

# Lumen Technologies Europe Limited

*Registered no. 03728783*

Directors' Report and financial statements for the year ended 31 December 2021



## **Lumen Technologies Europe Limited**

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# **Lumen Technologies Europe Limited**

## **Directors and Other Information**

Directors	Michael Reinke Dougald Robinson
Registered office	260-266 Goswell Road London England EC1V 7EB
Solicitor	Clarks Legal LLP Thames Valley Office One Forbury Square The Forbury Reading RG1 3EB
Auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL
Banker	Bank of America 2 King Edward Street, London ECIA 1 HQ

## **Lumen Technologies Europe Limited**

### **Strategic Report**

The purpose of this Strategic Report is to communicate to the members of Lumen Technologies Europe Limited ("the Company") the information necessary to enable them to assess how the Directors have performed their duty to promote the success of the Company.

#### **Review of the business**

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

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

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 accounts can be obtained from Investor Relations, Lumen Technologies, Inc., 100 CenturyLink Drive, Monroe Louisiana, United States of America.

#### **Financial Performance**

Revenue for the year was \$53,595,676 (2020: \$55,173,152) and the operating profit was \$428,350 (2020: a loss of \$1,786,642). The result for the year after taxation was a loss of \$1,991,901 (2020: a loss of \$2,162,106).

As at 31 December 2021, the Company had net assets of \$22,035,315 (2020: \$24,027,216).

The capital structure of the Company consists of intercompany debt, cash and cash equivalents 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 Europe Limited

## Strategic Report *(continued)*

### Principal Risks Facing the business

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

#### *Risks relating to our business operations*

- We must increase Core Network Services revenue at acceptable margins to realise our targets for financial and operating performance. If:
  - we do not avoid excessive customer churn or improve our current relationships with existing key customers;
  - we are not able to expand the available capacity on our network to meet our customers' demands in a timely manner; or
  - our customers obtain these services from either their own network or from one of our competitors.

We may not be able to increase or maintain our revenue at acceptable levels, which would adversely affect our margins and profitability.

- Our business depends on our ability to continue to develop and manage effective business support systems. In certain cases, the development of these business support systems is required to realise anticipated benefits from both past and future acquisitions. The development and management of business support systems is a complicated undertaking requiring significant resources and expertise, the development of uniform standards, controls, procedures and policies and the efficient consolidation and elimination of business support systems that are no longer useful in the business. This undertaking also requires support from third-party vendors. Following the development of the business support systems, the data migration regarding network and circuit inventory must be completed for the full benefit of the systems to be realized. Business support systems are needed for:
  - quoting, accepting and inputting customer orders for services;
  - provisioning, installing and delivering these services;
  - providing customers with direct access to our information systems so they can manage the services they purchase from us, generally through web-based customer portals; and
  - billing for these services.
- We may lose customers if we experience systems failures that significantly disrupt the availability and quality of services that we provide. System failures may also cause interruptions to service delivery and the completion of other corporate functions.
- Failure to introduce new services could affect our ability to compete in the industry.
- Our future growth depends on continued development and expansion of the Internet as a communications medium and market place for the distribution and consumption of data and video by businesses, consumers and governments.
- Intellectual property and proprietary rights of others could prevent us from using necessary technology to provide our services or subject us to expensive intellectual property litigation.
- The Company is exposed to currency exchange risks where we issue invoices, or incur costs, for services in currencies other than US dollars. Our net result may suffer due to currency translations and re-measurement.
- A significant portion of our revenue comes from a limited number of customers. In 2021 52% (2020: 49%) of our third party revenue came from our top ten customers. If we lost one or more of our major customers, or if one or more of them significantly decreased orders for our services, our business would be materially and adversely affected.
- Our business is dependent on a number of third party suppliers. If a critical relationship is terminated, a supplier exits / curtails its business or fails to provide critical services or equipment and we are unable to reach suitable alternative arrangements quickly, we may experience additional costs or we may not be able to provide certain services to customers.

# Lumen Technologies Europe Limited

## Strategic Report (*continued*)

### Principal Risks Facing the business (*continued*)

#### *Risks related to competition and our industry*

- The communications industry is highly competitive. Many of our competitors have financial, personnel, marketing and other resources significantly greater than ours. Many of these competitors also have the added competitive advantage of a larger existing customer base. In addition, significant new or increased competition could arise as result of:
  - the consolidation in the industry;
  - allowing foreign carriers to more extensively compete in the local market;
  - further technological advances; and
  - further deregulation and other regulatory initiatives.

