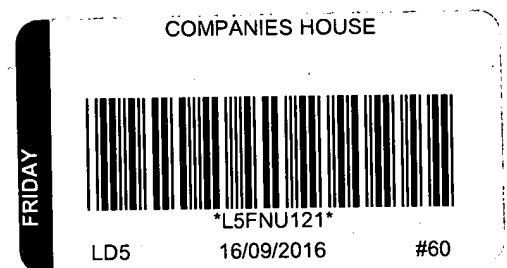


Registered number: SC298935

**EASYNET MANAGED SERVICES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2015**



## **EASYNET MANAGED SERVICES LIMITED**

### **CONTENTS**

	<b>Page (s)</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2 - 4</b>
<b>Directors' Report</b>	<b>5 - 7</b>
<b>Independent Auditors' Report to the members of Easynet Managed Services Limited</b>	<b>8 - 9</b>
<b>Profit and Loss Account</b>	<b>10</b>
<b>Balance Sheet</b>	<b>11</b>
<b>Notes to the Financial Statements</b>	<b>12 - 21</b>

## **EASYNET MANAGED SERVICES LIMITED**

### **COMPANY INFORMATION**

**Directors**

C Birkett  
Y Jaffer  
J A Shearing  
G J Williams

**Registered number**

SC298935

**Registered office**

272 Bath Street  
Glasgow  
G2 4JR

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Donington Court  
Pegasus Business Park  
Herald Way  
East Midlands  
DE74 2UZ

**Solicitors**

Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

## **EASYNET MANAGED SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015**

The directors present the strategic report for Easynet Managed Services Limited (the "company") for the period ended 31 December 2015.

#### **Principal activities**

The company is a provider of next generation network services. It offers a range of communication services to business customers and other carriers. The principal activities of the Company are the provision of managed network and hosting services in the United Kingdom. These key areas of expertise are further strengthened by a wide range of value added integration services such as video conferencing, managed telephony, security and unified communications.

#### **Review of business**

The MDNX Group Holdings Limited group (the 'Easynet Group') is the UK's largest independent provider of managed network and hosting services. This independence facilitates its exceptional service and commitment to innovation which in turn enables it to provide the best possible range of services to customers.

Easynet Managed Services Limited is an integrated part of the Easynet Group. The Easynet Group was acquired by Interoute in October 2015.

The company is now managed as part of a group of companies whose parent undertaking is Interoute Communications Holdings S.A. (together with its subsidiary undertakings 'Interoute' or 'the Group'). The principal risks and uncertainties of the company are integrated with the principal risks and uncertainties of the Group and are not managed separately. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance and position of the company.

The Group operates a Next Generation Network covering the majority of the European Union, from London to Warsaw, from Stockholm to Sicily and beyond into the emerging economies of South Eastern Europe. The network is linked to North America's major telecoms hub through our transatlantic capacity and serves as a bridge between the Middle East, North Africa and the West, with a fully operational Point of Presence in the Arab world's most dynamic international hub, Dubai. The Group is key to Europe's digital supply chain, serving over 9,000 customers including all the major incumbent operators. Interoute supports the e-Commerce activities of many major European businesses through its data centres and handles mission critical network and communications needs for governments, banks, media and manufacturing companies.

#### **Future developments**

As part of the integration process of the former Easynet group entities to which the company belongs into Interoute, management has planned several Easynet group entities to be merged into Easynet Global Services Limited ("EGS"). The company is among the entities planned to be merged with EGS within 12 months of the balance sheet date. Management does not envisage significant change in the actual activities of the company in the forthcoming period resulting from the merger.

#### **Principal risks and uncertainties**

The management of the company and the execution of its strategy are subject to a number of risks which are set out below. The management team reviews the risks the company faces during its weekly meetings. These risks are also discussed at length during the Group's monthly management meetings.

##### **(a) Market and economic conditions**

Should the current economic trading conditions worsen in any of the countries in which Easynet operates, this could have an adverse effect. Such economic conditions may cause existing and potential customers to delay or avoid the purchase of the Group's products, or may lead to consolidation of customers or increased bad debt. Reduced revenues and cash inflows can also lead to an increased risk of asset impairment. However, the Group's products are often business critical rather than a discretionary purchase which will assist in reducing the impact of a deterioration in the macro economic environment. Furthermore such a deterioration may also increase opportunities as Easynet's customers seek to reduce costs through investment in technology.

