Global Crossing (Bidco) Limited

Consolidated financial statements for the year ended 31 December 2004
together with directors' and independent auditors' reports

Registered number: 3855219

Contents

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2004.

Principal activities

The principal activities of the Global Crossing (Bidco) Limited ("GC Bidco") are the provision of telecommunication services to corporate customers and wholesale capacity to the carrier services market.

Business review and subsequent events

GC Bidco and its subsidiaries are collectively referred to as the "Group", Global Crossing (UK) Telecommunications Limited ("GCUK"), formerly Racal Telecommunications Limited ("Racal") is the trading subsidiary of GC Bidco. GCUK is one of the leading UK providers of managed network communications services. GCUK provides a wide range of telecommunications services, marketing these services through two channels, commercial services and carrier services. GCUK provides its customers with managed voice, data and Internet Protocol ("IP") services tailored to their specific requirements. GCUK's commercial customer base includes over one hundred UK government departments, as well as information technology systems integrators, rail sector customers and major corporate customers. Other commercial services include pre-sales engineering and customer premise equipment ("CPE") design, equipment procurement, provisioning and installation, and ongoing end-to-end CPE and network management and maintenance support. GCUK's carrier customers include leading communications service providers. GCUK also provides to their carrier customers indefeasible rights to use ("IRU") dark fiber and empty ducts.

GC Bidco is part of a group of companies (the "Group Companies" or the "GC Group") owned by Global Crossing Limited (formerly GC Acquisition Ltd.), a company organised under the laws of Bermuda in 2002 ("GCL"). GCL is the successor to Global Crossing Ltd ("Old GCL"), as a result of the consummation of the transactions contemplated by the Joint Plan of Reorganization, as amended (the "Plan of Reorganization") of Old GCL and certain of its debtor subsidiaries, pursuant to chapter 11 of title 11 of the United States Bankruptcy Code.

On October 22, 2004, Global Crossing (UK) Finance Plc ("GC Finance") was created as a wholly owned special purpose financing subsidiary of GCUK. This entity was formed for the sole purpose of acting as a financing company for the issuance of debt securities and other financing arrangements and has no separate operations. GCUK and GC Finance are collectively referred to as the "Company".

Recapitalization

During the year ended 31 December 2004, GCUK entered into a short term debt agreement with a subsidiary of Singapore Technologies Telemedia Pte Ltd, GCL's 61.5% controlling parent that provided $125 million of financing ("STT Bridge Loan Facility"), which the Company could use to repay certain of its outstanding intercompany loans with these borrowings.

On 23 December 2004, in connection with a recapitalization plan completed by GCL to restructure its indebtedness, GCUK was recapitalized as follows:

- The borrowings under the STT Bridge Loan Facility were acquired by GCL, in exchange for an increase in the debt due to GCL. The STT Bridge Loan was immediately exchanged by GCL for 4.7% mandatory convertible notes of GCL.

- GC Finance issued $200.0 million aggregate principal amount of 10.75% senior secured notes due 2014 (the "US Dollar Senior Secured Notes") and £105.0 million aggregate principal amount of 11.75% senior secured notes due 2014 (collectively, the "Senior Secured Notes") (see Note 16).

- GC Finance entered into a hedging arrangement with a financial institution in respect of interest payments for the first five years on the US Dollar Senior Secured Notes to hedge against certain effects of United States dollar ("US dollar")/pounds sterling currency fluctuations. (see Note 24.)

- GC Finance repaid £191.3 million of intercompany debt. The remaining intercompany debt of £ 61.0 million was forgiven. In addition, £21.0 million of intercompany net payables were forgiven. The forgiveness of the intercompany debt and intercompany net payables is reflected as a contribution of capital.

Results and dividends

Turnover for the year amounted to £269.9 million (2003: £288.0 million). Profit before tax for the year amounted to £43.7 million (2003: £23.1 million) and profit after tax amounted to £48.8 million (2003: £23.1 million restated).

The directors do not recommend the payment of a dividend (2003: £ nil).

Future prospects

Based on its business plan, GC (Bidco)'s directors believe the Group has the liquidity needed to fund its operations for the foreseeable future.

Directors

The directors of the GC (Bidco) throughout and since the end of the period (except as noted) are as follows:

Name

P Metcalf

J A Rios

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 GCL in the year (2003: nil).

Creditor Payment Policy and Practice

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2004, the group had an average of 40 days purchases outstanding in trade creditors.

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 directors, managers and staff are maintained through departmental meetings as well as the newly appointed employee council. The 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 Group 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 Group is very conscious of the difficulties experienced by the disabled and takes account sympathetically of individual circumstances.

Auditors

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

Centennium House
100 Lower Thames Street
London EC3R 6DL

30 January 2006

By order of the Board,

P 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 as at the end of the financial year 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; 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 to 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 AUDITOR'S REPORT TO THE SHAREHOLDERS OF GLOBAL CROSSING (BIDCO) LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Global Crossing (Bidco) Limited for the year ended 31 December 2004 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets and the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 26. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

Opinion
In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2004 and of the group's profit for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
1 More London Place,
London. SE1 2AF
Date 30 January 2006

Consolidated profit and loss accounts

Year ended 31 December 2004

	Note	Year ended 31 December 2004	Year ended 31 December 2003
			Restated*
		£'000	£'000
Turnover including joint ventures		270,273	288,499
Less: share of joint venture's turnover		(384)	(479)
Turnover	2	269,889	288,020
Cost of sales	3	(177,283)	(199,124)
Gross profit	3	92,606	88,896
Distribution costs	3	(10,128)	(9,647)
Administrative expenses	3	(36,490)	(52,741)
		(46,618)	(62,388)
Operating profit		45,988	26,508
Share of operating profit in joint venture	19	215	315
Finance charges, net	5	(2,464)	(3,752)
Profit on ordinary activities before taxation	4	43,739	23,071
Taxation on profit on ordinary activities	9	5,064	—
Retained profit for the year		48,803	23,071

*see note 6

Consolidated statements of total recognised gains and losses

31 December 2004

	Note	Year ended 31 December 2004	Year ended 31 December 2003
			Restated*
		£'000	£'000
Profit for the financial year		48,803	23,071
Total recognised gains and losses relating to the year		48,803	23,071
Prior year adjustment	6	(8,392)	
Total gains and losses recognised since last annual report		40,411	

*see note 6

Consolidated balance sheets

31 December 2004

	note	2004	2003
			Restated*
		£'000	£'000
Fixed assets			
Goodwill	10	—	—
Tangible assets	11	186,477	185,981
Trade investment	12	4	4
		186,481	185,985
Current assets			
Debtors: amounts receivable in less than one year	13	228,725	141,278
Debtors: amounts receivable in more than one year	13	18,422	13,845
Investment—short term deposits		20,727	35,158
Cash at bank and in hand		634	15,439
		268,508	205,720
Creditors: amounts falling due within one year	14	(119,925)	(408,426)
Net current assets/(liabilities)		148,583	(202,706)
Total assets less current liabilities		335,064	(16,721)
Creditors: amounts falling due after more than one year	15	(343,959)	(165,439)
Provisions for liabilities and charges	17	(12,481)	(16,561)
Provision for joint venture deficit; Share of gross assets		5,406	6,118
Share of gross liabilities		(6,287)	(7,214)
Net liabilities		(22,257)	(199,817)
Capital and reserves			
Called-up share capital	20	300,000	300,000
Share premium		17,800	17,800
Profit and loss account	21	(340,057)	(517,617)
Equity shareholder's deficit	22	(22,257)	(199,817)