In addition, future significant competitors could include new entrants to the communications industry such as content companies that have existing significant customer bases and substantial cash resources that are greater than ours. If we are unable to compete successfully, our business could be significantly affected.

- The communications industry is subject to rapid and significant changes in technology. Our future success depends, in part, on our ability to anticipate and adapt in a timely manner to technological changes.
- We are materially reliant upon our networks, information technology infrastructure and related technology systems (including our billing and provisioning systems) to provide products and services to our customers and to manage our operations and affairs. We face the risk, as does any company, of a security breach or significant disruption of our information technology infrastructure and related systems.
- Our ability to expand and update our systems and information technology infrastructure in response to our growth and changing business needs is important to our ability to maintain and develop attractive product and service offerings.
- Our future success depends on our ability to identify, hire, train and retain executives, managers and employees with technological, engineering, product development, operational, provisioning, marketing, sales, customer service, administrative, managerial and other key skills. There is a shortage of qualified personnel in several of these fields.

#### *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 position.

#### *Credit risk*

The Company is exposed to credit risk from its operating activities (primarily from trade receivables and amounts owed by Group companies) and from its financing activities, including deposits with banks and financial institutions and foreign exchange transactions.

Customer credit risk is managed by way of the Company's credit and risk management policies. These activities include, but are not confined to, setting credit limits on all customer accounts and regularly reviewing the customers' payment performance, as well as their financial standing on an ongoing basis.

### **Section 172 statement**

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement, which is reported for the first time, explains how Lumen Directors:

In accordance with section 172 of the Companies Act 2006 our Directors acts in the way that he or she considers, in good faith, would most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

## Lumen Technologies Europe Limited

### Strategic Report (*continued*)

- a. likely consequences of any decisions in the long-term,
- b. interests of the Company's employees,
- c. need to foster the company's business relationships with suppliers, customers and other key stakeholders,
- d. impact of the Company's operations on communities and the environment,
- e. desirability of the Company maintaining a reputation for high standards of business conduct
- f. need to act fairly as between members of the Company.

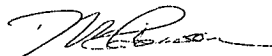
The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the technology evolution. CenturyLink rebranded as "Lumen", a brand that will carry our business into the next chapter of our history of furthering human progress through technology, honouring our telecom past while embracing our technology future.

The Directors recognise that Lumen employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

Delivering our strategy requires strong relationships with customers, suppliers, and other key stakeholders. Our vision is to revolutionise how our customers connect to the world by putting their success first. Guide our customers through the 4th Industrial Revolution through deep listening, resilient solutions and experiences that ultimately lead to our customers' success.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enable the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

By order of the Board,



Director: Dougald Robinson  
Date: 16 September 2022

## **Lumen Technologies Europe Limited**

### **Directors' Report**

The Directors present their annual report and audited financial statements of Lumen Technologies Europe Limited ("the Company") for the year ended 31 December 2021. The Company is a member of the Lumen Group of companies ("Lumen" or "the Group").

#### **Directors**

The Directors who served during the year and subsequently were as follows:

Michael Reinke  
Dougald Robinson

The Directors of the Company who served during the year were remunerated by fellow Group undertakings. Both Directors exercised stock units in Lumen during the year (2020: 2).

#### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2020: \$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 Internet Protocol 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 are the two primary factors that are continuing 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 networks 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 costs of expansion.

#### **Employees**

##### *Disabled persons*

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

##### *Employee involvement and consultation*

Employee involvement and commitment is an established responsibility of the Board of Directors and requires their participation. Regular contact and exchanges of information between the Directors, managers and staff are maintained through department meetings together with an employee council. The Company 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 Company. The Company operates a bonus programme applicable to substantially all employees of the Company. Each participant is provided a target award, and actual awards are payable at the discretion of the Lumen Technologies, Inc. Compensation Committee if the Group achieves specified targets for earnings and cash flow.

#### **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 dependant 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.

## **Lumen Technologies Europe Limited**

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

#### **Going Concern *(Continued)***

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 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.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### **Ukraine**

In response to Russia's invasion of Ukraine, Lumen has taken several important steps. The Company stopped the sale of new products and services into Russia. We terminated an existing agreement with a Russian financial institution and have chosen not to pursue new business opportunities in that country or with sanctioned Russian entities. We continue to closely monitor the integrity of our global infrastructure and the safety of our EMEA employees, contractors, and partners in that region, including those stationed in both Ukraine and Russia.

#### **Subsequent events**

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

#### **Political and charitable donations**

The Company made no political or charitable donations or incurred any political expenditure during the year (2020: \$nil).