## EASYNET MANAGED SERVICES LIMITED

### STRATEGIC REPORT (continued) FOR THE PERIOD ENDED 31 DECEMBER 2015

#### *(b) Pricing pressures*

The company is exposed to price risk as a result of downward pressure on prices in the telecommunications market. The company mitigates this risk in several ways:

- all contracts not strictly adhering to the company's standard prices are subject to approval by an independent team before they can be closed by the sales force thus ensuring a base level of margins is attained;
- a focus on controlling local tail costs, including the establishment of a team of professionals with experience in local tail acquisition and cost control; and
- by structuring the sales force's incentive plan such that higher commissions are earned on higher margin products.

#### *(c) Employee retention*

A highly stable management team has contributed to the company's singularity of focus and purpose. In order to maintain such stability the Group has introduced a number of schemes aimed at retaining individuals:

- a focus on training and development. As a leader in telecommunications technology, Interoute can provide unique opportunities for individuals interested in advancing in the telecommunications industry;
- bonus and incentive plans to reward performance against well-defined objectives. The company is an organisation managed by objectives, and each employee has developed with their line manager a set of individual objectives to support the business' key goals as listed above.

#### *(d) Network downtime and Data Centre Infrastructure*

The performance of the network and Data Centres is an important factor in Interoute's ability to attract new customers and to retain existing customers.

To mitigate the risk of customer loss, the performance of the network and Data Centres is constantly monitored. Any faults are discussed in detail to consider how they can be prevented in the future. The company aims for its customers to experience minimal disruption to service from either planned or unplanned network outages.

#### *(e) Fundamental technology change*

Technological changes may impact the way in which telecommunications and media services are delivered in the future. A key strategic advantage of the Interoute network is that it was built to allow new technologies to be added to the network at limited additional cost. There is a second duct throughout Interoute's Western European footprint thus allowing additional fibre or new technology to be deployed without rebuilding the routes.

The company is at the forefront of technological advances and is able to adapt its approach as technology advances. Recent examples of this include the deployment of Cloud services, as well as dramatic increases in bandwidth enabled by introduction of new and better equipment to the network. Unlike some of the company's competitors, Interoute does not have legacy data or voice revenues to protect. The oldest technology that the company uses is for many operators their newest technology.

**EASYNET MANAGED SERVICES LIMITED**

**STRATEGIC REPORT (continued)  
FOR THE PERIOD ENDED 31 DECEMBER 2015**

**Financial risk management**

The company's operations expose it to a variety of financial risks that include credit risk and liquidity risk.

*(a) Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

*(b) Liquidity risk*

Liquidity risk is that the company does not have sufficient liquid assets to meet its obligations as they fall due. Liquidity is maintained at a prudent level and the company ensures there is an adequate liquidity buffer to cover contingencies. The company maintains sufficient cash and open committed credit lines from credit institutions to meet its funding requirements and monitors cash flow as part of its day to day control procedures.

This report was approved by the board and signed on its behalf by:



**C Birkett  
Director**

Date: 18 July 2016

## **EASYNET MANAGED SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015**

The directors present their annual report and the audited financial statements for the company for the period ended 31 December 2015.

The financial statements have been prepared in Pound Sterling, the functional currency of the company.

#### **Results and dividends**

The profit for the period, after taxation, amounted to £1,002,000 (2014: loss £979,000).

The directors do not recommend the payment of a dividend (2014: Nil).

#### **Principal activities**

The company's principal activity is the provision of managed, secure, resilient wide area networks and related internet and technology services to businesses.

It forms part of the Easynet Group, the UK's largest independent provider of managed network and hosting services. This independence facilitates its exceptional service and commitment to innovation which in turn enables it to provide the best possible range of services to customers.

#### **Directors**

The directors who served during the period and up to the date of signing the financial statements, unless otherwise stated were:

C Birkett (appointed 15 October 2015)  
Y Jaffer (appointed 15 October 2015)  
J A Shearing (appointed 15 October 2015)  
G J Williams (appointed 15 October 2015)  
W W Churchill (resigned 15 October 2015)  
M T Mulford (resigned 15 October 2015)  
M J Thompson (resigned 15 October 2015)

#### **Directors' indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The company also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

#### **Future developments**

Please see the Strategic report, where these have been discussed.

#### **Financial risk management**

Please see the Strategic report, where these risks have been discussed.

#### **Political contributions**

During the year the Company made no donations (2014: £Nil) to any political party.

## **EASYNET MANAGED SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015**

#### **Going concern**

The directors believe that the company has adequate resources to continue in operational existence for the foreseeable future, and so continue to adopt the going concern basis.

