest group for which consolidated financial statements are available. The consolidated financial statements of Global Crossing Limited are available to the public from Wessex House, 45 Reid Street, Hamilton, Bermuda.

26 Related party transactions

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures", balances and transactions with other undertakings consolidated within the group headed by Global Crossing Limited have not been disclosed in these financial statements.

27 Subsequent events

i) A portion of Global Crossing (UK) Telecommunications Limited's network is subject to a finance lease with Network Rail, the owner of the railway infrastructure in the UK. Those provisions of the finance lease addressing copper cable and PABX equipment used by Global Crossing (UK) Telecommunications to deliver managed voice services to UK train operating companies (the "Copper Provisions") may be terminated on 12 months notice. In connection with its plans to modernize the signalling system on the UK railways, Network Rail has issued formal notification that it will terminate the Copper Provisions effective as of March 31, 2005.

Negotiations with Network Rail to secure commercially reasonable alternative arrangements are ongoing. It is possible that Global Crossing (UK) Telecommunications may not be able to reach agreement with Network Rail in this regard, in which case it would need to put in place alternative arrangements with third parties in order to continue to provide managed voice services to train operating companies in the UK and to avoid the breach of certain customer contracts pursuant to which we have agreed to provide these services beyond March 31, 2005. Even if Global Crossing (UK) Telecommunications secures alternative arrangements with Network Rail or a third party, such arrangements may be on terms significantly less favourable than those contained in the current lease.

As commercial discussions are continuing, it is difficult at this time fully to assess the potential impact on revenue or costs. The total revenue attributable to the managed voice services provided to UK train operating companies is approximately £51 million per year, with approximately £21 million directly related to the assets covered by the Copper Provisions. Although Global Crossing (UK) Telecommunications expects to be able to address the termination of the Copper Provisions without losing this revenue stream and without incurring material incremental costs, no assurance can be made in this regard.

The aforementioned finance lease with Network Rail also addresses other assets of ours located along the UK railways, including fibre optic cable. The provisions of the finance lease addressing substantially all these other assets will not terminate until at least 2010, and in most cases well beyond that. The balance of Global Crossing's network assets in the UK, which are unconnected with Network Rail, are also unaffected by the anticipated termination of the Copper Provisions.

ii) Subsequent to the year end, New Global Crossing has secured $100 million of additional funding from STT Communications Ltd via a loan to the a subsidiary of the Company (GCUKTL), secured on the assets of the subsidiary. This is to be repaid by 31 December 2004 and bears interest at Libor +9.9%. The monies raised will be used by GCUKTL to repay amounts owed to the Company, which will in turn repay a portion of its intra group liabilities. In the longer term, the group will seek external finance, including possible additional debt funding by the Group.