*see note 6

Company balance sheet

31 December 2004

	note	2004	2003
		£'000	£'000
Fixed assets			
Investments	12	21,895	—
		21,895	—
Current assets			
Debtors: amounts receivable in less than one year	13	163,622	360,933
Investment—short term deposits		----	158
Cash at bank and in hand		168	36
		163,790	361,127
Creditors: amounts falling due within one year	15	(25,964)	(267,849)
Net liabilities		159,721	93,278
Capital and reserves			
Called-up share capital	20	300,000	300,000
Share premium		17,800	17,800
Profit and loss account	21	(158,079)	(224,522)
Equity shareholder's deficit	22	159,721	93,278

*see note 6

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

P C Metcalf
Director

30 January 2006

Notes to the consolidated accounts (continued)

Year ended 31 December 2004

1. Accounting Policies

Basis of preparation

The consolidated financial statements include the accounts of GC(Bidco) and its subsidiaries ("Group") after elimination of intercompany accounts and transactions, and have been prepared in accordance with applicable UK accounting standards ("UK GAAP"), under the historical cost convention. A separate profit and loss account with the results of the company only has not been presented as provided by Section 228 (7) of the Companies Act 1985. The profit of the company is £2,806,000 (2003 £1,684,000). In preparing the financial statements, the directors have formed a judgement that there is reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements. A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout the year and the preceding years as presented.

Turnover recognition

Turnover, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of telecommunications services, including network and other services, long term IRU agreements, and installation services, which are accounted for on the accrual basis to match turnover with provision of service.

Network and other services. Network services are generated from the sale of transmission of voice, data, IP traffic and short term network capacity. Turnover from network services is recognised in the period the services are utilised by the customer. Other services are generated from design and deployment of CPE, maintenance and network management for commercial customers. Turnover from the provision of other services which are contracted to be performed continuously over the contract term is recognised evenly over the period of each contract. For services invoiced in advance, amounts are deferred until provision of the service. The Group assesses whether turnover should be recorded gross as principal or net as agent, based on the features of such arrangements including whether the Group holds itself out as an agent, establishes the price, provides customer remedies, performs part of the service, and assumes the credit risk.

Long term IRU agreements. Sales of network capacity and dark fibre to third parties pursuant to long term IRU agreements are accounted for as turnover and recognised at the time of delivery and acceptance where substantially all the risks and rewards have transferred to the customer. Indicators of such transfer include: the purchaser's right of use is exclusive and irrecoverable, the asset is specific and separable, the term of the contract is for the major part of the asset's useful economic life, the attributable costs of carrying value can be measured reliably, and no significant risks are retained by the Group. During the years ended 31 December 2004 and 2003, there were no IRU agreements meeting these turnover recognition requirements and, accordingly, turnover is recognised in a manner consistent with service contracts.

Installation service. The Group amortises turnover related to installation services on a straight line basis over the average contracted customer relationship (typically 24 months). In situations where the contracted period is significantly longer than the average, the actual contract term is used.

Non-monetary transactions. Turnover from contracts involving the provision of capacity in exchange for receiving capacity, or other services, is not recognised on the basis that the capacity does not have a readily ascertainable market value. The Company had no non-monetary transactions in the years ended 31 December 2004 and 2003.

Cost of access

Cost of access primarily comprises usage-based voice charges paid to other carriers to originate and/or terminate switched voice traffic and charges for leased lines for dedicated facilities. Access costs are expensed as the services are received from our access providers and are determined based on the volume of access received, as measured by the Group's network, and the access rates determined by arms length third party access provider contracts and/or tariff rates determined by the applicable regulatory authority. At the close of each reporting period, the Group records a provision for its best estimate of access costs.

Operating leases

Costs of the network relating to the acquisition of capacity under operating leases are deferred and are amortised over the lesser of the term of the lease or the estimated useful life of the capacity.

Connection costs

The Group is charged initial connection fees when taking on new Integrated Services Digital Network/Public Switch Telephone Network circuits from local loop suppliers, predominantly, although not solely, from BT Group. These circuits are purchased by the Group solely and specifically for the purposes of providing connectivity over the final leg of the connection between a customer's premises and the Group's 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 the average contracted customer relationship.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into pounds sterling at the rates ruling at that date with any gains and losses recorded in the consolidated profit and loss accounts unless such items are hedged with a derivative instrument. Transactions denominated in foreign currencies are translated into pounds sterling at the rates ruling at the dates of the transactions with any gains or losses reflected in administrative expenses in the consolidated profit and loss accounts.

The Group's foreign currency gains for the years ended 31 December 2004 and 2003 were £6.5 million and £3.2 million, respectively.

Goodwill

Goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired arising on the acquisition of businesses, is capitalised and amortised on a straight line basis over its useful economic life. The Group periodically evaluates the carrying values of its fixed assets, including goodwill, whenever events or circumstances indicate that the carrying amount of these assets may not be recoverable or the estimated useful life has changed. Impairment is measured by comparing the carrying amount of a fixed asset or of an income-generating unit with the 'recoverable amount,' that is, the higher of its net realisable value and its 'value in use.' 'Value in use' is calculated by discounting the expected future cash flows, using a discount rate based on an estimate of the rate that the market would expect on an equally risky investment.

Tangible fixed assets

Tangible fixed assets, which includes amounts under finance leases, are stated at cost, net of depreciation and any provision for impairment. Major enhancements are capitalised, while expenditures for repairs and maintenance are expensed as incurred. Costs recorded prior to a network segment's completion are reflected as construction in progress, which are reclassified to network assets at the date each segment of the applicable system becomes operational.

Construction in process includes direct expenditures for construction of network systems and is stated at cost. Capitalised costs include costs incurred under the construction contract; advisory, consulting and legal fees; interest; direct internal costs and operating costs; and amortised finance costs incurred during the construction phase. Once it is probable that a network system will be constructed, costs directly identifiable with the cable system under development are capitalised. Costs relating to the evaluation of new projects incurred prior to the date the development of the network system becomes probable are expensed as incurred. The Group did not capitalise any interest in any periods presented as it did not have any significant interest costs in periods when assets were being constructed.

Depreciation is provided on all tangible fixed assets, except freehold land and construction in process, 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 life as follows:

Network assets	7 – 25 years
Fixtures and fittings, tools and equipment	3 – 7 years
Leasehold improvements	Lesser of the lease term or 10 years

When property or equipment is sold, retired or otherwise disposed of, the cost and accumulated depreciation is reversed from the accounts, with any resulting gains or losses reflected in the consolidated profit and loss accounts.

The Group periodically evaluates the recoverability of its tangible fixed assets for impairment whenever events or circumstances indicate that the carrying amount of such assets (or group of assets) may not be recoverable. An impairment loss is recognised for the difference between the carrying amount of the fixed assets being evaluated and the estimated fair value of the assets. Impairment is measured by comparing the carrying amount of a fixed asset or of an income-generating unit with the 'recoverable amount,' that is, the higher of its net realisable value and its 'value in use.' 'Value in use' is calculated by discounting the expected future cash flows, using a discount rate based on an estimate of the rate that the market would expect on an equally risky investment.

Provisions for doubtful accounts and credit notes

The Group provides for doubtful accounts and sales credits. Provisions for doubtful accounts are charged to administrative expenses while provisions for sales credits are charged against turnover. The adequacy of the provisions is evaluated periodically by the Group utilising several factors including the length of time the receivables are past due, changes in the customer's credit worthiness, the customer's payment history, the length of the customer's relationship with the Group, the current economic climate, current industry trends and other relevant factors. Service level requirements are assessed to determine sales credit requirements where necessary. Changes in these estimates are charged or credited to the consolidated profit and loss accounts in the period of the change. If circumstances occur, such as changes in the financial viability of significant customers, an economic downturn, or changes in the Group's ability to meet service level requirements, the estimates of the recoverability of the Group's receivables could be reduced by a material amount.