#### **Streamlined Energy and Carbon Reporting (SECR)**

We fulfil the statutory requirements for Streamlined Energy and Carbon Reporting which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 / SECR Regulations, 'Large' companies' are required to report their annual emissions in their Directors' report.

Lumen Technologies Europe Limited Streamlined Energy and Carbon Reporting statement covers the reporting period 1 January 2021 - 31 December 2021 and has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.

A 'Dual Reporting' methodology has been used to indicate emissions using UK electricity grid average emission factors (known as the 'Location Based' method), and also emissions using supplier specific generation emission factors (the 'Market Based' method).

The parent company Lumen Technologies, Inc. provides voluntary global greenhouse gas emissions reporting under the Carbon Disclosure Project (CDP) which incorporates company's data and the consolidated reporting.

## Lumen Technologies Europe Limited

### Directors' Report (continued)

#### Streamlined Energy and Carbon Reporting (SECR) (continued)

##### 'Location based' Method

*The total energy consumption for 2021 was 137,475,878.08 kWh equating to 31,744.16 tCO<sub>2</sub>e*

Emissions from combustion of gas (Scope 1)	138.93 tCO <sub>2</sub> e
Emissions from combustion of fuel for transport purposes (Scope 1)	130.81 tCO <sub>2</sub> e
Emissions from purchased electricity (Scope 2)	28,889.40 tCO <sub>2</sub> e
Emissions from Transmission and Distribution (Scope 3)	2,556.55 tCO <sub>2</sub> e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	28.47 tCO <sub>2</sub> e

Carbon intensity: Emissions of tCO<sub>2</sub>e/£M Revenue during 2021 was 99.87 tCO<sub>2</sub>e

However, the company strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin (REGO) certificates. Through this strategy, within the above 2021 total energy consumption, the company has sourced a total of 77,107,890.54 kWh of REGO backed (zero emission) electricity equating to 56.67% of total electricity use.

However, the company strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin (REGO) certificates. Through this strategy, within the above 2021 total energy consumption, the company has sourced a total of 77,107,890.54 kWh of REGO backed (zero emission) electricity equating to 56.67% of total electricity use.

##### 'Market Based' Method

*The total energy consumption for 2021 was 137,475,878.08 kWh equating to 21,938.36 tCO<sub>2</sub>e*

Emissions from combustion of gas (Scope 1)	138.93 tCO <sub>2</sub> e
Emissions from combustion of fuel for transport purposes (Scope 1)	130.81 tCO <sub>2</sub> e
Emissions from purchased electricity (Scope 2)	19,818.38 tCO <sub>2</sub> e
Emissions from Transmission and Distribution (Scope 3)	1,821.76 tCO <sub>2</sub> e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	28.47 tCO <sub>2</sub> e

Carbon intensity: Emissions of tCO<sub>2</sub>e/£M Revenue during 2021 was 69.02 tCO<sub>2</sub>e

#### Energy efficiency action taken

The COVID-19 pandemic continued to be challenging globally in 2021. However, Lumen maintained its high-quality services to customers and support of employees' wellbeing.

In 2021 Lumen moved its London UK Headquarters from Holborn to Islington and in Q4'21 Lumen returned to work on a volunteer basis in conjunction with HM Government guidelines. The majority of its employees in the UK continued to work remotely.

Across 2021 Lumen continued to implement various projects across the UK to replace end of life, less efficient, and failed elements in our Transport, IP, and Content Delivery Networks as well as the Critical Infrastructure components that support it.

Lumen also expanded its footprint of the Network by further connecting directly to new customer premises, as well as leaving locations that were no longer required.

## **Lumen Technologies Europe Limited**

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

#### **Streamlined Energy and Carbon Reporting (SECR) *(continued)***

##### *Qualifying information on the above data*

- This statement has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.
- This is the Company's second year of Streamlined Energy and Carbon Reporting and as such 1 January 2020 - 31 December 2020 data has been recorded as a comparison.
- tCO<sub>2</sub>e is the tonnage of equivalent carbon emissions generated by the various greenhouse gasses (carbon dioxide, methane, nitrous oxide etc.) each of which has a 'Global Warming Potential' factor that is included in the above emission figure.
- An operational control approach has been applied to consolidate the above data.
- Total £m Sales Revenue for use as the Metric are 317.852 (Lumen Technologies UK Limited revenue was used for this Metric).

1. As per GHG Protocol Scope 2, a dual method has been applied - 'location based' & 'market based'. This method of emission calculation for electricity uses both the UK Government Grid Average Emissions Conversion Factors (dated 2021) and supplier specific conversion factors relevant to the generation.