In arriving at their decision to prepare these financial statements on the going concern basis, the directors have reviewed the Group's business plan, forecasts and cash flow projections and compared these with the company's cash holdings, its facilities and projected gearing ratios.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.



**EASYNET MANAGED SERVICES LIMITED**

**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 2015**

**Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, were appointed during 2015 and have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report was approved by the board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'C Birkett', written over a horizontal line.

**C Birkett**  
Director

Date: 18 Jow 2016

## **EASYNET MANAGED SERVICES LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EASYNET MANAGED SERVICES LIMITED**

#### **Report on the financial statements**

---

##### **Our opinion**

In our opinion Easynet Managed Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the 13 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

---

##### **What we have audited**

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015 and the Profit and Loss Account for the period then ended;
- the accounting policies; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

---

##### **Opinions on matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report and the Strategic Report for the financial period which the financial statements are prepared is consistent with the financial statements.

---

##### **Other matters on which we are required to report by exception**

---

###### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

---

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EASYNET MANAGED SERVICES LIMITED

---

**Responsibilities for the financial statements and the audit**

---

**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

---

**What an audit of financial statements involves**

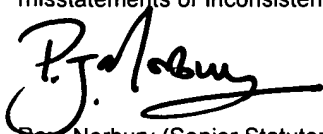
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' Report and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Paul Norbury (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

Date: 18 Jun 2016

**EASYNET MANAGED SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2015**

	Note	13 months ended 31 December 2015 £000	8 months ended 30 November 2014 Restated £000
<b>TURNOVER</b>	2	16,309	10,557
Cost of sales		(8,124)	(8,426)
<b>GROSS PROFIT</b>		8,185	2,131
Administrative expenses		(5,352)	(2,828)
Exceptional administrative expenses		(366)	(282)
Total administrative expenses		(5,718)	(3,110)
<b>OPERATING PROFIT/(LOSS)</b>	3	2,467	(979)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,467	(979)
Tax on profit/(loss) on ordinary activities	7	(1,465)	-
<b>PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>	15	1,002	(979)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and Loss Account above.

There are no material differences between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial period stated above and their historical cost equivalents.

The notes on pages 12 to 21 form part of these financial statements.

**EASYNET MANAGED SERVICES LIMITED**  
**REGISTERED NUMBER: SC298935**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2015**

		31 December 2015 £000	30 November 2014 Restated £000
	Note	£000	£000
<b>FIXED ASSETS</b>			
Intangible assets	8	178	950
Tangible assets	9	-	-
		<u>178</u>	<u>950</u>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due after more than one year	10	7,958	7,958
Debtors: amounts falling due within one year	10	29,289	28,706
Cash at bank and in hand		232	171
		<u>37,479</u>	<u>36,835</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(14,375)</u>	<u>(15,505)</u>
<b>NET CURRENT ASSETS</b>		<u>23,104</u>	<u>21,330</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>23,282</u>	<u>22,280</u>
<b>CREDITORS: amounts falling due after more than one year</b>	12	<u>(14,492)</u>	<u>(14,492)</u>
<b>NET ASSETS</b>		<u>8,790</u>	<u>7,788</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1	1
Capital redemption reserve	15	3,777	3,777
Other reserves	15	15,062	15,062
Profit and loss account	15	(10,050)	(11,052)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	17	<u>8,790</u>	<u>7,788</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**C Birkett**  
Director

Date: 18 July 2016

The notes on pages 12 to 21 form part of these financial statements.

## **EASYNET MANAGED SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015**

#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

These financial statements are prepared on the going concern basis under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principle accounting policies, which have been applied consistently throughout the period, are set out below.

##### **1.2 Going concern**

The company meets its day-to-day working capital requirements through its group facility arrangements. The current economic conditions continue to create uncertainty particularly over a) level of demand for group's products and b) the availability of finance for the foreseeable future. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the levels of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operating existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements.

##### **1.3 Cash flow statement**

The Company is a wholly owned subsidiary company of a group headed by Interoute Communications Holdings S.A., and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'.

##### **1.4 Accounting policy changes**

The company has changed a number of its accounting policies during the year. The nature and effect of these changes has been detailed in note 16.

Previously, fixed assets held at customer sites were depreciated over 4 years, also capitalised labour was previously amortised over 3 years.

This has changed and further details are set out under 'Tangible assets and depreciation' and in note 16.

