Registered number: 02954343

# EASYNET LIMITED

Annual report and financial statements
for the period ended 31 December 2015

# Contents

# Directors and other information for the period ended 31 December 2015

**COMPANY INFORMATION**

| | |
|---|---|
| **Directors** | C Birkett<br>G J Williams<br>Y Jaffer<br>J Shearing |
| **Registered number** | 02954343 |
| **Registered office** | c/o Interoute Communications Limited<br>31st Floor<br>25 Canada Square<br>London<br>Canary Wharf<br>E14 5LQ |
| **Independent auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>Donington Court<br>Pegasus Business Park<br>Herald Way<br>East Midlands<br>DE74 2UZ |

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

The directors present the strategic report for Easynet Limited (the "company") for the 13 month 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 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 Interoute Networks Limited ('INL'). The company is among the entities planned to be merged with INL within 12 months of the balance sheet date. Management does not envisage significant change in the actual activities of the company in the forthcoming year 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.

(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.

**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 on 18 July 2016 and signed on its behalf by:

C Birkett
Director

# 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 £3,962,000 (2014: £1,875,000).

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

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.

**Directors**
The directors who served during the period and up to the date of signing of the financial statements were:

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

**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.

**Going concern**
The directors believe 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 Strategic Report, Directors' Report and the audited financial statements for the company in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

**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:

C Birkett

Director

18 July 2016

# Independent auditors' report to the members of Easynet Limited

## Report on the financial statements

### Our opinion

In our opinion, Easynet 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 and cash flows for the 13 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the period then ended;
- the Statement of Cash Flows for the period then ended;
- the Statement of Changes in Equity for the period then ended; 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 IFRSs as adopted by the European Union, and applicable law.

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.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for 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.

## Independent auditors' report to the members of Easynet Limited

**Directors' remuneration**

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

### 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 and 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 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.

P.J. Norbury

Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
18 July 2016

# Statement of Comprehensive Income for the period ended 31 December 2015

| | Note | 13 months ended December 2015 £'000 | 17 months ended November 2014 £'000 |
|---|---|---|---|
| **Revenue** | 2 | **21,176** | 32,094 |
| Cost of sales | 3 | **(11,113)** | (11,274) |
| **Gross profit** | | **10,063** | 20,820 |
| Administrative expenses excluding exceptional items | 3 | **(5,340)** | (17,975) |
| Exceptional administrative expenses | 3 | **(498)** | (292) |
| Total administrative expenses | | **(5,838)** | (18,267) |
| **Operating profit** | | **4,225** | 2,553 |
| Finance income | 4 | **-** | 13 |
| Finance costs | 4 | **(263)** | - |
| **Finance income - net** | | **(263)** | 13 |
| **Profit before tax** | | **3,962** | 2,566 |
| Taxation | 8 | **-** | (691) |
| **Profit for the period** | | **3,962** | 1,875 |
| **Total comprehensive income for the period** | | **3,962** | 1,875 |

The results have been derived wholly from continuing operations.

The notes on pages 13 to 36 form part of the financial statements.

## Statement of Financial Position
## for the period ended 31 December 2015



| | Note | 31 December 2015 £'000 | Restated 30 November 2014 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 9 | - | 22 |
| Property, plant and equipment | 10 | **159** | 348 |
| Investment in subsidiary companies | 11 | **1,756** | 1,756 |
| | | **1,915** | 2,126 |
| **Current assets** | | | |
| Trade and other receivables | 12 | **22,552** | 13,991 |
| Cash and cash equivalents | | **929** | 7,839 |
| | | **23,481** | 21,830 |
| **Total assets** | | **25,396** | 23,956 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **11,018** | 13,680 |
| | | **11,018** | 13,680 |
| **Net current assets** | | **12,463** | 8,150 |
| **Non-current liabilities** | | | |
| Trade and other payables | 14 | **195** | 55 |
| | | **195** | 55 |
| **Total liabilities** | | **11,213** | 13,735 |
| **Net assets** | | **14,183** | 10,221 |
| Ordinary shares | 16 | **317** | 317 |
| Share premium | | **18** | 18 |
| Retained earnings | | **13,848** | 9,886 |
| **Total equity** | | **14,183** | 10,221 |

The notes on pages 13 to 36 form part of these financial statements.