2. Carbon intensity includes all Scope emissions in the calculation.

The above information is at UK region and not at legal entity level. UK region consist of only two trading entities: Lumen Technologies UK Limited and Lumen Technologies Europe Limited. The majority of the energy usage (more than 90%) is by pertains to Lumen Technologies UK Limited.

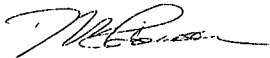
##### **Disclosure of Information to the auditor**

The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditors are aware of that information. In so far as they are aware there is no relevant audit information of which the Company's statutory auditors are unaware.

##### **Auditor**

KPMG LLP, Chartered Accountants, will continue in office in accordance with Section 487 of the Companies Act, 2006.

By order of the Board,



Director: Dougald Robinson  
Date: 16 September 2022

## **Lumen Technologies Europe Limited**

### **Statement of Directors' Responsibilities in respect of 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.

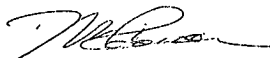
Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

On behalf of the board



Director: Dougald Robinson  
Date: 16 September 2022

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUMEN TECHNOLOGIES EUROPE LIMITED**

### **Opinion**

We have audited the financial statements of Lumen Technologies Europe Limited ("the company") for the year ended 31 December 2021 which comprise the statement of profit and loss and other comprehensive income, statement of changes in equity, balance sheet, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* 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 a 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, internal audit and in-house legal team as to whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Reading internal audit reports.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUMEN TECHNOLOGIES EUROPE LIMITED (continued)**

### **Fraud and breaches of laws and regulations – ability to detect (continued)**

#### *Identifying and responding to risks of material misstatement due to fraud (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 provision for doubtful debts and recoverability of deferred tax asset. On this audit we do not believe there is a fraud risk related to revenue recognition because there was limited judgements or estimates involved as most revenue streams are straight forward and are recognized over time.

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.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

Firstly, 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 pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and regulations affecting telecommunication providers. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *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:

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUMEN TECHNOLOGIES EUROPE LIMITED (continued)**

### **Strategic report and directors' report (continued)**

- 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.

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

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 11, 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](http://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

21 September 2022

## Lumen Technologies Europe Limited

### Profit and Loss Account and Other Comprehensive Income For the year ended 31 December 2021

	Notes	2021 \$	2020 \$
<b>Turnover</b>	2	53,595,676	55,173,152
Cost of sales		<u>(29,039,541)</u>	<u>(30,405,020)</u>
<b>Gross profit</b>		<b>24,556,135</b>	<b>24,768,132</b>
Administrative expenses	3	<u>(24,127,785)</u>	<u>(26,554,774)</u>
<b>Operating profit/(loss)</b>		<b>428,350</b>	<b>(1,786,642)</b>
Interest receivable and similar income	4	307,995	3,242,902
Interest payable and similar charges	4	<u>(2,996)</u>	<u>(1,434)</u>
<b>Net finance income</b>	4	<b>304,999</b>	<b>3,241,468</b>
<b>Profit on ordinary activities before taxation</b>		<b>733,349</b>	<b>1,454,826</b>
Taxation	6	<u>(2,725,250)</u>	<u>(3,616,932)</u>
<b>Total comprehensive loss for the financial year</b>		<b><u>(1,991,901)</u></b>	<b><u>(2,162,106)</u></b>

The accompanying notes on pages 18 to 28 form an integral part of these financial statements.

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.

# Lumen Technologies Europe Limited

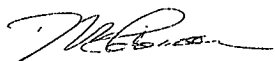
## Balance Sheet

As at 31 December 2021

	Notes	2021 \$	2020 \$
<b>Fixed assets</b>			
Intangible assets	7	(41,734)	(83,468)
Tangible assets	8	14,013,043	17,089,453
Financial assets	9	-	-
		<u>13,971,309</u>	<u>17,005,985</u>
<b>Other non current assets</b>			
Prepayment and Accrued Income	10	1,532,182	4,589,372
Deferred tax asset	6	-	2,725,250
		<u>1,532,182</u>	<u>7,314,622</u>
<b>Current assets</b>			
Debtors	10	40,973,311	35,515,588
Cash at bank and in hand		-	-
		<u>40,973,311</u>	<u>35,515,588</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(24,871,826)</u>	<u>(22,525,649)</u>
<b>Net current liabilities</b>		<u>16,101,485</u>	<u>12,989,939</u>
<b>Total assets less current liabilities</b>		<u>31,604,976</u>	<u>37,310,546</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(9,569,661)</u>	<u>(13,283,330)</u>
<b>Net assets</b>		<u><u>22,035,315</u></u>	<u><u>24,027,216</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	287,000,003	287,000,003
Other reserves	15	800,462	800,462
Profit and loss account		<u>(265,765,150)</u>	<u>(263,773,249)</u>
<b>Shareholders' funds</b>		<u><u>22,035,315</u></u>	<u><u>24,027,216</u></u>

The accompanying notes on pages 18 to 28 form an integral part of these financial statements.