Similarly, previously installation revenue was recognised in the period if it related to separately identifiable installation revenue, and over 3 years if it was not separately identifiable. This has changed and further details are set out under 'Turnover' and in note 16.

##### **1.5 Turnover**

Turnover represents amounts earned from the provision of telecommunication services (net of value added tax).

Revenue from the provision of telecommunication services is recognised rateably over the period in which the service is provided. Amounts invoiced in advance are shown as deferred income and recognised as turnover in the period in which the service is provided. Amounts invoiced in arrears are shown as accrued income and recognised as turnover in the period in which the service is provided.

Connection fees are recognised as turnover over the expected customer relationship period. For the majority of services the Directors have estimated the expected customer relationship period to be three years.

## **EASYNET MANAGED SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015**

#### **1. ACCOUNTING POLICIES (continued)**

##### **1.6 Intangible assets and amortisation**

In accordance with FRS 7 'Fair Values in Acquisition Accounting', customer contracts acquired as part of a business combination are deemed to have a cost to the Group of their fair value at the date of acquisition. Subsequent customer contracts are shown at cost less accumulated amortisation less any provision for impairment.

##### **1.7 Tangible assets and depreciation**

Tangible assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	-	3 - 5 years
Computer equipment	-	3 - 5 years

Assets are reviewed for impairments annually. Impairments are charged to the Profit and Loss Account.

##### **1.8 Exceptional items**

Material items which derive from events or transactions that fall outside the ordinary activities of the Group, individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence for the financial statements to give a true and fair view.

##### **1.9 Deferred taxation**

Deferred tax is provided, except as noted below, on timing difference that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19, deferred tax is not provided on timing difference arising from:

- Gains on the sale of non-monetary assets where, on the basis of all available evidence, it is more likely than not that the taxable gain will be rolled over into replacement assets;
- Extra tax payable on the unremitted earnings of the overseas subsidiaries and associate where there is no commitments to remit these earnings; and
- Fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Net deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

##### **1.10 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

# **EASYNET MANAGED SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015**

### **1. ACCOUNTING POLICIES (continued)**

#### **1.11 Pensions**

Pension contributions are made by the company to the defined contribution pension schemes for certain employees. Contributions payable in the period are charged to the profit and loss account. Differences between contributions payable in the period and contributions paid are shown as either accruals or prepayments in the balance sheet.

### **2. TURNOVER**

The whole of turnover is attributable to managed hosting and network services.

All turnover arose within the United Kingdom.

### **3. OPERATING PROFIT/(LOSS)**

The operating profit/(loss) is stated after charging:

	<b>13 months ended 31 December 2015 £000</b>	<b>8 months ended 30 November 2014 Restated £000</b>
Amortisation - intangible fixed assets	<b>772</b>	<b>474</b>
Depreciation of tangible fixed assets: - owned by the company	-	1
Difference on foreign exchange	<b>(2)</b>	<b>(2)</b>
	<u><u>          </u></u>	<u><u>          </u></u>

### **4. AUDITORS' REMUNERATION**

	<b>13 months ended 31 December 2015 £000</b>	<b>8 months ended 30 November 2014 £000</b>
Fees payable to the Group's auditors for the audit of the Group's financial statements	<b>20</b>	<b>4</b>
	<u><u>          </u></u>	<u><u>          </u></u>

Auditors' remuneration of £20,000 (2014: £4,000) has been borne by Interoute Communications Limited on behalf of Easynet Managed Services Limited.



## EASYNET MANAGED SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

#### 5. STAFF COSTS AND DIRECTORS' REMUNERATION

The Company has no employees other than the directors.

The emoluments of the directors prior to the Interoute acquisition of the Easynet group were paid by MDNX Group Holdings Limited, which made no recharge to the company, they were directors of MDNX Group Holdings Limited and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of these subsidiaries. Accordingly no emoluments in respect of these subsidiaries is included. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of MDNX Group Holdings Limited.

The emoluments of 1 of the directors is paid by the intermediate parent company, Interoute Communications Limited, which makes no recharge to the company. As the director was a director of Interoute Communications Limited and a number of fellow subsidiaries it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, no emoluments in respect of this director is included in staff costs. The total emoluments for this director are included in the aggregate of directors' emoluments disclosed in the financial statements of Interoute Communications Limited.

The emoluments of 1 of the directors is paid by the intermediate parent company, Interoute Communications Holdings SA, which makes no recharge to the company. As the director was a director of Interoute Communications Holdings SA and a number of fellow subsidiaries it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, no emoluments in respect of this director is included in staff costs. The total emoluments for this director are included in the aggregate of directors' emoluments disclosed in the financial statements of Interoute Communications Holdings SA.