The financial statements of Easynet Limited, registered number 02954343 were approved by the board of directors and authorised for issue on 18 July 2016

C Birkett
Director

# Statement of Changes in Equity
# for the period ended 31 December 2015



| | Note | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| **At 1 December 2014** | 16 | **317** | **18** | **9,886** | **10,221** |
| Total comprehensive income for the period | | - | - | 3,962 | 3,962 |
| **At 31 December 2015** | 16 | **317** | **18** | **13,848** | **14,183** |

The notes on pages 13 to 36 form part of these financial statements.

# Statement of Cash Flows
# for the period ended 31 December 2015



| | Note | **13 months ended 31 December £'000** | 17 months ended 30 November £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in)/generated from operations | 17 | **(6,910)** | 5,629 |
| **Net cash from operating activities** | | **(6,910)** | 5,629 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 10 | - | 914 |
| Investment in subsidiaries | 11 | - | (1,756) |
| Purchase of intangible assets | 9 | - | 398 |
| **Net cash used in investing activities** | | - | (444) |
| **Cash flows from financing activities** | | | |
| Repayment of Group loans | | - | 2,595 |
| Issuance of group loans | | - | - |
| **Net cash from (used) in financing activities** | | - | 2,595 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(6,910)** | 7,781 |
| **Cash and cash equivalents at the beginning of the period** | | **7,839** | 58 |
| **Cash and cash equivalents at the end of the period** | | **929** | 7,839 |

The notes on pages 13 to 36 form part of these financial statements.

### 1. Accounting policies

Easynet Limited (the "Company") is incorporated and domiciled in the United Kingdom ("UK"). The Company provides Next Generation Network telecommunications services.

**a) Statement of compliance**

These financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) and IFRS Interpretations Committee (IFRS IC) as adopted for use in the European Union ("EU"), and the Companies Act 2006 applicable to companies reporting under IFRS.

**b) Basis of preparation**

The financial statements have been prepared on an historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies.

**c) 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.

**d) Consolidated financial statements**

The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it, and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent entity, Interoute Communications Holdings S.A. The company is registered in Luxembourg and financial statements are publicly available.

1. **Accounting policies (continued)**

**e) Foreign currency translation**

The Company's functional currency and presentational currency is pounds sterling. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets, liabilities and commitments denominated in foreign currencies at the period-end are reported at the rates of exchange at the balance sheet date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the initial transaction.

Gains and losses on retranslation of assets and liabilities are taken to the profit and loss account.

**f) Intangible assets**

*Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs which are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so it is available for use
- Management intends to complete the software product and will use it
- There is an ability to use the software product
- It can be demonstrated how the software product will generate probably future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

*Other intangible assets*

Other intangible assets are those that are identifiable and can be sold separately or which arise from legal rights.

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the statement of comprehensive income on a straight-line basis over the intangible asset's estimated useful life. If the asset is not yet available for use, no amortisation is charged and an impairment test is carried out at least annually. The principal useful economic life used for this purpose is three years.

**1. Accounting policies (continued)**

**g) Property, plant and equipment ("PPE")**

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment losses. Equipment costs comprise assets purchased and built, at cost, together with labour and other associated costs which are directly attributable to the construction. Capitalised labour corresponds to those labour costs incurred by the Company for its own purposes in the installation of tangible fixed assets. Purchased software which is integral to the functionality of the related equipment is capitalised as part of it.

When parts of an item of property, plant and equipment have different useful economic lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful economic lives are as follows:

| | |
|---|---|
| Leasehold improvements | Shorter of lease term or life of the asset |
| Equipment, furniture and fittings | 3 to 10 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

**h) Impairment of non-financial assets**

Intangible assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

**i) Investment in subsidiaries**

The Company's investments in subsidiary undertakings are stated at cost less provision for impairment where necessary.

**j) Non-derivative financial instruments**

*Non-derivative financial assets*

The Company classifies non-derivative financial assets into the following categories; loans, receivables and cash and cash equivalents.

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

**1. Accounting policies (continued)**

**j) Non-derivative financial instruments (continued)**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any provision for impairment.

Loans and receivables comprise cash and cash equivalents and trade and other receivables and are classified as such on the statement of financial position.