These financial statements were approved by the board of Directors on 16 September 2022:



Director: Dougald Robinson

## Lumen Technologies Europe Limited

### Statement of Changes in Equity For the year ended 31 December 2021

	Share Capital	Other Reserves	Profit and Loss Account	Total
	\$	\$	\$	\$
Balance at 1 January 2020	287,000,003	800,462	(261,611,143)	26,189,322
<b>Total comprehensive loss for the financial year:</b>				
Loss for the year	-	-	(2,162,106)	(2,162,106)
<b>Balance at 31 December 2020</b>	<b>287,000,003</b>	<b>800,462</b>	<b>(263,773,249)</b>	<b>24,027,216</b>
Balance at 1 January 2021	287,000,003	800,462	(263,773,249)	24,027,216
<b>Total comprehensive loss for the financial year:</b>				
Loss for the year	-	-	(1,991,901)	(1,991,901)
<b>Balance at 31 December 2021</b>	<b>287,000,003</b>	<b>800,462</b>	<b>(265,765,150)</b>	<b>22,035,315</b>

The accompanying notes on pages 18 to 28 form an integral part of these financial statements.

## **Lumen Technologies Europe Limited**

### **Notes to the Financial Statements For the year ended 31 December 2021**

#### **1. Accounting Policies**

Lumen Technologies Europe Limited (“the Company”) is a company limited by shares and incorporated and domiciled in the UK.

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The financial statements are presented in US Dollars, which is the functional currency of the Company.

The Company’s ultimate parent undertaking, Lumen Technologies, Inc. (“the Group”) includes the Company in its consolidated financial statements. The consolidated financial statements of Lumen Technologies, Inc., are available to the public and may be obtained from Investor Relations, Lumen Technologies, Inc., 100 CenturyLink Drive, Monroe, Louisiana, 71203, United States of America.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period
- Cash flow statement and related notes
- Disclosure of related party transactions with wholly owned members of the Lumen Group; and
- Key management personnel remuneration.

As the consolidated financial statements of Lumen Technologies, Inc., include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36 (4) of Schedule 1.

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

#### ***Measurement Convention***

The financial statements are prepared on the historical cost basis.

#### ***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 dependant 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 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.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## **Lumen Technologies Europe Limited**

### **Notes to the Financial Statements (continued) For the year ended 31 December 2021**

#### **1. Accounting Policies (continued)**

##### *Foreign Currency*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

##### *Accounting Estimates and Judgements*

Preparation of financial statements pursuant to FRS 102 requires judgemental assumptions and estimates to be made. These impact on the profit and loss account and the valuation of assets and liabilities in the balance sheet. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation. Actual results may differ from those estimates.

##### *Intangible assets, goodwill and negative goodwill*

###### *Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or a group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

###### *Negative Goodwill*

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

###### *Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

###### *Amortisation*

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

Goodwill (including negative goodwill) is amortised on a straight-line basis over its useful life.

Goodwill has no residual value. The remaining useful life of negative goodwill is estimated to be 7 years.

##### *Tangible Fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation, less any estimated residual value, of assets on a straight-line basis over their useful economic lives, as follows:

Subsea equipment	25 years
Land & buildings owned	10 to 40 years
Fixtures and fittings	7 years
Operating equipment	1 to 50 years

## **Lumen Technologies Europe Limited**

### **Notes to the Financial Statements (continued) For the year ended 31 December 2021**

#### **1. Accounting Policies (continued)**

##### ***Financial fixed assets***

Financial fixed assets are stated at acquisition cost or, in the case of a permanent impairment in value, at the lower of net asset value or fair market value as determined on the basis of the financial statements of the Group Company.

##### ***Trade and other debtors***

Trade and other debtors are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective interest method less any provision made for impairment.

##### ***Trade and other creditors***

Trade and other creditors are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

##### ***Share Capital***

Financial instruments that have been issued are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Company. Ordinary shares are classified as equity.

##### ***Pensions***

The Company operates a defined contribution scheme. A defined contribution scheme is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay any further amounts. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year for the services rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### ***Turnover***

Turnover represents amounts receivable for goods and services provided in the normal course of business stated exclusive of VAT.

