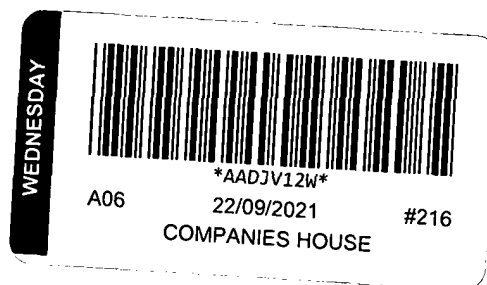


Lumen Technologies EMEA Holdings Limited
(Formerly CenturyLink EMEA Holdings Limited)
Registered number: 3855219

Directors' report and financial statements for the year ended 31 December 2020



Lumen Technologies EMEA Holdings Limited

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Lumen Technologies EMEA Holdings Limited

Strategic Report

The purpose of this Strategic Report is to communicate a fair review of the business and principal risk and uncertainties facing the company.

Principal activity and business review

Lumen Technologies EMEA Holdings Limited (formerly CenturyLink EMEA Holdings Limited) ("the Company") is a company registered in England and Wales at 260-266, Goswell Road, London, EC1V 7EB.

The Company is a member of the Lumen Group of Companies ("the Group" or "Lumen"), an international facilities-based communications company engaged primarily in providing an integrated array of services to business and residential customers. The communications services include local and long-distance voice, virtual private network ("VPN") data network, private line (including business data services), ethernet, information technology, wavelength, broadband, colocation and data centre services, managed services, professional and other services provided in connection with selling equipment, network security and various other ancillary services. The Group network is designed to provide communications services that employ and take advantage of rapidly improving underlying optical, internet Protocol ("IP"), computing and storage technologies.

The principal activity of the Company is to act as holding company to a group of companies that provide telecommunication services to enterprise and carrier customers.

The Group is currently focusing its attention on a number of operational and financial objectives, including: (1) growing free cash flow per share as it believes that it has the ability to drive that growth, first through synergy achievement, and then through ongoing efficiencies and profitable revenue growth over the long term; (2) continuing growth in adjusted EBITDA; (3) strong free cashflow generation; (4) achieving the expected operating expense and capital cost savings; (5) investing in the products, services and customer experience platforms necessary to meet the connectivity and managed services needs of the business market; (6) focusing on customers' needs and improving overall customer experience; (7) concentrating its capital expenditures on those technologies and assets that enable the Group to increase its Core Network Services revenue; and (8) managing the Wholesale Voice Services for margin contribution. Adjusted EBITDA is defined as the net result for the year before tax, depreciation, amortisation, impairment, non-cash share-based payment charges and discontinued operations.

The ultimate parent company of the Company is Lumen Technologies, Inc., a company registered in the United States of America. The results of the Company are consolidated, into Lumen Technologies, Inc., whose group financial statements can be obtained from Investor Relations, 100 CenturyLink Drive, Monroe, Louisiana, 71203, United States of America.

Financial performance

Operating loss for the year was £23.3 million (2019: \$0.2 million). The loss for the year after taxation was £88.7 million (2019: £60.3 million). Primarily due to impairment of investments.

As at 31 December 2020, the company had net liabilities of £521.6 million (2019: £433.0 million).

The capital structure of the Company consists of intercompany debt, cash and cash equivalents, investments in subsidiaries and equity attributable to equity holders of the parent, comprising issued capital and reserves and reduced by the accumulated deficit.

The primary objective of the Company's capital management is to ensure that it maintains a healthy credit rating in order to support its business and enable it to continue as a going concern.

Lumen Technologies EMEA Holdings Limited

Going concern

The financial statements have been prepared on the going concern basis which the Directors believe to be appropriate. The Company is dependent for its cash requirements on a group cash pooling arrangement and on funds provided by Lumen Technologies, Inc., the Company's ultimate parent entity, and other companies in the Lumen group. The company is also dependent on other group companies not recalling amounts due to them. Lumen Technologies, Inc. has indicated its intention to provide such financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least twelve months from the signing date of these financial statements.