Cash and cash equivalents comprise cash balances with original maturities of three months or less.

*Non-derivative financial liabilities*

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise trade and other payables.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**k) Impairment**

*Non-derivative financial assets (including trade and other receivables)*

The company assesses at the end of each reporting period if there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset and that has an impact on the estimated future cash flows of the financial asset or group of financial assets which can be reliably estimated.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

**1. Accounting policies (continued)**

**k) Impairment (continued)**

Losses are recognised in profit or loss and reflected in an allowance account against trade and other receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**l) Provisions**

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income.

**m) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for supply of telecommunication services, stated net of discounts and value added taxes. Revenue is recognised when the value can be reliably measured, when it is probably that future economic benefits will flow to the entity; and when specific criteria have been met for each activity, as described below.

i) Rental, Maintenance and Managed Services – Fees charged can be billed monthly, quarterly or annually. Revenues are recognised in line with the provision of services. Amounts billed in advance are deferred and recognised in the period for which the service relates. Revenues billed in arrears or for services are accrued and recognised in the period for which the service relates.

ii) Set up, installation, consulting and project management.

This is a one-off charge to customers. This may include the design of the solution, project management, delivery and Installation of the solutions. These charges may also include charges to compensate the company for the expenditure on the cost of equipment to provide the services to the customer where the ownership and risk remains with the company. This revenue is recognised across the life of the contract.

iii) Connection fees

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

1. **Accounting policies (continued)**

**n) Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense which have been shown separately due to the significance of their nature or amount

**o) Employee benefits**

*Wages, salaries and social security contributions*

Wages, salaries, social security contributions and bonuses payable for current employees are recognised in the statement of comprehensive income as the employees' services are rendered. All employment costs, including directors, was borne by Easynet Global services Limited and recharged to Easynet Limited through intercompany recharges.

*Defined contribution plans*

A defined contribution plan 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 further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

The Company pays contribution to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The total expense relating to these plans are borne by Easynet Global Services Limited and recharged to Easynet Limited through intercompany charges.

**p) Taxation, including deferred taxation**

The Company's liability for current tax is based on taxable profits for the period, and is calculated using tax rates that have been enacted or substantively enacted at the reporting date. Tax is recognised in the income statement.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) which have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probably future taxable profit will be available against which the temporary differences can be utilised.

1. **Accounting policies (continued)**

**p) Taxation, including deferred taxation (continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**q) Critical accounting estimates and judgements**

In the preparation of the financial statements, a number of estimates and assumptions have been made relating to the reporting of results of operations and the financial position of the Company. Results may differ significantly from those estimates under different assumptions and conditions.

The Company considers that the Company's most critical accounting estimates and judgements, which are those that are most important to the presentation of its financial position and results are set out below. These particular policies require subjective and complex judgements, often as a result of the need to make estimates about the effect of matters that are uncertain. Estimates and underlying assumptions are reviewed on an on-going basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

*Receivables allowance*

The Company performs regular reviews of the receivables and the risks of bad debt and makes provisions to reflect its views of the financial condition of its customers and their ability to pay in full for amounts owing for services provided. The expense associated with these provisions for bad debts are recorded in operating costs. Estimates based on historical and current experience are used in determining the level of debts that are not expected to be collected. The allowance is based on the ageing of customer accounts, customer credit worthiness and the Company's historical write-off experience. Changes to the allowance may be required if the financial condition of the Company's customers improves or deteriorates.

*Tax*

The determination of the Company's tax charge involves assessing the extent to which deferred tax assets can be recognised and estimating the impact of tax regulations.

Recognition of deferred tax assets is dependent on whether it is probable that sufficient suitable taxable profits will be available in the future, against which the reversal of underlying temporary differences or unutilised tax losses can be deducted. Recognition therefore involves estimates regarding the level of future taxable income of the particular legal entity or tax group and the time limits on the availability of taxable losses for carry forward. There are certain transactions and computations for which the ultimate tax determination is uncertain due to the interpretation of tax regulations where the tax treatment cannot be finally determined until a resolution has been reached with the relevant tax authority.

Differences arising between the estimations made and the actual results may necessitate future adjustments to tax expense or income and/or cash flow variances.