Investment—short term deposits

The Group considers cash deposits which have maturities of greater than 24 hours to be current asset investments and, accordingly, they are reflected as short term deposits on the balance sheet.

Cash at bank and in hand

The Group considers cash in banks and deposits repayable on demand to be cash at bank and in hand. Deposits repayable on demand are those that can be withdrawn at any time without notice and without penalty or have an agreed maturity of not more than 24 hours.

Pension costs

For the defined benefit elements of the Group's pension schemes, the pension costs, which are periodically calculated by professionally qualified actuaries, are charged against the consolidated profit and loss accounts 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 Group's pension schemes, the pension costs charged to the consolidated profit and loss accounts 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 consolidated balance sheets.

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 have occurred at the balance sheet date that result in an obligation to pay more or less tax in the future. Timing differences are differences between the Group's taxable profits and its results as stated in the consolidated 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 consolidated 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.

Extinguishment of deferred income obligations

The Group enters into agreements with its customers that may result in the receipt of non-refundable cash before the relevant criteria for income recognition have been satisfied and as a result a liability is recorded as deferred income. When these agreements are terminated, for example through settlement agreements, the remaining deferred income balances are recognised as other income in operating expenses in the consolidated profit and loss accounts. Accordingly, the derecognition of these liabilities does not result in any turnover recognition by the Group. During the years ended 31 December 2004 and 2003, there was no extinguishment of deferred income obligations.

Restructuring

The Group recognises a restructuring provision once there is a constructive obligation in respect of a past event. For severance costs, this is when the Group has raised an expectation that it will carry out the restructuring and has in place a detailed formal plan. For property lease costs, this is when the Group vacates the property. Such amounts are recognised in the consolidated profit and loss accounts utilising an appropriate discount rate.

Leases

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

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

Lessor accounting

Amounts receivable under finance leases are recorded in the consolidated balance sheets at the amount of the net investment in the lease. Finance charges receivable are allocated between periods so as to produce a constant periodic rate of return on the net investment. Rental income from operating leases is recognised on a straight line basis over the lease term.

Share-based compensation

The Group records share-based compensation expense for awards it grants to its employees in its own shares and does not record compensation when granted by its parent company. If applicable, the Group records share-based compensation expense for the excess of the market value of the option on the date of grant over the option price. The Group did not grant any share-based compensation in its own shares during the years ended 31 December 2004 and 2003.

Decommissioning provision

The Group records a provision for the estimated costs of decommissioning the Group's equipment installed at third party premises on expiry of a long-term contract at the time turnover is recognised on the related sale.

Dilapidation provision

At the inception of each lease, the Group records a provision for the estimated costs required to return leased properties to their original state in accordance with the respective third party lease agreements. The provision is based on the estimated present value of the obligation utilising an appropriate discount rate.

Derivative instruments

Derivative instruments are recorded at historical cost amounts, with fair values shown as a disclosure item. The Group does not record the notional amounts of derivative instruments on the consolidated balance sheets. Interest payable or receivable under interest rate and cross currency interest rate swaps is recorded on an accruals basis at the contracted rate and recorded in interest payable in the consolidated profit and loss accounts. Cross currency interest rate swaps are used to hedge the interest payments on foreign currency denominated debt.

Fair value of financial instruments

The Group does not enter into financial instruments for trading or speculative purposes. The carrying amounts of financial instruments classified as current assets and liabilities approximate their fair value due to their short maturities. The fair values of non-current financial instruments are based on market quotes, current interest rates or management estimates as appropriate.

Reclassifications

Certain reclassifications and additional disclosures have been made to prior-year financial statements to conform to the current year presentation.

Cash flow statement

The Group is exempt from the requirement of FRS1(revised) "Cash flow statements" to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Global Crossing Limited whose consolidated financial statements, which include the Group's financial statements, are publicly available.

Notes to the consolidated accounts (continued)
Year ended 31 December 2004

International Financial Reporting Standards

The Group has initiated a project to manage the transition from UK GAAP to International Financial Reporting Standards ("IFRS") and has begun the process of (i) interpreting the accounting standards that will apply from 2005 reporting onwards, (ii) setting its future accounting policies in accordance with IFRS, and (iii) identifying the detailed accounting and disclosure requirements that may necessitate changes to the financial information systems. As this project is still ongoing, the Group is not in a position to quantify the full effect of the differences between IFRS and UK GAAP on the Group's results of operations or financial position.

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

	Turnover	
	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Provision of telecommunication services	262,731	283,880
Long term IRU agreements	7,158	4,140
Total turnover	269,889	288,020[1]
Share of joint venture turnover – provision of telecommunication services	384	479
	270,273	288,499

[1] Includes a £12.3 million reduction due to Restatement (see note 6)

3. Cost of sales, gross profit and other operating expenses

Year ended 31 December 2004	Cost of sales £'000	Gross profit £'000	Distribution costs £'000	Administrative expenses £'000
Continuing operations	(177,283)	92,606	(10,128)	(36,490)
Year ended 31 December 2003 Restated				
Continuing operations	(199,124)[2]	88,896	(9,647)	(52,741)

[2] Includes a £3.9 million reduction due to Restatement (see note 6)

4. Profit on ordinary activities before taxation

	Year ended 31 December 2004	Year ended 31 December 2003

	£'000	£'000
Profit on ordinary activities has been arrived at after charging/ (crediting):		
Auditors' remuneration and expenses:	162	118
Depreciation of tangible fixed assets (Note 11):		
—owned assets	33,603	35,073
—leased assets	830	758
Payments under operating leases:		
—hire of plant and machinery	22,878	21,155
—other operating leases	8,425	8,413
Receipts under operating lease sublets	(826)	(813)
Loss on disposal of assets	6	—
Exceptional cost—redundancy costs	737	594
Exceptional cost—onerous lease provisions	—	2,096
Exceptional gain—release of restructuring provision	(1,112)	(1,450)
Exceptional gain—rates rebate arising from reduction in agreed rateable value	(2,114)	(3,260)

On 14 December, 2004 Deloitte & Touche LLP resigned as auditors and Ernst & Young LLP were appointed. The figures above for Deloitte & Touche LLP cover both Deloitte & Touche and Deloitte & Touche LLP.

