

INTERROUTE FINCO PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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INTERROUTE FINCO PLC

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INTERROUTE FINCO PLC

COMPANY INFORMATION

Directors	G Williams M Woolf C Birkett
Company secretary	C Birkett
Registered number	09727400
Registered office	Interoute Finco plc c/o Interoute Communications Limited 31st Floor 25 Canada Square Canary Wharf London E14 5LQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

INTERROUTE FINCO PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the Strategic report for Interoute Finco Plc (the "Company") for the year ended 31 December 2016.

Principal activities

The principal activity of the Company is to act as a vehicle for holding external debt on behalf of Interoute Communications Holdings SA Group. The Company is a public limited company registered in England and Wales. The Company's senior secured fixed rate loan notes are due for repayment in 2020 are quoted on the Irish Stock Exchange.

Review of business and future developments

The Company is managed as part of an overall group of companies whose parent undertaking is Interoute Communications Holdings SA (together with its subsidiary undertakings 'Interoute' or 'the Group').

On 14 November 2016 the Company issued a Term Loan B for cash proceeds of €275m in order to facilitate the repayment of the senior secured floating rate notes and reduce the effective rate of interest paid on borrowings, as well as raise new net funds for the general corporate purposes of the Group.

During the year, the company received a capital contribution from Interoute Communications Holdings Limited for €750,000 (2015: Nil).

The Directors do not envisage any significant change in the activities of the Company in the forthcoming year.

Principal risks and uncertainties

(a) 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

(b) Interest rate cash flow risk

Interest rate risk refers to the risk that market interest rates will increase, resulting in higher borrowing costs under any of our credit facilities which have floating interest rates (including under our revolving credit facility).

In order to mitigate this risk, we use a mixture of floating rate and fixed rate instruments.

Key performance indicators (KPIs)

Given the holding company nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance and position of the business.

On behalf of the Board



C Birkett

Director

Date: 28/06/2017

INTERROUTE FINCO PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report and the audited financial statements for the year ended 31 December 2016. The financial statements have been prepared in Euros, the functional currency of the Company.

Results and dividends

The results for the financial year are set out in the Statement of Comprehensive Income on page 7. The Directors do not recommend the payment of a dividend (2015: €nil).

Directors

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

G Williams
M Woolf
C Birkett

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 year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Post balance sheet events

There are no material or significant post balance sheet events.

Principal risks and uncertainties

Details of principal risks and uncertainties of the Company are disclosed in the Strategic report.

Financial risk management

Details of the Company's financial risk management are disclosed in the Strategic report.

Future developments

Details of future developments of the Company are disclosed in the Strategic report.

Political donations

No donations have been made by the Company during the year (2015: €nil).

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the financial support of the intermediate parent undertaking, Interoute Communications Holdings Limited. As at the date of approval of these financial statements, the directors of the Company have no reason to believe this financial support will not be forthcoming in the event that it is required. The Company directors have a reasonable expectation that the Company will be able to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Corporate Governance

The board are appointed by the shareholders and meet regularly to review the financial and operational performance of the company. The company is specifically established for the raising of listed debt on behalf of Interoute Communications Holdings SA Group as noted in its principal activities in the Strategic report. The risk management process includes clear accountabilities, delegated authority limits and well-defined policies and procedures.

INTERROUTE FINCO PLC

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

Directors' responsibilities statement

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

Independent auditors

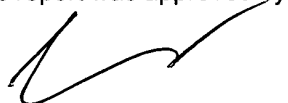
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting.

Disclosure of information to auditors

In accordance with Section 418 of the Company's Act 2006, each of the persons who are directors at the date of approval of this report confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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



C Birkett
Director

Date: 28/06/17

INTERROUTE FINCO PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERROUTE FINCO PLC

Report on the financial statements

Our opinion

In our opinion, Interoute Finco Plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year 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 Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year 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 United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 INTERROUTE FINCO PLC (continued)

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 set out on page 4, 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

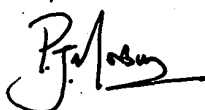
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



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

Date: 28 June 2017

INTERROUTE FINCO PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

		Year ending 31 Dec 2016	Period from 11 Aug to 31 Dec 2015
	Note	€000	€000
Administrative expenses		(2)	(30)
Operating loss		(2)	(30)
Finance income	7	40,143	8,843
Finance expense	7	(40,000)	(9,410)
Net finance income/(expense)		143	(567)
Profit/(loss) before income tax		141	(597)
Income tax expense	8	-	-
Profit/(loss) for the financial year / period		141	(597)
Total comprehensive income/(expense) for the financial year / period		141	(597)

The notes on pages 10 to 17 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 €000	2015 €000
Current assets			
Trade and other receivables	9	631,993	598,843
Cash and cash equivalents		68	63
		<u>632,061</u>	<u>598,906</u>
Payables: amounts falling due within one year	10	(6,704)	(9,440)
Net current assets		<u>625,357</u>	<u>589,466</u>
Payables: amounts falling due after more than one year	11	(625,000)	(590,000)
Net assets / (liabilities)		<u>357</u>	<u>(534)</u>
Capital and reserves			
Ordinary shares	12	63	63
Capital contribution reserve	13	750	-
Accumulated losses	13	(456)	(597)
Total equity		<u>357</u>	<u>(534)</u>

The notes on pages 10 to 17 form part of these financial statements.