1. Accounting policies (continued)

**q) Critical accounting estimates and judgements (continued)**

*Depreciation of property, plant and equipment*

The Company assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Where the Company determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Company's financial statements when the change in estimate is determined.

*Impairment*

The carrying values of property, plant and equipment and intangible assets other than goodwill, within a cash generating unit, are reviewed for impairment only when events indicate the carrying value may be impaired. Impairment indicators include both internal and external factors. Examples of internal factors include analysing performance against budgets with significant underperformance relative to expected historical or projected future operating results, obsolescence or physical damage and significant changes in the use of the assets or the strategy of the overall business.

Examples of external considerations assessed for indications of impairment include wider economic factors, and significant changes in technology and regulatory environments.

Where impairment indicators are present, the recoverable amounts of assets are measured. Asset recoverability requires assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters. In particular, management has regard to assumptions in respect of revenue mix and growth rates, customer churn, EBITDA margins, timing and amount of capital expenditures, long term growth rates and the selection of appropriate discount rates.

*Revenue recognition*

Judgement is required in drafting revenue recognition principles and the specific guidance in respect of the company's revenue. Revenues are generally billed in advance and recognised over the period of service provided. Judgement is required in the formation of these principles, including the determination of revenue and margin to be separated between elements of the contracts.

Credit note provisions are estimated by reference to the company's experience of credit note levels, taking into account all known credit notes plus an estimate of those yet to be identified. There is a risk that this provision may not be calculated correctly resulting in subsequent adjustments to revenues. Trade receivables are presented net of credit note provisions. Movements in the credit note provision are netted against revenues.

**1. Accounting policies (continued)**

**r) Recent accounting developments**

There have been no accounting standards, amendments and interpretations effective for the first time in these financial statements and which have had a material impact on the financial statements.

There are a number of new standards and amendments to existing standards currently in issue but not yet effective, including:

- IFRS 15, 'Revenue from contracts with customers' – Effective date 1 January 2018
- IFRS 9, 'Financial instruments' – Effective date 1 January 2018 and
- IFRS 16, 'Leases' – Effective date 1 January 2019. Early application is permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.
- Amendment to IAS 1, 'Presentation of financial statements' on disclosure initiative – Effective date 1 January 2016 (not EU endorsed at the time of going to print);
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation – Effective date 1 January 2016 (not EU endorsed at the time of going to print).

The full impact of these new standards has not yet been assessed. There are no other new standards, amendments to existing standards or interpretations which are not yet effective and expected to have a material impact on the financial statements of Easynet Limited.

**2. Revenue**

All revenue is derived from the provision of telecommunication services.

Analysis of revenue by geography

| | 13 months ended 31 December 2015 £'000 | 17 months ended 30 November 2014 £'000 |
|---|---|---|
| United Kingdom | **20,923** | 31,977 |
| Rest of Europe | **162** | 113 |
| Rest of World | **91** | 4 |
| | **21,176** | 32,094 |

**3. Expenses by nature**

Operating expense is comprised of the following:

| | 13 months ended 31 December 2015 £'000 | 17 months ended 30 November 2014 £'000 |
|---|---|---|
| Variable cost of sales | **6,523** | 11,274 |
| Charges from related companies for provision of telecommunications | **4,522** | - |
| Depreciation of tangible fixed assets | **188** | 1,344 |
| Amortisation of intangible fixed assets | **22** | 398 |
| Selling and distribution (income)/expenses | **(34)** | 46 |
| Personnel recharges | **-** | (1,251) |
| Charges from related companies for administrative support | **5,303** | 17,222 |
| Other operating (income)/expenses | **(71)** | 216 |
| Exceptional restructuring expense | **498** | 292 |
| **Total cost of sales and administrative expenses** | **16,951** | 29,541 |

Exceptional restructuring expenses are a combination of costs relating to redundancy and business restructuring following the MDNX group of companies purchasing the Easynet group of companies in 2013. Integration of the businesses has continued throughout the period ended 31 December 2015.

#### 4. Finance income and finance costs

| | 13 months ended 31 December 2015 £'000 | 17 months ended 30 November 2014 £'000 |
|---|---|---|
| **Finance income** | | |
| Net foreign exchange gain on cash & loans | - | 13 |
| **Finance costs** | | |
| Net foreign exchange loss on cash & loans | (263) | - |
| **Net finance (costs)/income** | **(263)** | 13 |

#### 5. Auditor remuneration

Auditors' remuneration of £15,000 (2014: £0) has been borne by Interoute Communications Limited on behalf of Easynet Limited. No recharges were made to the company for such costs.