As with any company placing reliance on other group entities for financial support, the Directors of the Company acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that support would not be provided.

The Directors have considered the liquidity of the Company going forward, in particular adverse effects that could arise due to the ongoing COVID-19 pandemic and have deemed that due to the expected support from the group, they believe that the Company is well placed to manage its financing and future commitments over a period of at least 12 months from the date of the financial statements.

Principal risks facing the business

The Directors consider that the principal risks and uncertainties faced by the Company are as follows:

Risks related to liquidity and financial resources

Continued uncertainty in the global financial markets and economy may negatively affect our financial results. Declines in customer spending, failure of key suppliers to provide us with the services/materials for our network could negatively impact our operating results and financial condition.

Risk related to market

The Company has investments in subsidiaries subject to market risk arising due to operations, liquidity and others. Due to change in market conditions, it may adversely impact the carrying value of the investments. The Company monitors any indication of impairment on a regular basis and perform impairment analysis on an annual basis.

Section 172 statement

The Company acts a holding company within the Group and therefore, does not have direct relationships with employees, suppliers and customers. The Company holds investments in other Group companies and therefore, has a business relationship with such entities. During the accounting year under review the Company has considered its activities and decisions however, as a holding company there has been limited business activity during the year. The Company approved the financial accounts for the year ended 31 December 2020 which gave our stakeholders a view of the current financial position of the Company. The accounts were independently audited by KPMG LLP which ensured that the accounts had been audited by an independent party. No other business activity that would impact our stakeholders took place within the Company during 2020.

By order of the Board,


Qamar Qadeer
Director

9 September 2021
Registered office
260-266, Goswell Road
London EC1V 7EB

Lumen Technologies EMEA Holdings Limited

Registered number: 3855219

Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2020.

Financial performance

Revenue for the year amounted to £nil (2019: £nil). The loss before and after tax for the year amounted to £88.6 million (2019: £60.3 million). The net liabilities as at 31 December 2020 were £521.6 million (2019: £433.0 million).

The Directors do not recommend the payment of a dividend (2019: £nil).

Future developments

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

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

Going Concern

The Financial Statements has been prepared on going concern basis.

Streamlined Energy and Carbon Reporting (SECR)

The company is a small energy user due to the nature of the operations and therefore have not reported on SECR (including subsidiaries) in its standalone financial statements as it not a useful and relevant information to the user.

The subsidiaries of the company in UK have disclosed in their standalone financial statements on SECR which is available on Companies House website.

Risks

The Company's financial risk management objective and policies in respect of financial instruments are discussed in Note 10 to these financial statements.

Political and Charitable Donations

Grants and charitable donations made during the period amounted to £nil (2019: £nil). There were no political contributions made during the period (2019: £nil).

Lumen Technologies EMEA Holdings Limited

Directors' Report (continued)

Directors

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

D. Robinson
Q. Qadeer

Directors' liabilities

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

Subsequent events

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

Auditor

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

Disclosure of information to the auditor

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

By order of the Board,

Qamar Qadeer
Director



9 September 2021
Registered office
260-266, Goswell Road
London
EC1V 7EB

Registered number: 3855219

Lumen Technologies EMEA Holdings Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUMEN TECHNOLOGIES EMEA HOLDINGS LIMITED

Opinion

We have audited the financial statements of Lumen Technologies EMEA Holdings Limited ("the company") for the year ended 31 December 2020 which comprise the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of financial position, statement of cashflow, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and in-house legal team as to whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUMEN TECHNOLOGIES EMEA HOLDINGS LIMITED (continued)

As required by auditing standards, and taking into account possible pressures to meet profit targets/ recent revisions to guidance/ our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment assessment over investments. On this audit we do not believe there is a fraud risk related to revenue recognition because the company has no revenue as it operates as a holding company.