##### ***Operating lease expenses***

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### ***Interest receivable and interest payable***

Interest income and interest payable are recognised in the profit and loss account as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payment is established.

Interest receivable and similar income includes interest receivable on funds invested and intercompany loans, and net foreign exchange gains.

Interest payable and similar charges include interest payable, finance leases recognised in profit or loss using the effective interest method and net foreign exchange losses.

Finance costs which are attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the assets are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

# Lumen Technologies Europe Limited

## Notes to the Financial Statements *(continued)* For the year ended 31 December 2021

### 1. Accounting Policies *(continued)*

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using 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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future, and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income and expense are non-taxable or are disallowable for tax or because certain charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax. Deferred tax is measured at the rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### 2. Turnover

Turnover is stated as the amounts receivable (net of sales taxes) from the provision of services and telecommunications infrastructure and capacity. Turnover arising from the provision of services is recognised evenly over the life of each contract, regardless of the payments profile.

### 3. Operating Result

Operating result is stated after charging/(crediting):

	2021	2020
	\$	\$
Auditor's remuneration	43,334	43,559
Operating lease rentals	1,008,018	1,741,359
Amortisation of negative goodwill	(41,734)	(41,733)
Depreciation	5,378,809	7,230,083

## Lumen Technologies Europe Limited

### Notes to the Financial Statements *(continued)* For the year ended 31 December 2021

#### 4. Net Finance income

	2021	2020
	\$	\$
<b>Interest receivable and similar income</b>		
Foreign exchange gains	198,402	3,032,980
Interest receivable on loans receivable from group companies	109,593	209,922
	<u>307,995</u>	<u>3,242,902</u>
<b>Interest payable and similar charges</b>		
Interest payable on bank overdrafts	(2,996)	(1,434)
Foreign exchange losses	-	-
	<u>(2,996)</u>	<u>(1,434)</u>
Net finance income	<u><u>304,999</u></u>	<u><u>3,241,468</u></u>

#### 5. Staff Costs and Directors' Remuneration

	2021	2020
	\$	\$
<i>Aggregate staff costs comprised:</i>		
Wages and salaries	10,128,010	10,420,484
Social security costs	1,243,433	1,273,453
Other pension costs (Note 13)	530,423	522,374
	<u><u>11,901,866</u></u>	<u><u>12,216,311</u></u>

The average monthly number of employees (including 2 executive Directors) during the year was 112 (2020: 133).

The Directors of the Company who served during the year were remunerated by fellow group undertakings. (2020: 2).

## Lumen Technologies Europe Limited

### Notes to the Financial Statements (continued) For the year ended 31 December 2021

#### 6. Taxation

	2021	2020
	\$	\$
Tax charge on loss on ordinary activities	<u>2,725,250</u>	<u>3,616,932</u>
The tax charge/(credit) comprises:	2021	2020
	\$	\$
Deferred Tax	2,725,250	3,577,047
Group relief claimed in respect of prior periods	<u>-</u>	<u>39,885</u>
	<u>-</u>	<u>3,616,932</u>

There is no taxation charge in respect of the year due to the factors outlined below.

#### Reconciliation of tax charge

The tax credit for the year is higher than the standard rate of corporation tax in the UK of 19% (2020: 19%)

The differences are explained below.

	2021	2020
	\$	\$
Profit on ordinary activities before taxation	<u>733,349</u>	<u>1,454,826</u>
Tax on profit at 19% (2020: 19%)	139,336	276,417
Factors affecting tax (charge)/credit for the year:		
Expenses not deductible for tax purposes	115,463	(10,976)
Deficit/(Excess) of book depreciation over tax allowances	(96,809)	988,607
Other timing differences	(142,609)	(387,202)
Tax losses of current year carried forward/(Utilised)	-	(1,078,647)
Derecognition of deferred tax	3,585,855	4,318,494
UK to UK Transfer pricing adjustment	(15,381)	251,686
Effect on deferred tax balance of UK tax rate change and rate differences	(860,605)	(741,447)
Total tax charge for the year	<u>2,725,250</u>	<u>3,616,932</u>

#### Provisions for liabilities and charges

Deferred taxation provided and not provided are as follows:

	Provided asset/(liability)		Not provided asset/(liability)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Accelerated capital allowances	-	2,725,250	60,006,874	43,830,863
Other timing differences	-	-	19,527,126	14,983,225
Tax losses available	-	-	36,214,029	26,444,015
	<u>-</u>	<u>2,725,250</u>	<u>115,748,029</u>	<u>85,258,103</u>

Deferred tax assets are recognised for short-term temporary differences, unutilised tax losses and accelerated capital allowances to the extent that realisation of the related tax benefit through future taxable income is probable. During the year the Company incurred a deferred tax charge of \$2.7m (2020: \$3.6m), reducing the Company's deferred tax asset to \$Nil at the end of the year (2020: \$2.7m). As at 31 December 2021, the unrecognised deferred tax asset is \$115.7m (2020: \$85.3m). The Company has unused tax losses of \$145m (2020: \$138.6m) available for relief against future taxable income at 31 December 2021. These tax losses are available for an indefinite period of time.