*Amounts paid to the company's auditor in respect of services to the Company, other than the audit of the Company's* financial statements, have been disclosed on a consolidated basis in the financial statements of Interoute communications Holdings S.A.

#### 6. Employee benefit expense

The Company does not have any employees other than the directors (2014: none). Management, operational, and sales services are provided to the Company by Easynet Global Services Limited. An intercompany recharge is then made for these services and have been shown in Note 3 above.

#### 7. Directors' remuneration

The directors who have served during the period are also directors of other undertakings within the group and do not receive any remuneration in respect of their services to the company (2014: £nil). The remuneration of directors prior to the Interoute acquisition of the Easynet group is included in the financial statements of MDNX Group Holding Limited.

The emoluments of 2 of the directors, following the acquisition of the group by Interoute, are paid by the intermediate parent company, Interoute Communications Limited, which makes no recharge to the company. As the directors were directors 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. The total emoluments for these directors are included in the financial statements of Interoute Communications Limited.

**7. Directors' remuneration (continued)**

The emoluments of the remaining 2 directors is paid by an intercompany member, which makes no recharge to the company. As the directors were directors of 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.

**8. Tax on profit on ordinary activities**

**a) Taxation**

**Deferred tax income**

| | **13 months ended 31 December 2015 £'000** | 17 months ended 30 November 2014 £'000 |
|---|---|---|
| Total current tax | - | - |
| Origination and reversal of temporary differences | - | 601 |
| Effect on tax rate change on opening balance | - | 90 |
| Total deferred tax | - | 691 |
| Total taxation charge | - | 691 |

**b) Reconciliation of total tax charge**

Tax expense for the year is lower (2014: higher) than the standard rate of corporation tax in the UK for the period ended 31 December 2015 of 20.31% (2014: 22.05%). The differences are explained as follows:

| | **13 months ended 31 December 2015 £'000** | 17 months ended 30 November 2014 £'000 |
|---|---|---|
| **Profit on ordinary activities before taxation** | **3,962** | 2,566 |
| Tax on loss at statutory rate | **805** | 566 |
| Deferred tax not recognised | - | 836 |
| Fixed asset difference | - | (1) |
| Expenses not deductible for tax purposes | **43** | 45 |
| Change in tax rate | - | 154 |
| Movement in short term timing differences | - | 1 |
| Group relief utilised without payment | **(848)** | (910) |
| **Tax charge** | - | 691 |

**8. Tax on profit on ordinary activities (continued)**

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 £836k (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.

**9. Intangible assets**

| | **Internally Generated Software Development Total £'000** |
|---|---|
| **Cost** | |
| At 1 July 2013 | 2,029 |
| At 30 November 2014 | 2,029 |
| **Accumulated amortisation** | |
| At 1 July 2013 | (1,609) |
| Amortisation for the period | (398) |
| At 30 November 2014 | (2,007) |
| **Net book value** | |
| Cost | 2,029 |
| Accumulated amortisation and impairment | (1,609) |
| At 30 June 2013 | 420 |
| Cost | 2,029 |
| Accumulated amortisation and impairment | (2,007) |
| At 30 November 2014 | 22 |

**9. Intangible assets (continued)**

| | Internally Generated Software Development Total £'000 |
|---|---|
| **Cost** | |
| At 1 December 2014 | 2,029 |
| Disposals | (2,029) |
| **At 31 December 2015** | - |
| **Accumulated amortisation** | |
| At 1 December 2014 | (2,007) |
| Amortisation for the period | (22) |
| Disposals | 2,029 |
| **At 31 December 2015** | - |
| **Net book value** | |
| Cost | 2,029 |
| Accumulated amortisation and impairment | (2,027) |
| **At 30 November 2014** | 22 |
| Cost | - |
| Accumulated amortisation and impairment | - |
| **At 31 December 2015** | - |

The Company's intangible assets comprise include internal and external expenditure on software associated with customer management systems, software licences and capitalised development costs.