The emoluments of the 2 remaining directors are paid by other group subsidiaries, which make no recharge to the company. As the directors were a director of a number of group subsidiaries, it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, no emoluments in respect of these directors are included in staff costs.

#### 6. EXCEPTIONAL ITEMS

	13 months ended 31 December 2015 £000	8 months ended 30 November 2014 £000
Restructuring costs	366	-
Historic acquisitions	-	282
	<u>366</u>	<u>282</u>

Exceptional items consist of a combination of costs in relation to redundancy, business restructuring and onerous leases.

# **EASYNET MANAGED SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015**

### **7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	13 months ended 31 December 2015 £000	8 months ended 30 November 2014 £000
<b>Analysis of tax charge in the period</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit/(loss) for the period	-	-
<b>Deferred tax</b> (see note 13)		
Origination and reversal of timing differences	1,465	-
<b>Tax on profit/loss on ordinary activities</b>	<u>1,465</u>	<u>-</u>

#### **Factors affecting tax charge for the period**

The tax assessed for the period is lower than (2014: lower than) the standard rate of corporation tax in the UK of 20.31% (2014: 21%). The differences are explained below:

	13 months ended 31 December 2015 £000	8 months ended 30 November 2014 Restated £000
Profit/(loss) on ordinary activities before tax	2,467	(979)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.31% (2014: 21%)	501	(206)
<b>Effects of:</b>		
Group relief (received) / surrendered for nil payment	(501)	206
<b>Current tax charge for the period</b>	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of losses carried forward, fixed assets and short term timing differences as there is insufficient evidence that it will be recovered. The amount of the net asset not recognised is £1,261,000 (2014: £Nil). The asset would be recovered if the Company makes sufficient taxable profits against which it could be offset.

#### **Factors that may affect future tax charges**

The July 2015 budget statement announced changes to the UK Corporation tax rate which will reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. This change was substantively enacted on 26 October 2015.

The March 2016 budget statement announced a further change to the UK Corporation tax rate which will now reduce the main rate of corporation tax to 17% from 1 April 2020. As the change has not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

**EASYNET MANAGED SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2015**

**8. INTANGIBLE ASSETS**

	<b>Customer contracts £000</b>
<b>Cost</b>	
At 1 December 2014 and 31 December 2015	<b>19,972</b>
<b>Accumulated amortisation</b>	
At 1 December 2014	<b>19,022</b>
Charge for the period	<b>772</b>
At 31 December 2015	<b>19,794</b>
<b>Net book value</b>	
At 31 December 2015	<b>178</b>
At 30 November 2014	<b>950</b>

**9. TANGIBLE ASSETS**

	<b>Plant and machinery £000</b>	<b>Computer equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 December 2014 and 31 December 2015	<b>18</b>	<b>70</b>	<b>88</b>
<b>Accumulated depreciation</b>			
At 1 December 2014 and 31 December 2015	<b>18</b>	<b>70</b>	<b>88</b>
<b>Net book value</b>			
At 31 December 2015	<b>-</b>	<b>-</b>	<b>-</b>
At 30 November 2014	<b>-</b>	<b>-</b>	<b>-</b>

**EASYNET MANAGED SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2015**

**10. DEBTORS**

	<b>31 December 2015 £000</b>	<b>30 November 2014 £000</b>
<b>Due after more than one year</b>		
Amounts owed by group undertakings	<b>7,958</b>	<b>7,958</b>
	<b>31 December 2015 £000</b>	<b>30 November 2014 £000</b>
<b>Due within one year</b>		
Trade debtors	<b>1,821</b>	<b>1,791</b>
Amounts owed by group undertakings	<b>27,196</b>	<b>24,570</b>
Other debtors	-	18
Called up share capital not paid	<b>1</b>	<b>1</b>
Prepayments and accrued income	<b>271</b>	<b>861</b>
Deferred tax asset (see note 13)	-	1,465
	<b>29,289</b>	<b>28,706</b>

No interest is charged on amounts owed by other Group companies. These amounts are repayable on demand.

**11. CREDITORS:  
Amounts falling due within one year**

	<b>31 December 2015 £000</b>	<b>As restated 30 November 2014 £000</b>
Trade creditors	-	8
Amounts owed to group undertakings	<b>12,754</b>	<b>11,406</b>
Corporation tax	<b>1</b>	<b>1</b>
Other taxation and social security	<b>238</b>	<b>996</b>
Other creditors	<b>54</b>	-
Accruals and deferred income	<b>1,328</b>	<b>3,094</b>
	<b>14,375</b>	<b>15,505</b>

No Interest is charged on amounts owed to other Group companies. These amounts are repayable on demand.