We did not identify any additional fraud risks

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included entries posted to unrelated accounts, post year-end adjustments, and others.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards), and from inspection of the regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUMEN TECHNOLOGIES EMEA HOLDINGS LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- a adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



John Edwards (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

20 September 2021

Lumen Technologies EMEA Holdings Limited

Statement of Comprehensive Loss for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Administrative expenses		(3)	(28)
Impairment of investment	7	(23,261)	-
Operating loss	3	(23,264)	(28)
Finance income	5	2	1
Finance charges	5	(65,377)	(60,232)
Net finance charges		(65,375)	(60,231)
Loss before tax		(88,639)	(60,259)
Tax credit	6	-	-
Loss for the year		(88,639)	(60,259)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Comprehensive loss for the year		(88,639)	(60,259)

The results for the year are derived entirely from continuing operations. There were no other recognised gains or losses for the year other than those included in the profit and loss account and other comprehensive income.

The notes on pages 15 to 25 form an integral part of these financial statements.

Lumen Technologies EMEA Holdings Limited

Statement of Changes in Equity for the year ended 31 December 2020

	Equity share capital £000	Accumulated deficit £000	Total equity £000
At 1 January 2019	201,377	(574,108)	(372,731)
Loss for the year	-	(60,259)	(60,259)
At 31 December 2019	201,377	(634,367)	(432,990)
Loss for the year	-	(88,639)	(88,639)
At 31 December 2020	201,377	(723,006)	(521,629)

The notes on pages 15 to 25 form an integral part of these financial statements.

Lumen Technologies EMEA Holdings Limited


Statement of Financial Position

as at 31 December 2020

	Notes	2020 £000	2019 £000
<i>Non-current assets</i>			
Investments in subsidiaries	7	349,721	372,982
<i>Current assets</i>			
Trade and other receivables	8	53	49
Cash and cash equivalents		24	26
		<u>77</u>	<u>75</u>
Total assets		<u>349,798</u>	<u>373,057</u>
<i>Non-current liabilities</i>			
Trade and other payables	9	(418,055)	(418,058)
<i>Current liabilities</i>			
Trade and other payables	9	(453,372)	(387,989)
Total liabilities		<u>(871,427)</u>	<u>(806,047)</u>
Net liabilities		<u>(521,629)</u>	<u>(432,990)</u>
<i>Capital and reserves</i>			
Equity share capital	11	201,377	201,377
Accumulated deficit		(723,006)	(634,367)
Shareholders' deficit		<u>(521,629)</u>	<u>(432,990)</u>

The notes on pages 15 to 25 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 9 September 2021 and are signed on its behalf by:


Qamar Qadeer
Director

Lumen Technologies EMEA Holdings Limited

Statement of Cash Flow for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Loss for the year		(88,639)	(60,259)
<i>Adjustments for:</i>			
Finance costs, net	5	65,375	60,231
Investment impairment	7	23,261	-
Change in operating working capital:			
<i>Change in trade and other receivables</i>		(4)	-
<i>Change in trade and other payables</i>		5	26
Net cash used in operating activities		<u>(2)</u>	<u>(2)</u>
 <i>Cashflows from investing activities</i>		 -	 -
<i>Cash flows from financing activities</i>		 -	 -
Net decrease in cash and cash equivalents		 -	 -
Cash and cash equivalents at the beginning of year		 <u>26</u>	 <u>28</u>
Cash and cash equivalents at the end of year		 <u><u>24</u></u>	 <u><u>26</u></u>

The notes on pages 15 to 25 form an integral part of these financial statements.

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2020

1. Reporting entity

Lumen Technologies EMEA Holdings Limited (formerly CenturyLink EMEA Holdings Limited) ("the Company") is a company registered in England and Wales at 260-266, Goswell Road, London, EC1V 7EB. The principal activity of the Company is to act as holding company to a group of companies that provide telecommunication services to enterprise and carrier customers.

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

2. Accounting policies

Basis of preparation

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements of the Company, made up to 31 December each year, are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRS as issued by the International Accounting Standards Board (hereinafter refer to IFRS) and prepared on the historical cost basis.