5. Finance charges, net

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Interest payable and similar charges		
Finance charges on hire purchase contracts and finance leases	(1,391)	(3,417)
Unwinding of discount on provisions and other long-term liabilities	(1,428)	(1,676)
Interest payable on STT Bridge Loan Facility	(3,023)	—
Interest payable on Senior Secured Notes	(598)	—
Amortisation of deferred finance charges	(26)	—
Interest payable on bank loans and overdrafts	(6)	(3)
Other interest payable	(22)	(377)
	(6,494)	(5,473)
Interest receivable and similar income		
Finance lease interest receivable	497	683
Interest receivable on cash and investments	3,533	1,038
	4,030	1,721
Finance charges, (net)	(2,464)	(3,752)

6 Prior Year Adjustment

Following review of the Group's accounting policies management believes the deferral of turnover attributable to the sales of dark fibre pursuant to indefeasible rights-of-use agreements ("IRU's") with third parties and recognition on a straight line basis over the term of the contract life is preferable accounting treatment to the upfront recognition of IRU's turnover. The new policy recognises revenue over the life of the IRU on a straight line basis where, as is generally the case, the Group has continuing involvement with the capacity. This change was made to reflect a preferable accounting policy based on an alternative interpretation of UITF Abstract 36, issued in 2003, and the desire for greater consistency between the UK GAAP accounting and US GAAP accounting as GCUK and GC Finance now report's its results to the United States Securities and Exchange Commission (SEC) following the secured debt offering. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	Year ended 31 December 2003 £'000
Consolidated profit and loss accounts	
Turnover	(12,306)
Cost of sales	3,914
Increase in loss for the financial year	(8,392)
Consolidated balance sheets	
Fixed assets	20,479
Debtors: amounts receivable in less than one year	(2,601)
Debtors: amounts receivable in more than one year	2,601
Creditors, amounts falling due in less than one year	(4,140)
Creditors, amounts falling due in more than one year	(78,015)
Provisions for liabilities and charges	14,365
Decrease in net assets	(47,311)
Decrease in reserves	(47,311)

7 Information regarding directors

The remuneration of the directors was as follows:

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Fees and other emoluments	107	25
Group contributions to money purchase pension schemes	11	1
Compensation for loss of office	—	37
	118	63

The remuneration of the highest paid director was as follows:

Fees and other emoluments	107	25
Company contributions to money purchase pension schemes	11	1
Compensation for loss of office	—	37
	118	63

In addition, 5 directors (2003: 4) received total remuneration in respect of services to GC Group companies of £1.7 (2003: £2.0 million) but it is not practicable to allocate this between GC Group companies.

No directors are members of a defined benefit pension scheme (2003: nil). One director is a member of a defined contribution pension scheme (2003: one).

8. Information regarding employees

Employee costs during the period (including directors):

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Wages and salaries	28,481	27,630
Social security costs	3,068	3,149
Other pension costs	1,127	(466)
	32,676	30,313

The pension charge for year ended 31 December 2003 is a credit due to the release of accruals from the previous financial year.

Average number of persons employed (including directors):

	Year ended 31 December 2004 Number	Year ended 31 December 2003 Number
Indirect	591	624

The Group's employees participate in two occupational pension schemes, the Global Crossing Pension Scheme (the "Global Scheme") and the Global Crossing Shared Cost Section of the Railways Pension Scheme (the "Railways Scheme"). The assets of these schemes are held separately from those of the Group in independently administered trusts. Contributions to the schemes in respect of the Group's defined benefit obligations are charged to the consolidated profit and loss accounts so as to spread the cost of pensions over employees' working lives with the Group. Pension costs for the years ended 31 December 2004 and 2003 were £1.7 million and £1.7 million, respectively.

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 provides for each employee who was a member of a Racal pension scheme at 24 May 2000, a benefit that represents the additional pension arising from pay increases over and above the statutory revaluation that is applied to the benefits earned in the relevant Racal scheme prior to that date. No further defined benefit entitlements are accruing.

The Group's pension obligations are assessed by a qualified actuary on the basis of triennial valuations. The most recent formal valuation of the Global Scheme at 31 March 2004 has been completed using the projected unit credit funding method. Calculations have been carried out by a qualified actuary for the purposes of estimating the Group's pension charge for the year and the Global Scheme's liabilities at 31 December 2004. The assumptions which have the most significant effects on the results of the valuation are those relating the discount rate to the rates of increase to salaries and pensions. It was assumed that investment returns would be at 4.75% per annum, that salary inflation would average 3.75% 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 2.75% per annum.

The employer made annual contributions to the defined benefit section of £0.2 million and £0.2 million for the years ended 31 December 2004 and, 2003, respectively.

The Global Scheme also provides defined contribution benefits and the cost for the years ended 31 December 2004 and 2003 was £1.4 million and £1.4 million, respectively.

The Global Crossing Shared Cost Section of the Railways Pension Scheme

The Group's pension obligations are assessed by a qualified actuary on the basis of triennial valuations. The last full valuation of the Railways Scheme was carried out at 31 December 2001, using the projected unit method. This valuation was updated to 31 December 2004. A full actuarial valuation at 31 December 2004 is currently in progress and will be reported in the year ended 31 December 2005's financial statements..

The assumptions that 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.

The most recent actuarial valuation of the Railways 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 scheme for the year ended 31 December 2004 was 7.5% of pensionable salary benefits. The costs of the scheme are paid 60% by the Group and 40% by 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).

The employer made annual contributions to the defined benefit section of £0.1 million and £0.1 for the years ended 31 December 2004 and 2003 respectively.

Both Pension Schemes

The total defined benefit cost was £0.2 million and £0.3 for the years ended 31 December 2004 and 2003, respectively. This included £0.1 million and £0.1 million 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 £2.4 million (representing a provision of £0.7 million for the Global Scheme and a prepayment of £3.1 million for the Railways Scheme) in compliance with the reporting requirements of Statement of Standard Accounting Practice ("SSAP") 24, *"Accounting for Pension Costs,"* is included under 'Debtors: amounts receivable in more than one year' in the consolidated balance sheet at 31 December 2004. At 31 December 2003, a total prepayment of £1.8 million is included under 'Debtors: amounts receivable in more than one year' in the consolidated balance sheets.

SSAP 24 disclosures

The figures included in the accounts in respect of the group pension scheme are based on an actuarial valuation carried out at 31 March 2004 for the Global Scheme and 31 December 2001 for the Railways Scheme. The valuation for the Railways Scheme does not take into account any impact of the fall in general stock market values since 31 December 2001. Any such impact will be reflected once FRS 17 is adopted, which is expected to be prior to the results of the next triennial valuations (at 1 April 2007 and 31 December 2004, respectively) being incorporated. The 31 December 2004 valuation for the Railway Scheme is underway and is expected to be incorporated during the year ended 31 December 2005.

Notes to the consolidated accounts (continued)

Year ended 31 December 2004

FRS 17 disclosures

In accordance with the transitional arrangements for the implementation of FRS 17, the following closing consolidated balance sheet information is given for each defined benefit scheme. The data provided as follows is based on a review conducted by a qualified independent actuary at 31 December 2004, 2003 and 2002 respectively:

	GC Shared Cost Section. Railways Pension Scheme			The Global Crossing Pension Scheme		
ASSUMPTIONS	**At 31 December 2004**	**At 31 December 2003**	**At 31 December 2002**	**At 31 December 2004**	**At 31 December 2003**	**At 31 December 2002**
- Rate of increase in salaries (including merit / promotion)	3.75%	4.50 %	4.00 %	3.75 %	4.50 %	4.00 %
- Rate of increase of pensions in payment	2.75%	2.50 %	2.00 %	2.75 %	2.50 %	2.00 %
- Discount rate	5.25%	5.50 %	5.50 %	5.25 %	5.50 %	5.50 %
- Inflation assumption	2.75%	2.50 %	2.00 %	2.75 %	2.50 %	2.00 %
- Long-term expected rate of return						
- Fixed Interest Bonds	4.50%	4.75 %	4.50 %	4.50 %	4.75 %	4.50 %
- Equities	8.00%	8.25 %	8.00 %	8.00 %	8.25 %	8.00 %
- Other	8.00%	8.25 %	8.00 %	4.25 %	4.50 %	N/A
- Average	7.30%	7.70 %	7.70 %	6.00 %	6.10 %	5.80 %