During the year the company disposed of the intangibles of £nil net book value for nil consideration.

**10. Property, plant and equipment**

| | Plant & Machinery £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2013 | - | 3,245 | 3,245 |
| Additions | 172 | 146 | 318 |
| **At 30 November 2014** | 172 | 3,391 | 3,563 |
| **Depreciation** | | | |
| At 1 July 2013 | - | (2,277) | (2,277) |
| Depreciation charge | (33) | (905) | (938) |
| **At 30 November 2014** | (33) | (3,182) | (3,215) |
| | | | |
| **Net book value** | | | |
| 30 June 2013 | - | 968 | 968 |
| 30 November 2014 | 139 | 209 | 348 |
| | | | |
| **Period ended 31 December 2015** | | | |
| At 1 December 2014 | 172 | 3,391 | 3,563 |
| **At 31 December 2015** | 172 | 3,391 | 3,563 |
| **Depreciation** | | | |
| At 1 December 2014 | (33) | (3,182) | (3,215) |
| Depreciation charge | (36) | (151) | (188) |
| **At 31 December 2015** | (70) | (3,333) | (3,403) |
| | | | |
| **Net book value** | | | |
| 30 November 2014 | 139 | 209 | 348 |
| 31 December 2015 | 101 | 58 | 159 |

The Company had no capital commitments at 31 December 2015 (2014: £nil).

### 11. Investment in subsidiaries

The movement in the period was as follows:

| | Shares in subsidiaries £'000 |
|---|---|
| **Cost** | |
| At 1 December 2014 and 31 December 2015 | 1,823 |
| **Provision** | |
| At 1 December 2014 and 31 December 2015 | (67) |
| **Net book value** | |
| At 1 December 2014 and 31 December 2015 | 1,756 |

The investment in subsidiaries shown above represents the cost of the shares of the wholly-owned subsidiary undertakings.

The provision relates to impairment in the investment of Hong Kong Easynet Technology Co. Ltd in a prior period. There were no provisions for impairment in value in December 2015 or November 2014.

The following investments were held as at 31 December 2015

| Name | Country of incorporation *and place of* business | Description and proportion of shares *held (%)* | Principal activity |
|---|---|---|---|
| **Direct holdings** | | | |
| Hong Kong Easynet Technology Co. Ltd | Hong Kong | 100% Ordinary share capital | Telecommunications |
| Easynet AG | Switzerland | 100% Ordinary share capital | Telecommunications |
| Easynet Group Inc. | USA | 100% Ordinary share capital | Telecommunications |
| Easynet (Shanghai) Information & Technology Co. Ltd | China | 10% Ordinary share capital | Telecommunications |

## 12. Trade and other receivables

| | 31 December 2015 £'000 | 30 November 2014 £'000 |
|---|---|---|
| **Due within one year** | | |
| Trade receivables | **2,192** | 1,795 |
| Less: provision for impairment of trade receivables | **(127)** | (511) |
| **Trade receivables - net** | **2,065** | 1,284 |
| Receivables from group undertakings | **13,385** | 5,365 |
| Loan to fellow group undertaking | **7,064** | 7,064 |
| Prepayments and accrued income | **38** | 278 |
| **Trade and other receivables** | **22,552** | 13,991 |

Trade receivables principally comprise amounts outstanding from business customers. No interest is charged on trade receivables. All trade receivables are denominated in UK Sterling.

Receivables and loans to fellow group undertakings are non-interest bearing and repayable on demand. The balances are considered fully recoverable due to the performance of the wider Interoute group.

At the balance sheet date, trade receivables of £878,000 (2014: (£41,000)) were past due. The aging analysis of these trade receivables is as follows:

| | **31 December 2015 £'000** | 30 November 2014 £'000 |
|---|---|---|
| **Aging** | | |
| Current | **1,187** | 1,325 |
| Greater than 30 days but less than 60 | **184** | 138 |
| Greater than 60 days but less than 90 | **114** | 142 |
| Greater than 90 days | **580** | (321) |
| | **2,065** | 1,284 |

### 12. Trade and other receivables (continued)

In determining the recoverability of trade and other receivables the Company considers any change in the credit quality of the trade or other receivable from the date credit was initially granted up to the reporting date. The movement on the provision for impairment of trade receivables are as follows:

***Movement in allowance for impairment***

| | **31 December 2015 £'000** | 30 November 2014 £'000 |
|---|---|---|
| Balance at beginning of period | **511** | 822 |
| Amounts utilised | **(384)** | (311) |
| **Balance at end of period** | **127** | 511 |

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

| | **31 December 2015 £'000** | Restated 30 November 2014 £'000 |
|---|---|---|
| Amounts owed to Group undertakings | **(5,790)** | (7,124) |
| Accruals | - | (1,001) |
| Other taxation and social security | **(253)** | (961) |
| Other creditors | **(1,207)** | (30) |
| Deferred income | **(3,768)** | (4,564) |
| | **(11,018)** | (13,680) |

The Directors consider the carrying value of creditors approximates their fair value.

Of the amounts owed to other group companies:

£840,000 (2014: £840,000) is a loan from the parent company EGHL UK Limited which is non-interest bearing and re-payable on demand. This balance at 30 November 2014 has been reclassified from creditors: amounts falling due in more than one year to creditors: amounts falling due within one year since to reflect that the loan is repayable on demand.

£4,950,000 (2014: £6,284,000) are balances with fellow subsidiaries which are repayable on demand and non-interest bearing.

**14. Creditors: amount falling due in more than one year**

| | **31 December 2015** | 30 November 2014 |
|---|---|---|
| Deferred income | **(195)** | (55) |

The Directors consider that the carrying amount of creditors approximates to their fair value. Deferred income will be recognised within the next three years.

**15. Financial instruments, risk management objectives and policies**

i) Financial instruments

The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. The following table details the Company's remaining undiscounted contractual maturity for its financial liabilities

| | Less than 12 months £'000 | Between one and two years £'000 | Between two and five years £'000 | More than 5 years £'000 |
|---|---|---|---|---|
| **At 31 December 2015** | | | | |
| Trade and other payables | **6,997** | - | - | - |
| **At 30 November 2014** | | | | |
| Trade and other payables | 9,116 | - | - | - |

The table below analyses the Company's non-derivative financial assets and liabilities at the balance sheet date by category

| | Loans and receivables £'000 | Other liabilities £'000 | Total carrying value £'000 | Total fair values £'000 |
|---|---|---|---|---|
| **At 31 December 2015** | | | | |
| Trade and other payables | **-** | **(6,997)** | **(6,997)** | **(6,997)** |
| Trade and other receivables | **22,552** | **-** | **22,552** | **22,552** |
| Cash and cash equivalents | **929** | **-** | **929** | **929** |
| **At 30 November 2014** | | | | |
| Trade and other payables | - | (9,116) | (9,116) | (9,116) |
| Trade and other receivables | 13,991 | - | 13,991 | 13,991 |
| Cash and cash equivalents | 7,839 | - | 7,839 | 7,839 |

Due to the short term nature of the financial assets and liabilities held, it is considered that there is no material difference between the book value and fair value.

**15. Financial instruments, risk management objectives and policies (continued)**

ii) Risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

a) *Market Risk*

**Interest rate risk**

The Company has no external loans. 100% (2014: 100%) of intercompany loans are non-interest bearing. Consequently, the directors consider interest rate risk to be insignificant.

**Foreign exchange risk**

The Company transacts with fellow subsidiaries that operate in countries which do not have a sterling functional currency. These subsidiaries have either Euro or US Dollar as their functional currencies, therefore a foreign exchange risk arises. The Company has amounts outstanding from and to these subsidiaries. As a result, the Company is subject to translation risk on these transactions and translation of resulting monetary assets and liabilities.

The table below analyses balances denominated in a currency different to the functional currency of the entity.

| | **31 December 2015 £'000** | 30 November 2014 £'000 |
|---|---|---|
| Cash | | |
| Euro denominated balances | **219** | (285) |
| USD Denominated balances | **50** | 623 |
| Amounts owed by Group undertakings | | |
| Euro denominated balances | **3,126** | 1,304 |
| USD denominated balances | **2,280** | 99 |
| RMD denominated balances | **333** | - |
| HKD denominated balances | **109** | - |
| Amounts due to Group undertakings | | - |
| Euro denominated balances | **(3,556)** | (837) |
| USD Denominated balances | **-** | - |

The Company does not enter into any hedging transactions in respect of such foreign exchange risks.