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

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

Going Concern

The financial statements have been prepared on the going concern basis which the Directors believe to be appropriate. The Company is dependent for its cash requirements on a group cash pooling arrangement and on funds provided by Lumen Technologies, Inc., the Company's ultimate parent entity, and other companies in the Lumen group. The company is also dependent on other group companies not recalling amounts due to them. Lumen Technologies, Inc. has indicated its intention to provide such financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least twelve months from the signing date of these financial statements.

As with any company placing reliance on other group entities for financial support, the Directors of the Company acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that support would not be provided

The Directors have considered the liquidity of the Company going forward, in particular adverse effects that could arise due to the ongoing COVID-19 pandemic and have deemed that due to the expected support from the group, they believe that the Company is well placed to manage its financing and future commitments over a period of at least 12 months from the date of the financial statements.

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the year. Such estimates include the valuation of accounts receivables and valuation of investments. The estimates are based on historical factors, current circumstances and experience and judgment of the Company's management. The Company evaluates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in the evaluation. As future events and their

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2020

2. Accounting policies (continued)

Use of estimates (continued)

effects cannot be determined with precision, actual results could differ from those estimates. Changes in those estimates resulting from changes in the economic environment will be reflected in the financial statements in future periods.

Finance income and costs

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

Foreign currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of that reporting period. All foreign currency gains or losses are included in the Statement of Comprehensive Loss.

Financial instruments

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

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

Cash and cash equivalents

Cash and cash equivalents includes cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial liabilities

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

Taxation

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

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

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

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2020

2. Accounting policies (continued)

Taxation (continued)

expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Impairment of investments

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

If any indications of impairment exists, then a value-in-use calculation is computed which involves discounting estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss arises if the carrying amount of an asset exceeds its estimated recoverable amount and any loss is recognised immediately in the Statement of Comprehensive loss.

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

3. Operating loss

In respect of the years ended 31 December 2020 and 2019, auditor's remuneration was borne on behalf of the Company by the Company's subsidiary, Lumen Technologies UK Limited (formerly CenturyLink Communications UK Limited).

4. Employee costs and remuneration of Directors and key management

The average number of employees during the year was nil (2019: nil). Employee remuneration during the year was also £nil (2019: £nil).

The remuneration of the Directors and key management personnel is set out below:

	Year ended 31 December	
	2020	2019
	£000	£000
Fees and other emoluments	453	433
Share-based payments	217	170
Contributions to money purchase pension schemes	19	19
	689	622

The remuneration paid to directors are for providing services to subsidiaries of the company. The remuneration of the Directors was borne by another group company, as in the prior year. The Directors benefited from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

The remuneration to the highest paid director is £412,000 (2019: £393,000).

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2020

5. Finance income and charges

i) Finance income

	Year ended 31 December	
	2020	2019
	£000	£000
Foreign exchange gains	2	1
Total finance income	<u>2</u>	<u>1</u>

ii) Finance charges

	Year ended 31 December	
	2020	2019
	£000	£000
Interest payable to other Group Companies (see note 12)	(65,377)	(60,232)
Total finance charges	<u>(65,377)</u>	<u>(60,232)</u>
Net finance charges	<u>(65,375)</u>	<u>(60,231)</u>

6. Taxation

A reconciliation between the tax expense and accounting profit, multiplied by the applicable tax rate for the years ended 31 December 2020 and 2019, is as follows:

	Year ended 31 December	
	2020	2019
	£000	£000
Loss before tax	(88,639)	(60,259)
Tax at the UK corporation tax rate of 19% (2019: 19%)	(16,841)	(11,449)
Factors affecting tax charge for the year:		
- Expenses not deductible for tax purposes	16,841	11,444
- Unrecognised tax losses carried forward	-	5
Income Tax credit reported in the Statement of Comprehensive Loss	<u>-</u>	<u>-</u>

The Company has unused tax losses of \$44.6m (2019: \$44.6m) available for relief against future taxable income at 31 December 2020. These tax losses are available for an indefinite period of time. A deferred tax asset of \$8.5m (2019 \$7.6m) has not been recognised in respect of these tax losses due to the Company considering that it is not more likely than not that sufficient taxable profits will be available in the foreseeable future against which to offset the deferred tax asset.