## Lumen Technologies Europe Limited

### Notes to the Financial Statements *(continued)* For the year ended 31 December 2021

#### 6. Taxation *(Continued)*

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 percent, rather than the previously enacted reduction to 17 percent. 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% resulted in an increase in the Company's unrecognised deferred tax asset of \$28m.

#### 7. Intangible Fixed Assets

As part of the Intra-Group Acquisition Agreement between Lumen Technologies Europe Limited and various other Group companies at 31 December 2007, all assets and liabilities acquired were accounted for in Lumen Technologies Europe Limited at fair value. As part of this fair value exercise, Lumen Technologies Europe Limited acquired negative goodwill of \$626,594 relating to the fair value assessment of prepaid capacity and deferred revenue transferred from International Optical Network Limited prior to its dissolution on 27 October 2009. This negative goodwill is being amortised over 15 years which was the remaining term of the deferred revenue contract on which the negative goodwill arises.

	<b>Negative Goodwill</b>
<b>Cost</b>	<b>\$</b>
At 1 January 2020 and at 31 December 2021	(626,594)
<b>Amortisation</b>	
At 1 January 2021	543,126
Charge for the year	41,734
At 31 December 2021	584,860
<b>At 31 December 2021</b>	<u>(41,734)</u>
<b>At 31 December 2020</b>	<u>(83,468)</u>

## Lumen Technologies Europe Limited

### Notes to the Financial Statements (continued) For the year ended 31 December 2021

#### 8. Tangible Fixed Assets

	Subsea Equipment	Land & Buildings Owned	Leasehold Improvements	Fixtures and Fittings	Office/ Computer Equipment	Operating Equipment	Construction In Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
At 1 January 2021	9,960,013	1,318,323	1,724,051	5,281,597	3,983,729	88,652,212	684,000	111,603,925
Additions	-	-	-	-	-	2,135,929	166,470	2,302,399
Transfers	-	-	-	-	-	297,839	(297,839)	-
<b>At 31 December 2021</b>	<b>9,960,013</b>	<b>1,318,323</b>	<b>1,724,051</b>	<b>5,281,597</b>	<b>3,983,729</b>	<b>91,085,980</b>	<b>552,631</b>	<b>113,906,324</b>
<b>Depreciation</b>								
At 1 January 2021	3,801,705	731,526	1,724,051	3,015,786	3,983,729	81,257,675	-	94,514,472
Charge for the year	33,808	30,284	-	320,376	-	4,994,341	-	5,378,809
<b>At 31 December 2021</b>	<b>3,835,513</b>	<b>761,810</b>	<b>1,724,051</b>	<b>3,336,162</b>	<b>3,983,729</b>	<b>86,252,016</b>	<b>-</b>	<b>99,893,281</b>
<b>Net Book Value</b>								
At 31 December 2021	6,124,500	556,513	-	1,945,435	-	4,833,964	552,631	14,013,043
At 31 December 2020	6,158,308	586,797	-	2,265,811	-	7,394,537	684,000	17,089,453

#### Capital Commitments

No capital commitments were entered into for the year ended 31 December 2021.

#### 9. Financial Fixed Assets

Name of Company	Country of incorporation	Proportion of voting rights and shares held	Principle activity of business	Cost at 1st Jan 2020 and 31st Dec 2021	Accumulated impairment provisions at 1st Jan 2020 and 31st Dec 2021	Net book Value at 1st Jan 2020 and 31st Dec 2021
				\$	\$	\$
<i>Subsidiary undertakings:</i>						
CenturyLink Communications PEC Telekomünikasyon Hizmetleri Limited Şirketi	Turkey	1% ordinary shares	Telecom services	31	(31)	-
<i>Associated undertakings:</i>						
Lumen Technologies UK Limited	England	0% ordinary shares	Telecom services	1,218,484	(1,218,484)	-

## Lumen Technologies Europe Limited

### Notes to the Financial Statements *(continued)* For the year ended 31 December 2021

#### 10. Debtors

	2021	2020
	\$	\$
<b>Amounts falling due within one year:</b>		
Trade debtors	6,140,278	6,224,050
Prepayments and accrued income	7,431,280	9,995,559
Amounts owed by group undertakings	27,401,753	19,295,979
	<u>40,973,311</u>	<u>35,515,588</u>
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	1,532,182	4,589,372
	<u>42,505,493</u>	<u>40,104,960</u>

The amounts owed by other Group companies are repayable on demand and are non-interest-bearing due to their short-term nature with the exception of those with Level 3 Holdings B.V. which incurred quarterly interest at 8% (2020: 8%).