							Total		
BALANCE SHEET	**At 31 December 2004 £'000**	**At 31 December 2003 £'000**	**At 31 December 2002 £'000**	**At 31 December 2004 £'000**	**At 31 December 2003 £'000**	**At 31 December 2002 £'000**	**At 31 December 2004 £'000**	**At 31 December 2003 £'000**	**At 31 December 2002 £'000**
Fixed Interest Bonds	2,530	3,980	2,003	1,420	1,250	1,806	3,950	5,230	3,809
Equities	19,540	17,670	15,644	1,470	1,050	1,013	21,010	18,720	16,657
Property	2,420	1,750	2,754	—	—	—	2,420	1,750	2,754
Other	1,290	—	—	440	400	—	1,730	400	—
– Total market value of assets	25,780	23,400	20,401	3,330	2,700	2,819	29,110	26,100	23,220
– Present value of scheme liability	(25,820)	(22,110)	(19,544)	(5,800)	(4,980)	(6,257)	(31,620)	(27,090)	(25,801)
– Surplus (deficit) in the scheme	(40)	1,290	857	(2,470)	(2,280)	(3,438)	(2,510)	(990)	(2,581)
– Unrecoverable surplus	—	—	—	—	—	—	—	—	—
– Surplus attributable to employees	16	(510)	(343)	—	—	—	16	(510)	(343)
– Net pension asset/(liability)	(24)	780	514	(2,470)	(2,280)	(3,438)	(2,494)	(1,500)	(2,924)

	GC Shared Cost Section. Railways Pension Scheme		The Global Crossing Pension Scheme		Total	
	At 31 December 2004 £'000	At 31 December 2003 £'000	At 31 December 2004 £'000	At 31 December 2003 £'000	At 31 December 2004 £'000	At 31 December 2003 £'000
ANALYSIS OF THE AMOUNT THAT WOULD BE CHARGED TO OPERATING PROFIT						
-- Employer's current service cost	290	250	110	100	400	350
ANALYSIS OF THE AMOUNT THAT WOULD BE CREDITED/ TO OTHER FINANCE INCOME/(CHARGED TO OTHER FINANCE COST)						
-- Expected return on pension plan assets	1,070	910	170	160	1,240	1,070
-- Interest on pension liabilities	(740)	(630)	(280)	(340)	(1,020)	(970)
-- Net return	330	280	(110)	(180)	220	100
ANALYSIS OF AMOUNT THAT WOULD BE RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS/LOSSES						
-- Actual return less expected return on plan assets	1,710	3,400	330	(260)	2,040	3,140
-- Experience gains / (losses) arising on the plan's liabilities	—	—	(850)	1,950	(850)	1,950
-- Changes in assumptions underlying the plan liabilities	(3,200)	(3,137)	280	(472)	(2,920)	(3,609)
-- Increase in unrecoverable surplus	—	—	—	—	—	—
-- Increase in surplus attributable to employees	526	(167)	—	—	526	(167)
-- Actuarial loss recognised in STRGL	(964)	96	(240)	1,218	(1,204)	1,314
RECONCILIATION OF SURPLUS/(DEFICIT)						
-- Surplus/(deficit) in plan at beginning of the year	780	514	(2,280)	(3,438)	(1,500)	(2,924)
-- Employer's current service cost	(290)	(250)	(110)	(100)	(400)	(350)
-- Employer's contributions	120	140	270	220	390	360
-- Other finance income/(cost)	330	280	(110)	(180)	220	100
-- Actuarial gain/(loss)	(964)	96	(240)	1,218	(1,204)	1,314
-- Surplus/(deficit) in plan at end of the year	(24)	780	(2,470)	(2,280)	(2,494)	(1,500)
HISTORY OF EXPERIENCE GAINS AND LOSSES						
-- Actual return less expected return on plan assets						
-- amount	1,710	3,400	330	(260)	2,040	3,140
-- percentage of plan assets	7%	15%	10%	(10)%	7%	12%
-- Experience gains / (losses) on plan liabilities						
-- amount	—	—	(850)	1,950	(850)	1,950
-- percentage of the present value of the plan liabilities	— %	— %	(15)%	39%	(3)%	7%
-- Total loss recognised in statement of total recognised gains and losses						
-- amount	(964)	96	(240)	1,218	(1,204)	1,314
-- percentage of the present value of the plan liabilities	(4)%	— %	(4)%	25%	(4)%	5%

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

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Equity shareholder's deficit	(22,257)	(199,817)
Less: pension fund asset under SSAP 24	(2,385)	(1,795)
Add: pension fund liability under FRS 17	(2,494)	(1,500)
Revised equity shareholder's deficit	(27,136)	(203,112)

9. Tax on profit on ordinary activities

Reconciliation of tax charge

The tax differs from the standard rate of corporation tax in the UK of 30%.

The differences are explained as follows:

	2004	2003
	£'000	£'000
Profit on ordinary activities before taxation	43,739	23,071
Tax on profit at 30%	13,122	6,921
Factors affecting tax charge for the year:		
Expenses not deductible for tax purposes	694	1,098
Taxable amounts credited to reserves	—	6,080
Deficit of tax allowances over book depreciation	(5,630)	(8,658)
Other timing differences	(14,692)	644
Unrecognised tax losses carried forward	7,208	5
Utilisation of group relief	(694)	(5,786)
Utilisation of losses brought forward	(8)	(305)
Current tax for the year	—	—
Deferred tax for the year	(5,064)	—
Total tax for the year	(5,064)	—

There was no deferred tax charge or credit in the year ended 31 December 2003 as there was no deferred tax asset or liability recognised in the year. However, at that date there was a significant deferred tax asset, which has been principally generated by the Company's losses to date. This deferred tax asset was not recognised due to the uncertainty surrounding its crystallisation. In the year ended 31 December 2004, the Company recognised a £5.1 million deferred tax asset, and corresponding deferred tax benefit, due to sufficient positive evidence of the future realisation of those assets.

Net deferred tax assets and liabilities are as follows:

	2004	2003
	£'000	£'000
Accelerated capital allowances	(3,713)	(10,389)
Other timing differences	(1,788)	(20,907)
Tax losses available	(97,105)	(74,267)
	(102,606)	(105,563)
Deferred tax assets – not provided	97,642	105,563
	(5,064)	—

The Company's tax loss carryforward was £323.7 million and £247.6 million at 31 December 2004 and 2003, respectively.

10. Intangible fixed assets - goodwill - Group

Goodwill comprised the following at 31 December 2004 and 2003:

	Goodwill
	£'000
Cost	28,535
Depreciation and impairment	(28,535)
Net book value	—

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"* ("FRS 11"), the impairment charge was allocated first against goodwill, with the remainder 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 2004 financial statements confirmed that the carrying value of goodwill remains £nil.

11. Tangible fixed assets - Group

	Leasehold improvements	Fixtures and fittings, tools and equipment	Network assets	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2004	15,644	34,401	660,439	710,484
Prior Year Adjustment	—	—	20,428	20,428
At 1 January 2004 restated	15,644	34,401	680,867	730,912
Reclassifications	306	(315)	9	—
Additions	358	1,615	32,980	34,953
Disposals	—	(48)	—	(48)
At 31 December 2004	16,308	35,653	713,856	765,817
Depreciation				
At 1 January 2004	(10,875)	(31,304)	(502,803)	(544,982)
Prior Year Adjustment			51	51
At 1 January 2004 restated	(10,875)	(31,304)	(502,752)	(544,931)
Charge for the year	(664)	(681)	(33,088)	(34,433)
Disposals	—	24	—	24
At 31 December 2004	(11,539)	(31,961)	(535,840)	(579,340)
Net book value				
At 31 December 2004	4,769	3,692	178,016	186,477
At 31 December 2003	4,769	3,097	178,115	185,981

The Group's network assets include finance leases, operating leases and construction in process. At 31 December 2004 and 2003, the net book value of assets held under finance leases and hire purchase contracts was £11.8 million and £6.5 million, respectively. The Group subleased certain of these assets and received rental payments of £2.2 million and £5.1 million in the years ended 31 December 2004 and 2003, respectively. The cost and accumulated depreciation of assets held to lease out under operating leases at 31 December 2004 and 2003 was £1.1 million giving a net book value of £nil. The cost and net book value of construction in progress (which is not depreciated) at 31 December 2004 and 2003 was £5.4 million and £8.8 million, respectively.