A change to the main UK corporation tax rate from 1 April 2020, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable for the fiscal years beginning 1 April 2020 remains at 19%, rather than the previously enacted reduction to 17%. As a result, the deferred taxes at the balance sheet date have been measured using these revised rates and are based on when the assets are expected to be realised. At the Budget 2021, the Government announced that the main UK corporation tax rate will increase from 19% to 25% from 1 April 2023 and the change was substantially enacted for IFRS and UK GAAP purposes on 24th May 2021. The deferred tax impact of the rate change to 25% will result in an increase to the Company's unrecognised deferred tax asset of £2.7m.

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2020

6. Taxation *(continued)*

Provision for liabilities and charges

Deferred taxation provided and not provided are as follows:

	31 December	
	2020	2019
	£000	£000
Tax losses available	44,556	44,582

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

7. Investment in subsidiaries

	Lumen Technologies UK Limited (*)	Level Three Telecommunications Kenya Limited	Lumen Technologies Europe Limited (**)	Total
	£000	£000	£000	£000
Investments in group undertakings				
At 13 December 2019	309,113	292	63,577	372,982
Impairment during the year		-	(23,261)	(23,261)
At 31 December 2020	309,113	292	40,316	349,721

(*) Formerly CenturyLink Communications UK Limited

(**) Formerly CenturyLink Communications Europe Limited

The recoverable amount for each of the investments was based on a 10-year discounted cash flow forecast method using inputs qualifying Level 3 of the Fair Value Measurement Hierarchy. This was calculated using the Group's revenue growth rates within a range of -1% to 1.9% (2019: -2.5% to 1.9%), Group's cost of revenue growth rates within a range of -4.9% to 1.9% (2019: -0.7% to 2.2%), Group's net operating expenses growth rate within a range of -3.3% to 1.9% (2019: -4.3% to 2%) and EBITDA terminal multiplier of 5.1 (2019: 5.1). The discount rate used was 7.3% (2019: 5.8%).

The Company recognised during the year an impairment loss of £23.3m in the investment in Lumen Technologies Europe Limited, aligned to declining market values and expected growth rates and due to increase in the interest rates.

On 10 July 2019, the Company sold 20% of its equity interest in Level Three Communications Kenya Limited to a third-party resident in Kenya. The shares were sold for KES 194,440 (GBP 1,566).

Details of all investments, are as follows:

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2020

7. Investment in subsidiaries *(continued)*

Direct investments	Country of incorporation	Proportion of ownership	Nature of business
<i>Name of company</i>			
Lumen Technologies UK Limited (formerly CenturyLink Communications UK Limited)	England	100%, ordinary shares	Telecommunications
Level Three Telecommunications Kenya Limited	Kenya	79.9% ordinary shares	Telecommunications
Lumen Technologies Europe Limited (formerly CenturyLink Communications Europe Limited)	England	100% ordinary shares	Telecommunications
Level 3 Holdings B.V.	The Netherlands	100% ordinary shares	Telecommunications

The registered office of Lumen Technologies UK Limited is 260-266, Goswell Road, London, EC1V 7EB.

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

The registered office Lumen Technologies Europe Limited is 260-266, Goswell Road, London, EC1V 7EB.

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

Indirect investments	Country of incorporation	Parent company	Nature of business
<i>Name of Company</i>			
Fibernet UK Limited	England	Lumen Technologies UK Limited	Telecommunications
Lumen Technologies NL B.V. (formerly CenturyLink Communications NL BV)	The Netherlands	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications S.A., Belgium	Belgium	Level 3 Holdings B.V.	Telecommunications
Lumen Technologies UK Limited (formerly CenturyLink Communications UK Limited), United Kingdom	United Kingdom	Level 3 Holdings B.V.	Telecommunications
Lumen Technologies Germany GmbH (formerly CenturyLink Communications Germany GmbH)	Germany	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Ireland Limited, Ireland	Ireland	Level 3 Holdings B.V.	Telecommunications
CenturyLink Communications Sweden AB	Sweden	Level 3 Holdings B.V.	Telecommunications

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2020

7. Investment in subsidiaries (continued)

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

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements (*continued*) For the year ended 31 December 2020

8. Financial and other assets

Trade and other receivables

Trade and other receivables consist of:

	31 December	
	2019	2019
	£000	£000
<i>Amounts receivable within one year</i>		
Amounts owed by Group Companies (see note 12)	53	49

Amounts due from Group companies include trading and loan balances. The loan balances incur interest at 8% (2019: 8%) per annum, with interest being receivable quarterly in arrears.