#### 11. Creditors: amounts falling due within one year

	2021	2020
	\$	\$
Trade creditors	2,725,785	5,093,398
Amounts owed to group undertakings	14,273,514	7,484,732
Accruals and deferred income	7,872,527	9,947,519
	<u>24,871,826</u>	<u>22,525,649</u>

The amounts owed to other Group companies are repayable on demand and are non-interest-bearing with the exception of loans with Lumen Technologies UK Limited which was repaid in 2020.

#### 12. Creditors: amounts falling due after more than one year

	2021	2020
	\$	\$
Deferred income	9,569,661	13,283,330
	<u>9,569,661</u>	<u>13,283,330</u>

## Lumen Technologies Europe Limited

### Notes to the Financial Statements (continued) For the year ended 31 December 2021

#### 13. Pensions

##### *The Global Crossing Pension Scheme*

A small number of employees of the Company participate in a multi-employer defined benefit pension scheme of another Group company, Lumen Technologies UK Limited called the Global Crossing Pension Scheme (“the Scheme”). The assets of this Scheme are held separately from that company in an independently administered fund. It is not possible to identify the Company’s share of the underlying assets and liabilities of the Scheme which relate to the Company’s employees and accordingly, the Company treats the Scheme as a ‘defined contribution scheme’ in accordance with the FRS 102.28: “Employee Benefits” requirements for multi-employer schemes.

The surplus in the Scheme as at 31 December 2021 held by Lumen Technologies UK Limited was £3,965,000/ \$5,348,547 (2020: £3,730,000/ \$5,091,860). Contributions paid by the Company into the fund in the year amounted to \$nil (2020: \$nil).

##### *The Lumen Flexible Retirement Plan*

This personal pension scheme is open to new members. The Company matches the contributions paid by employees up to a maximum of 7% of basic salary. Pension costs for the Company for the year ended 31 December 2021 were \$530,423 (2020: \$522,374).

#### 14. Called Up Share Capital

	2021	2020
	\$	\$
<b>Authorised:</b>		
338,888,889 ordinary shares of £1 each	<u>486,458,560</u>	<u>486,458,560</u>
<b>Allotted, called-up and fully paid:</b>		
210,808,571 ordinary shares of £1 each	<u>287,000,003</u>	<u>287,000,003</u>

#### 15. Other Reserves

The Company recognised total expenses relating to equity-settled share-based payments of \$800,462 in 2008. The Company issued equity settled share-based payments in Lumen Technologies, Inc. stock to certain qualifying employees up to the year ended 31 December 2008. At that date, the issuance of equity settled share-based payments was terminated. Equity settled share based payments are measured at fair value at the grant date. The fair value determined at the grant date is expensed within the vesting period.

#### 16. Commitments and Contingencies

##### **Operating Leases**

At 31 December 2021 the minimum future rental commitments of the Company under non-cancellable operating leases, were as follows

	2021	2020
	\$	\$
<b>Lease expiry term:</b>		
Within one year	483,711	440,453
Between two and five years	1,474,391	1,494,214
After five years	4,645,189	4,398,818
	<u>6,603,291</u>	<u>6,333,485</u>

## **Lumen Technologies Europe Limited**

### **Notes to the Financial Statements *(continued)*** **For the year ended 31 December 2021**

#### **17. Ultimate Parent Company**

Lumen Technologies Europe Limited is a wholly owned subsidiary of Lumen Technologies EMEA Holdings Limited, a company incorporated in United Kingdom. The ultimate parent company of the Company is Lumen Technologies, Inc., a company registered in the United States of America. The smallest and largest group into which the results of the Company are consolidated is that headed by Lumen Technologies, Inc., whose accounts can be obtained from Investor Relations, Lumen Technologies, Inc., 100 CenturyLink Drive, Monroe, Louisiana, 71203, United States of America.

#### **18. Related Party Transactions**

The Company has availed of the exemption in Section 33.1A of FRS 102 from the requirement to disclose transactions with wholly owned members of the Lumen Group.

#### **19. Subsequent events**

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