Impairment of tangible assets

During the year ended 31 December 2001, the Group recorded a £66.4 million impairment charge in accordance with FRS 11. This impairment review was updated in 2002, 2003 and 2004, and the directors believe no additional asset impairment charge is required for any of these years. In reaching this assessment, the directors have followed the provisions of FRS 11 and have considered the forecasted cash flows of the business.

12. Investments

	Group £'000	Company £'000
Investment	4	21,895

Effective 31 December 2004, GC Bidco purchased assets from other Group Companies for £21.9 million which represented the net book value of the assets on the date of acquisition. GC Bidco contributed these assets to GCUK in exchange for 1,000 shares of GCUK's £1 per value ordinary shares.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of Business
Subsidiary undertakings			
GC Finance PLC	Ordinary shares	100%	Financing
Global Crossing (UK) Telecommunications Limited	Ordinary shares	100%	Telecommunications
Global Crossing (UK) Telecommunications Networks Limited	Ordinary shares	100%	Dormant
Global Crossing (UK) Internet Services Limited	Ordinary shares	100%	Dormant
Global Crossing Communications International Limited	Ordinary shares	100%	Dormant
Racal Telecommunications, Inc	Ordinary shares	100%	Telecommunications
Joint venture undertakings			
International Optical Network LLC	Ordinary shares	50%	Telecommunications
International Optical Network Limited	Ordinary shares	50%	Telecommunications
Associated undertaking			
Dublin London Network Limited	Ordinary shares	45%	Telecommunications Services

Subsidiary undertakings

	Total £'000
Cost	
At 1 January 2004 and 31 December 2004	104,850
Amounts written off	
At 1 January 2004 and 31 December 2004	104,850
Net book value	
At 31 December 2003 and 31 December 2004	-

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 outflow 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.

13. Debtors

	Group 2004 £'000	Company 2004 £'000	Group 2003 Restated £'000	Company 2003 £'000
Amounts due within one year:				
Trade debtors (billed)	44,371	—	45,894	—
Provisions	(4,038)	—	(5,887)	—
Trade debtors, net	40,333	—	40,007	—
Amounts owed by Group Companies	163,584	159,817	69,382	360,932
Other debtors	1,095	—	11,100	—
Prepayments	15,615	—	13,060	—
Accrued income	3,754	—	5,896	—
Amounts receivable under finance leases	539	—	1,832	—
Value added tax	3,805	3,805	1	1
	228,725	163,622	141,278	360,933
Amounts due after more than one year:				
Prepayments and accrued income	5,684	—	6,226	—
Amounts receivable under finance leases	3,744	—	4,231	—
Trade debtors	1,545	—	1,593	—
Deferred tax asset (Note 9)	5,064	—	—	—
SSAP 24 pension prepayment (Note 8)	2,385	—	1,795	—
	18,422	—	13,845	—

Notes to the consolidated accounts (continued)
Year ended 31 December 2004

	Group 2004 £'000	Company 2004 £'000	Group 2003 Restated £'000	Company 2003 £'000
Total amounts due	247,147	163,622	155,123	360,933

14. Creditors: amounts falling due within one year

	Group 2004 £'000	Company 2004 £'000	Group 2003 Restated £'000	Company 2003 £'000
Trade creditors	30,836	—	35,119	—
Amounts owed to Group Companies	31,707	25,964	312,408	267,849
Other creditors	3,115	—	1,074	—
Obligations under finance leases and hire purchase contracts (Note 15)	6,709	—	7,850	—
Other taxes and social security costs	758	—	728	—
Accruals	16,570	—	25,065	—
Deferred income	30,230	—	26,182[iii]	—
	119,925	25,964	408,426	267,849

[1] Includes £4.1 million in increase due to Restatement (see Note 6)

The amounts owed to group companies are non-interest bearing.

15. Creditors: amounts falling due after more than one year

	Group 2004 £'000	Company 2004 £'000	Group 2003 Restated £'000	Company 2003 £'000
Obligations under finance leases and hire purchase contracts	32,906	—	35,083	—
Senior Secured Notes (Note 16)	195,335	—	—	—
Other creditors	1,564	—	1,303	—
Deferred income	114,154	—	129,053[iv]	—
	343,959	—	165,439	—
Obligations under finance leases and hire purchase contracts:				
Falling due within one year	6,709	—	7,850	—

	Group 2004	Company 2004	Group 2003 Restated	Company 2003
	£'000	£'000	£'000	£'000
Falling due between two and five years	21,390	—	18,533	—
Falling due after five years	11,516	—	16,550	—
	39,615	—	42,933	—

[1] Includes £78.0 million in increase due to Restatement (see Note 6)

Obligations under finance leases and hire purchase contracts are secured against hybrid transmitter networks and bear finance charges at rates ranging from 8.4% to 11.7% per annum.

16. Debt

Senior Secured Notes consists of the following:

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
10.75% US Dollar Senior Secured Notes, due 2014, net of unamortised discount of £1.5 million and deferred financing costs of £5.2 million	97,092	—	—	—
11.75% Pound Senior Secured Notes, due 2014, net of unamortised discount of £1.5 million and deferred financing costs of £5.3 million	98,243	—	—	—
	195,335	—	—	—

Senior Secured Notes

As discussed in the Directors' report, on 23 December 2004, GC Finance issued $200.0 million in aggregate principal amount of 10.75% United States denominated senior secured notes (the "US Dollar Senior Secured Notes") and £105.0 million in aggregate principal amount of 11.75% Pound sterling senior secured notes (collectively, the "Senior Secured Notes"). The Senior Secured Notes were issued at a discount of approximately £3.1 million. The Senior Secured Notes mature on the tenth anniversary of their issuance with interest due and payable on 15 June and 15 December of each year. The discount and the fees associated with the issuance of the Senior Secured Notes are amortised over the term of the notes on the effective interest rate method.

The Senior Secured Notes are senior obligations of GC Finance and rank equal in right of payment with all of its future debt. GCUK has guaranteed the Senior Secured Notes as a senior obligation ranking equal in right of payment with all of its existing and future senior debt. The Senior Secured Notes are secured by certain assets of the Company, including the capital stock of GC Finance.

GC Finance may redeem the Senior Secured Notes in whole or in part, at any time on or after 15 December 2009, at redemption prices decreasing from 105.375% (for the US Dollar Senior Secured Notes) or 105.875% (for the pounds sterling denominated notes) in 2009 to 100% of the principal amount in 2012 and thereafter. At any time before 15 December 2009, GC Finance may redeem either or both series of notes, in whole or in part, by paying a "make-whole" premium, calculated in accordance with the Senior Secured Notes indenture. GC Finance may also redeem up to 35% of the principal amount of either series of notes before 15 December 2007 using the proceeds of certain equity offerings. GC Finance may also redeem either or both series of notes, in whole but not in part, upon certain changes in tax laws and regulations.