**15. Financial instruments, risk management objectives and policies (continued)**

*b) Credit Risk*

The Company's principal financial assets are cash, cash equivalents and trade and other receivables.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables. This is recognised when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Individual credit limits are set for customers ahead of any transactions. The Company has no significant concentration of credit risk in its trade receivables as exposure is spread across a large number of counter parties.

The credit risk on cash, cash equivalents, and short term deposits is limited because the counterparties are blue chip comapanies with high credit-ratings assigned by international credit-rating agencies.

*c) Liquidity Risk*

Liquidity is managed at a group level for all subsidiaries of Interoute Communications Holdings S.A. Rolling forecasts are monitored to ensure the Company has sufficient cash to meet operational needs.

**16. Called up share capital**

| | **31 December 2015** | 30 November 2014 |
|---|---|---|
| | **£** | £ |
| **Allotted, called-up and fully paid** | | |
| 316,603 ordinary shares of £1 each | **316,603** | 316,603 |

**17. Notes to the Statement of Cash Flows**

Reconciliation of profit before taxation to cash generated from operations.

| | 13 months ended 31 December 2015 £'000 | 17 months ended 30 November 2014 £'000 |
|---|---|---|
| **Profit before taxation** | **3,962** | 2,566 |
| Depreciation of property, plant and equipment | **188** | 191 |
| Amortisation of intangible assets | **22** | - |
| Provision for restructuring cost | - | 2,967 |
| *Changes in working capital:* | | |
| (Increase) /decrease in trade and other receivables | **(540)** | 1,155 |
| Increase in intercompany receivables | **(8,020)** | (5,183) |
| Decrease in trade and other payables | **(1,188)** | (2,350) |
| (Decrease)/increase in intercompany payables | **(1,334)** | 6,284 |
| **Net cash from operating activities** | **(6,910)** | 5,629 |

**18. Related parties**

**a) Key management**

The Company has a related party relationship with the Directors of the Company as key management. At 31 December 2015, there were four (2014: three) such key management who were also Directors of the Company.

Remuneration for the three directors in 2014 was not borne by Easynet Global Services Limited. These directors resigned following the acquisition of the Easynet Group by Interoute Communications Limited in October 2015. Remuneration for the four directors at the end of the period was borne by Interoute Communications Limited.

**b) Transactions with related parties**

The table below shows the related party transactions and balances for the period ended and as at 31 December 2015 with Easynet Limited companies.

**18. Related parties (continued)**

**b) Transactions with related parties (continued)**

*i) Related undertakings*

The table below analyses sales, purchases and balances remaining at the balance sheet date as a result of transactions with related undertakings (not fellow group undertakings)

| | **13 months ended 31 December 2015 £'000** | 17 months ended 30 November 2014 £'000 |
|---|---|---|
| Purchases of goods/services by the Company | - | (6,576) |
| Sales of services by the Company | **(82)** | - |
| Amounts owed by related undertakings at the balance sheet date | **1** | 179 |
| Amounts owed to related undertakings at the balance sheet date | - | (131) |

Services bought and sold all relate to the provision of Telecommunications services. The related parties include companies that were connected to the group by way of the private equity fund which owned the MDNX Group up to October 2015.

*ii) Group Undertakings*

The table below analyses sales, purchases and balances remaining at the balance sheet date as a result of transactions with fellow group undertakings

| | **13 months ended 31 December 2015 £'000** | 17 months ended 30 November 2014 £'000 |
|---|---|---|
| Purchases of goods/services from Group Companies | - | - |
| Sales of services to Group Companies | - | - |
| Amounts owed by Group companies | **20,449** | 12,429 |
| Amounts owed to Group companies | **(5,790)** | (7,124) |

**18. Related parties (continued)**

Services bought and sold relate to the provision of Telecommunications services and the provision of administrative services to Easynet Limited.

**19. Securities given**

Bank loans and facilities elsewhere in the group are secured by debentures which include the assets of Easynet 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.

**20. Ultimate parent undertaking**

The directors consider the Company's immediate parent undertaking to be B2B Holding Limited, a Company incorporated in the United Kingdom

Consolidated financial statements of Interoute Communications Holdings S.A. 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.