**12. CREDITORS:  
Amounts falling due after more than one year**

	<b>31 December 2015 £000</b>	<b>30 November 2014 £000</b>
Amounts owed to group undertakings	<b>14,492</b>	<b>14,492</b>

# **EASYNET MANAGED SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015**

### **13. DEFERRED TAX ASSET**

	31 December 2015 £000	30 November 2014 £000
At beginning of period	1,465	1,465
Released to Profit and Loss account	(1,465)	-
	<u>-</u>	<u>1,465</u>

The deferred taxation balance is made up as follows:

	31 December 2015 £000	30 November 2014 £000
Accelerated capital allowances	-	101
Tax losses carried forward	-	1,364
	<u>-</u>	<u>1,465</u>

### **14. CALLED UP SHARE CAPITAL**

	31 December 2015 £000	30 November 2014 £000
Allotted and called up		
1,002 (2014: 1,002) Ordinary shares of £1 (2014: £1) each	<u>1</u>	<u>1</u>

### **15. RESERVES**

	Capital redemption reserve £000	Other reserves £000	Profit and loss account £000
At 1 December 2014 (as previously stated)	3,777	15,062	(9,827)
Prior period adjustment - accounting policy change			(1,225)
			<u>(11,052)</u>
At 1 December 2014 (as restated)			(11,052)
Profit for the financial period	-	-	1,002
	<u>3,777</u>	<u>15,062</u>	<u>(10,050)</u>
At 31 December 2015			

## EASYNET MANAGED SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

#### 16. PRIOR PERIOD ADJUSTMENT

During the period the company changed some accounting policies which had the following impact:

	2014 £000
<b>Revenue recognition:</b>	(1,226)
Old policy: separately identifiable installation revenue recognised in the period with non separately identifiable installation revenue recognised over 3 years.	
New policy: All revenue recognised over 3 years	
<b>Depreciation of Assets</b>	
Old policy: Assets at customer site depreciated over 4 years.	
Capitalised labour amortised over 3 years.	1
New policy: Assets at customer site depreciated over 5 years.	
Capitalised labour amortised over 5 years.	
<b>Additional Profit/(loss)</b>	<u>(1,225)</u>

Since the acquisition of the Easynet Group, management have reviewed and assessed all accounting policies to ensure these are in line with the accounting policies of the Interoute Group.

In doing so management have determined a need to change accounting policies surrounding recognition of installation income and depreciation associated with assets held at customer sites.

As a result of the change in policy as highlighted above, management have accounted for these retrospectively, reducing revenue by £1,226,000 and depreciation costs by £1,000.

#### 17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2015 £000	30 November 2014 £000
Opening shareholders' funds	9,013	8,767
Prior period adjustments - accounting policy change	<u>(1,225)</u>	
Opening shareholders' funds (as restated)	7,788	
Profit/(loss) for the financial period	<u>1,002</u>	<u>(979)</u>
Closing shareholders' funds	<u>8,790</u>	<u>7,788</u>

#### 18. SECURITIES GIVEN

Bank loans and facilities elsewhere in the group are secured by debentures which include the assets of Easynet Managed Services Limited. In particular this includes the €350m fixed and €240m floating rate notes issued by Interoute Finco Plc and the Revolving Credit Facility for up to €75m held by Interoute Communications Limited.

#### 19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under Financial Reporting Standard (FRS) No. 8 'Related Party Disclosures' not to disclose transactions between entities whose voting rights are 100% controlled within the Interoute Group of companies. The financial statements for this company are publicly available at the address within Note 20.

**EASYNET MANAGED SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2015**

**20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The directors consider the Company's immediate parent undertaking to be MDNX S1 Limited, a Company incorporated in the United Kingdom.

Consolidated financial statements of Interoute Communications Holdings S.A., the intermediate parent undertaking of Interoute Communications Limited, can be obtained from the Company Secretary at RCS Luxembourg B 109,434, Carre bonn - 2-8 Avenue Charles De Gaulle, L-1653, Luxembourg. Interoute Communications Holdings S.A. is the parent of the smallest and largest group to consolidate these financial statements.

The directors consider the Company's ultimate parent undertaking and controlling party to be Emasan AG, a Company incorporated in Switzerland.