The Senior Secured Notes were issued under an indenture, which includes covenants and events of default that are customary for high-yield senior note issuances. The indenture governing the Senior Secured Notes limits GCUK's ability to, among other things: (i) incur or guarantee additional indebtedness, (ii) pay dividends or make other distributions to repurchase or redeem its stock; (iii) make investments or other restricted payments, (iv) create liens; (v) enter into certain transactions with affiliates (vi) enter into agreements that restrict the ability of its material subsidiaries to pay dividends; and (vii) consolidate, merge or sell all or substantially all of its assets.

A loan or dividend payment by GCUK to GCL or other GC Group Companies is a restricted payment under the indenture governing the Senior Secured Notes. The indenture permits certain restricted payments including, subject to certain restrictions, upstreaming at least 50% of GCUK's operating cash flow as defined in the indenture.

Retired STT Bridge Loan Facility

On 18 May 2004, GCUK entered into an agreement with a subsidiary of Singapore Technologies Telemedia Pte Ltd ("ST Telemedia"), GCL's controlling shareholder, to provide it with up to $100.0 million in financing under a senior secured loan facility (the "STT Bridge Loan Facility"). This agreement was amended on 2 November 2004 to increase the availability thereunder to $125.0 million. The entire $125.0 million under the STT Bridge Loan Facility was borrowed as of 5 November 2004. The Facility was initially scheduled to mature on 31 December 2004 and initially bore interest at a rate equal to one-month London interbank offered rate ("LIBOR") plus 9.9%. Every 90 days after 18 May 2004 closing, the spread over LIBOR increased by 0.5%. In addition, the Company was required to pay a fee of 1.0% per annum on any undrawn portion of the STT Bridge Loan Facility. On 23 December 2004, the Facility was terminated as part of the debt restructuring discussed in the directors' report.

17. Provisions for liabilities and charges - Group

	Decom-missioning costs	Dilapidations	Onerous leases	Dark fibre costs	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2004	146	2,579	13,836	14,365	16,561
Prior Year Adjustment (see note 6)	—	—	—	(14,365)	—
At 1 January 2004 restated	146	2,579	13,836	—	16,561
Amounts credited to the profit and loss account	—	(167)	(1,112)	—	(1,279)
Adjustments arising from unwinding of discount	—	153	1,208	—	1,361

	Decom-missioning costs	Dilapidations	Onerous leases	Dark fibre costs	Total
	£'000	£'000	£'000	£'000	£'000
Adjustments arising from changes in discount rate	—	67	—	—	67
Utilised in the year	(146)	(248)	(3,835)	—	(4,229)
At 31 December 2004	—	2,384	10,097	—	12,481

The provision for decommissioning represented the estimated costs of decommissioning the Group's equipment installed at third party premises on the expiration of a long-term contract. The Group fully utilised this provision during the year ended 31 December 2004.

The dilapidation provision is the estimated costs required to return leased properties to their original state in accordance with the respective third party lease agreements based on the estimated present value of the obligation utilising an appropriate discount rate. The Group has entered into various property leases that primarily expire between 1 year and 115 years from the balance sheet date.

18 Contingent liabilities

UK Office of Fair Trading

On August 23, 2002, an investigation was commenced by the UK Office of Fair Trading (the "OFT") regarding an allegation that various subsea cable operator entities, including the Company, had engaged in an illegal agreement to collectively boycott a location in the UK as a means for the landing of subsea telecommunications cables in the UK. The Company responded to that investigation in 2002 denying the allegation.

In August 2003, the OFT extended its investigation in respect of 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 UK. The Company responded to those allegations on October 10, 2003. The Company has cooperated fully with the investigation and has supplied additional factual materials including a number of formal witness statements. By letter dated December 2, 2004, the OFT informed the Company and others that its investigation is continuing and that it will be issuing a Statement of Objections to a number of parties under investigation. The OFT has not, however, indicated which parties will be receiving such a statement and to date no findings have been made against the Company and the Company continues to deny any wrongdoing. On April 15, 2005, the Company received a request for the production of certain information to which the Company has responded. If the OFT determines that the Company engaged in anti-competitive behavior, the OFT may impose a fine up to a maximum of 10% of the Company's turnover in this field of activity in the UK for up to three years preceding the year on which the infringement ended.

Litigation

From time to time, the Company has been a party to various legal proceedings arising in the ordinary course of business. In the opinion of the Company's directors there are currently no proceedings in respect of which there exists a reasonable possibility of adverse outcome that would have a material effect on the Company's consolidated balance sheet, consolidated profit and loss accounts or consolidated cash flow statements.

19 Provision for share of net liabilities in joint venture

	£'000
Share of net liabilities	
At 31 December 2003	(1,096)
Share of retained profit for the year	215
At 31 December 2004	(881)

20. Called-up share capital

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'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. Movement on profit and loss account

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000 Restated	Company 2003 £'000
Retained loss at beginning of year as previously stated	(470,306)	(224,522)	(826,811)	(374,829)
Prior year restatement (see note 6)	(47,311)	—	—	—
Retained loss at the beginning of the year as restated	(517,617)	(224,522)	(826,811)	(374,829)
Profit/(loss) for the year	48,803	2,806	23,071	1,683
Capital contribution	128,757	63,637	286,124	148,624
Retained loss at end of year	(340,057)	(158,079)	(517,616)	(224,522)

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 members of the group 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 capital contribution.

22. Reconciliation of movements in equity shareholder's deficit

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000 Restated	Company 2003 £'000
Opening equity shareholder's deficit as previously stated	(152,506)	93,278	(509,011)	(57,029)
Prior year restatement (see note 6)	(47,311)	—	—	—
Retained loss at the beginning of the year as restated	(199,817)	93,278	(509,011)	(57,029)
Profit/(loss) for the year	48,803	2,806	23,071	1,683
Capital contribution	128,757	63,637	286,123	148,624
Closing equity shareholder's deficit	(22,257)	(159,721)	(199,817)	93,278

23. Commitments

Leases

The Company had annual commitments under non-cancelable operating leases as follows:

	31 December 2004		31 December 2003	
	Land and buildings £'000	Other assets £'000	Land and buildings £'000	Other assets £'000
Payable on operating leases that expire				
—within one year	75	425	240	1,289
—between two and five years	383	4,412	68	10,205
—after five years	5,717	10,451	8,294	4,524
	6,175	15,288	8,602	16,018

The Group incurs 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 Group'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 Group's lease.

Purchase commitments

The Group has purchase commitments with third party access vendors that require it to make payments to purchase network services, capacity and telecommunications equipment through 2008. Some of these access vendor commitments require the Group to maintain minimum monthly and/or annual billings, in certain cases based on usage. In addition, the Group has purchase commitments with third parties that require it to make payments for operations, administration and maintenance services for certain portions of its network through 2025. The minimum commitment at 31 December 2004 is £93.4 million and is payable over periods of one to twenty-one years. Additionally, at 31 December 2004, the Group had entered into agreements for £3.6 million of future capital expenditures.

24. Derivatives and other financial instruments

Treasury policy and risk management

The Group's treasury management is conducted primarily by GCL on behalf of the GC Group. GCL is responsible for raising financing for operations, together with associated liquidity management, and the management of foreign exchange and interest rate risk. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the GCL Audit Committee, who receive regular updates of treasury activity. Financial instruments are entered into for risk management purposes only. It is the GC Group's policy that all hedging is to cover known risks and that no trading in financial instruments is undertaken.

The Group's principal risks are its exposures to changes in interest rates and currency exchange rates, which both arise from the Group's sources of financing. Following evaluation of those positions, the Group, as directed by the group treasury management, selectively enters into derivative financial instruments to manage these exposures.