9. Financial and other liabilities

Trade and other payables

Trade and other payables consist of:

	31 December	
	2020	2019
	£000	£000
<i>Amounts due in more than one year</i>		
Amounts owed to Group Companies (see note 12)	418,055	418,058
<i>Amounts due in within one year</i>		
Amounts owed to Group Companies (see note 12)	453,372	387,967
Accruals	-	22
Total amounts due	871,427	806,047

Amounts owed to Group companies include trading and loan balances. The loan balances incur interest at 8% (2019: 8%) per annum, with interest being payable quarterly in arrears.

10. Financial instruments

Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its financing activities, which primarily relates to balances with other Group companies.

Treasury policy and risk management

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

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2020

10. Financial instruments (continued)

Treasury policy and risk management (continued)

Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Lumen Technologies, Inc. Audit Committee, which receives regular updates of treasury activity. Financial instruments are entered into for risk management purposes only. It is the Group policy that all hedging is only for the purpose of covering known risks and that no trading in financial instruments is undertaken.

Interest rate management

The Company has no significant financial exposure in respect of interest rates. All interest-bearing receivables and payables balances are at fixed rates of interest.

Liquidity risk

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

Foreign exchange management

As at 31 December 2020 and 2019, the net interest-bearing receivables / liabilities were each GBP denominated.

In the year ended 31 December 2020, the Company recognised total foreign currency gains of £1.6k (2019: gains of £1.2k) as stated in Note 5.

Currency risks

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

	31 December 2020			31 December 2019		
	Euro £000	US dollars £000	Total £000	Euro £000	US dollars £000	Total £000
Pounds Sterling	<u>11</u>	<u>(28)</u>	<u>11</u>	<u>10</u>	<u>(21)</u>	<u>(11)</u>

Fair values

Set out below, is a comparison by category of carrying amounts and fair values of all the Company's financial instruments.

	Carrying amount		Fair value	
	2020 £000	2019 £000	2020 £000	2019 £000
<i>Financial and other assets</i>				
- Amounts owed by Group Companies	53	49	53	49
- Cash and cash equivalents	24	26	24	26
<i>Financial and other liabilities</i>				
- Amounts owed to Group Companies	<u>(871,427)</u>	<u>(806,047)</u>	<u>(871,427)</u>	<u>(806,047)</u>

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

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2020

11. Equity share capital

	31 December	
	2020	2019
	£000	£000
<i>Authorised:</i>		
350,000,000 ordinary shares of £1 each	350,000	350,000
<i>Called up, allocated and fully paid:</i>		
76,376,853 ordinary shares of £1 each	76,377	76,377
125,000,000 ordinary shares of £1 each	125,000	125,000
Total	201,377	201,377

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

12. Related party transactions

Transactions with Group Companies

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

	31 December	
	2020	2019
	£000	£000
<i>Debtor balance due in less than one year from:</i>		
Lumen Technologies UK Limited	53	49
	53	49

	31 December	
	2020	2019
	£000	£000
<i>Creditor balances in more than one year to:</i>		
Level 3 International, Inc.	418,055	418,058
<i>Creditor balances due in less than one year to:</i>		
Level 3 International, Inc.	453,372	387,965
Other Group companies	-	2
	453,372	387,967
	871,427	806,025

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

	Year ended 31 December	
	2020	2019
	£000	£000
<i>Interest payable to other Group Companies:</i>		
Level 3 International, Inc.	65,377	60,232

Lumen Technologies EMEA Holdings Limited

Notes to the Financial Statements *(continued)*
For the year ended 31 December 2020

13. Subsequent events

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