Interest rate management

The Group has financial exposures to interest rates, arising primarily from finance leases and the Senior Secured Notes. These exposures are primarily managed by borrowing at fixed rates of interest. At 31 December 2004 and 2003, the Group's borrowings, excluding finance leases, are at fixed rates of interest. During the year ended 31 December 2004, the Group has entered into a cross currency interest rate swap (described below) which has swapped the 10.75% US dollar interest rate to a 11.65% pound sterling rate at an exchange rate of £1 to $1.945 for interest payments due between June 2005 and June 2010 on the US Dollar Senior Secured Notes. The maturity of the swap was set to generally match the non-call period of the Senior Secured Notes.

The Group's finance leases incur interest based on the rates inherent in the finance lease agreement.

Currency exchange rates

The Group operates primarily in the UK and more than 95% of its revenue and operating costs are denominated in pounds sterling. In addition, substantially all of the Group's assets and liabilities, excluding obligations to GC Group and third party financing, are denominated in pounds sterling.

At 31 December 2004 and 2003, the Group had net payables of £5.7 million and £27.3 million, respectively, denominated in currencies other than pounds sterling. In the years ended 31 December 2004 and 2003, the Company recognised a foreign currency gain of £6.5 million and £3.2 million, respectively, on the liabilities denominated in other currencies.

Notes to the consolidated accounts (continued)

Year ended 31 December 2004

The Group assesses its currency exchange exposure and enters into financial instruments, as it believes necessary to, manage this risk. At 31 December 2004, the Group had US dollar-denominated debt of £102.3 million on which it must pay interest on a semi-annual basis beginning on 15 June 2005. The Group has entered into a five year cross currency interest rate swap to minimise exposure of any US dollar to pounds sterling currency conversion for the interest payments due on the US Dollar Senior Secured Notes. This cross currency interest rate swap converts the US dollars to pounds sterling at a rate of £1 to $1.945 and swaps the interest rate on the associated payments from 10.75% to 11.65%.

The Group has not entered into any currency swap agreements for the principal amount of the US dollar denominated debt. At 31 December 2004 and 2003, the split of aggregate borrowings, including finance leases, into their core currencies was US dollar 43.0% and nil, respectively and pounds sterling 57.0% and 100%, respectively.

Interest rate risks

The interest rate profile of the Company's long term debt, including finance leases, was as follows:

	31 December 2004				Weighted averages for fixed rate debt	
	Fixed Rate	Floating Rate	Interest Free	Total	Interest rate	Weighted average period for which the rate is fixed
	£'000	£'000	£'000	£'000		
Pound Sterling	97,092	32,906	—	129,998	11.75%	10 years
US Dollar	98,243	—	—	98,243	11.20%	10 years
	195,335	32,906	—	228,241		

	31 December 2003				Weighted averages for fixed rate debt	
	Fixed Rate	Floating Rate	Interest Free	Total	Interest rate	Weighted average period for which the rate is fixed
	£'000	£'000	£'000	£'000		
Pound Sterling	—	35,083	328,934	364,017	—	—
US Dollar	—	—	—	—	—	—
	—	35,083	328,934	364,017		

Further details of interest rates on long term borrowings are given in Note 16.

The Group's loans from GC Group did not incur interest. The Group's finance leases incur interest at floating rate of 9.2%, which is inherent in the finance lease agreements.

Cash and short term deposits of £21.361 million and £50.597 million at 31 December 2004 and 2003, respectively comprises cash at bank of £0.634 million and £15.439 million and short term bank deposits of

£20.727 million and £35.158 million in a variety of maturities of up to one month, all attracting overnight money market rates of interest.

Currency risks

The Group's currency exposures, after hedging, give rise to the net currency gains and losses recognised in the consolidated profit and loss accounts. Such exposures comprise the net monetary assets and liabilities of the GC Group that are not denominated in the functional currency of the operating unit involved and principally consist of the US Dollar Senior Secured Notes. The following table presents the exposure of net foreign currency monetary assets (liabilities):

	31 December 2004			31 December 2003			
	US dollars	Euros	Total	US dollars	Euros	Canadian dollars	Total
Functional currency of the Company							
Pounds Sterling	(109,378)	3,000	(106,378)	(31,692)	682	(348)	(31,358)

Liquidity risks

The profile of the GC Group's financial liabilities, other than short-term creditors, is shown in Note 15. The profile of provisions is shown in Note 17.

Fair values

Set out below is a comparison by category of the book values and the estimated fair values of the GC Group's financial assets and financial liabilities, and associated derivative financial instruments. Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that the Group would realise upon a disposition nor do they indicate the Group's intent or ability to dispose of the financial instruments. The fair values of the Senior Secured Notes, excluding the deferred finance charges, and the cross currency interest rate swap are estimated based upon the market quotes. The fair value of trade debtors greater than one year is estimated based upon the net present value of the carrying value using a discount rate equivalent to that expected to be received on an interest bearing third party debtor balance. The fair value of the financial instruments associated with finance leases have been estimated as equal to book value due to the variable nature of the interest on the financial instruments. The remaining financial instruments have been estimated as equal to the carrying value due to their short term nature.

	31 December 2004		31 December 2003	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments held or issued to finance the Group's operations:				
Cash at bank and in hand	21,361	21,361	15,439	15,439
Investments – short term deposits	—	—	35,158	35,158
Debtor amounts receivable in less than one year	18,422	18,422	13,845	13,845
Trade debtors greater than one year	1,545	1,212	1,593	1,188
Amounts receivable under finance leases	3,744	3,744	4,231	4,231
Obligations under finance leases and hire purchase contracts falling due after more than one year	32,906	32,906	35,083	35,083
Senior Secured Notes	195,335	197,591	—	—

	31 December 2004		31 December 2003	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Derivative financial instruments held to manage the interest rate and currency profile:				
Cross currency interest rate swap	—	(2,440)	—	—

Hedges

The GC Group's policy is to hedge the currency exchange exposure related to the first five years of interest payments on the US Dollar Senior Secured Notes. Gains and losses on hedging instruments, which are eligible for hedge accounting treatment, are not recognised until the hedged position is recognised.

The unrecognised gains and losses on instruments used for hedging, and the movements therein are as follows for the year ending 31 December 2004. There was no such instrument in the year ending 31 December 2003.

	Gains	Losses	Total
	£'000	£'000	£'000
Gains and losses arising before the beginning of the year that were not recognised in the year	—	—	—
Gains and losses arising in the year that were not recognised in the year	—	(2,440)	(2,440)
Unrecognised gains and losses on hedges at the end of the year	—	(2,440)	(2,440)
Of which:			
Gains and losses expected to be recognised in the next year	—	(488)	(488)
Gains and losses expected to be recognised after the next year	—	(1,952)	(1,952)

25. Ultimate parent company and controlling party

At 31 December 2004, the Company's directors regarded Temasek Holdings (Private) Limited ("Temasek"), a company incorporated in the Republic of Singapore, as the ultimate parent company and ultimate controlling party. The largest group, which includes the Company and for which financial results are prepared, is that headed by Temasek, whose registered office is 60B Orchard Road, # 06-18, Tower 2, Singapore 238891.

The Company's immediate parent company is GC Holdings Limited, a company registered in Bermuda and Wales. The consolidated financial statements of GC Holdings Limited include the results of the Company and 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 STT Communications Ltd. have not been disclosed in these financial statements.

[iii] Includes £4.1 million in increase due to Restatement (see Note 6)