The financial statements on pages 7 to 17 were approved and authorised for issue by the board and were signed on its behalf by:



C Birkett
Director

Date: 28/06/17

INTERROUTE FINCO PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Ordinary shares €000	Capital reserve €000	Accumulated losses €000	Total equity €000
As at 1 January 2016	63	-	(597)	(534)
Comprehensive income for the year				
Profit for the financial year	-	-	141	141
Total comprehensive income for the year	-	-	141	141
Contributions by and distributions to owners				
Capital contribution	-	750	-	750
Total transactions with owners	-	750	-	750
At 31 December 2016	63	750	(456)	357

PERIOD FROM 11 AUGUST 2015 TO 31 DECEMBER 2015

	Ordinary shares €000	Capital reserve €000	Accumulated losses €000	Total equity €000
Balance at incorporation	-	-	-	-
Comprehensive income for the period				
Loss for the period	-	-	(597)	(597)
Total comprehensive expense for the period	-	-	(597)	(597)
Contributions by and distributions to owners				
Issue of shares	63	-	-	63
Total transactions with owners	63	-	-	63
At 31 December 2015	63	-	(597)	(534)

The notes on pages 10 to 17 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. General information

Interoute Finco Plc ('the Company') is a public limited company by shares and is incorporated and domiciled in England. The address of its registered office is 31st Floor, 25 Canada Square, Canary Wharf, London, E14 5LQ. The main activity of the Company is the raising of external debt to provide funding to other group companies.

The Company's financial statements are presented in Euros and all values are rounded to the nearest thousand Euros (€000) except when otherwise indicated.

Prior year comparatives (referred to as "2015" in these notes) relate to the period from 11 August 2015 to 31 December 2015 or as at 31 December 2015 as applicable.

2. Statement of compliance

The individual financial statements of Interoute Finco Plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 101 in these financial statements.

3.1 Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit or loss.

These financial statements are the first financial statements of Interoute Finco Plc prepared in accordance with FRS 101. The financial statements of Interoute Finco Plc for the year ended 31 December 2015 were prepared in accordance with FRS 102.

No adjustments were required at the date of transition or to the statement of comprehensive income for the year ended 31 December 2015, on adoption of FRS 101 and therefore no separate transition to FRS 101 note has been prepared.

Some of the FRS 101 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous FRS 102. Consequently, the directors have amended certain accounting policies to comply with FRS 101, however this has not led to any measurement changes.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. Summary of significant accounting policies (continued)

3.2 Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the financial support of the intermediate parent undertaking, Interoute Communications Holdings Limited. As at the date of approval of these financial statements, the directors of the Company have no reason to believe this financial support will not be forthcoming in the event that it is required, as evidenced by the issuing of a letter of support to the Company. The Company directors have a reasonable expectation that the Company will be able to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

3.3 Exemptions for qualifying entities under FRS 101

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- b) IFRS 7, 'Financial Instruments: Disclosures'.
- c) Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
- e) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38 B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (Information on an entity's objectives, policies and processes for managing capital (qualitative and quantitative))
- f) IAS 7, 'Statement of cash flows'
- g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- h) Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- i) The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

3.4 New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2016, have had a material impact on the Company.

3.5 Consolidation

The company is a wholly owned subsidiary of Interoute Communications Holdings Limited and of its intermediate parent, Interoute Communications Holdings SA. It is included in the consolidated financial statements of Interoute Communications Holdings SA which are publically available. The address of the ultimate parent's registered office is 2-8 Avenue Charles De Gaulle, L-1653, Luxembourg. These financial statements are separate financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. Summary of significant accounting policies (continued)

3.6 Foreign currency

(i) Functional and presentation currency

The Company's functional and presentation currency is the Euro.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the rates ruling at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'Finance expense' or 'Finance income'. All other foreign exchange gains and losses are presented in the income statement within 'Administrative expenses'.

3.7 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.9 Financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. Summary of significant accounting policies (continued)

3.10 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the Group's debt instruments are restructured, the change is treated as an extinguishment of the old instrument if the present value of the cash flows from the new instrument, plus transaction costs, differs from the present value of the remaining cash flows under the old instrument by 10% or more. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.11 Share capital

Ordinary shares are classified as equity.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The Company has exercised judgement in making an accounting policy choice to treat debt as the extinguishment of a financial instrument, rather than a modification, where the present value of the new instrument plus transaction costs is different to the present value of cash flows under the old instrument by 10% or more. This accounting policy choice has determined the accounting for the Company's floating rate notes and Term Loan B (Note 11).

5. Auditors' remuneration

Auditors' remuneration fees in respect of the audit of Interroute Finco Plc of €11,300 (2015: €13,500) were borne by another group company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. Employees

The Company does not employ any staff (2015: Nil). No directors received any remuneration from the Company for their services during the year (2015: Nil).

7. Finance income and expenses

	2016 €000	2015 €000
<i>Finance income</i>		
Interest receivable from other group undertakings	40,143	8,843
	<u>40,143</u>	<u>8,843</u>
<i>Finance expenses</i>		
Interest payable on loan notes	(40,000)	(9,410)
	<u>(40,000)</u>	<u>(9,410)</u>

Finance expenses include an amount of €2.4m representing the early repayment premium payable on the senior secured floating rate loan notes which were repaid in November 2016.

8. Income tax expense

8.1 Tax expense included in the income statement

	2016 €000	2015 €000
Current tax on profits for the year	<u>-</u>	<u>-</u>

8.2 Reconciliation of tax charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 €000	2015 €000
Profit/(loss) before income tax	141	(597)
	<u>141</u>	<u>(597)</u>
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.00%)	28	(119)
	<u>28</u>	<u>(119)</u>
Effects of:		
Group relief surrendered	(28)	119
	<u>(28)</u>	<u>119</u>
Total tax charge	<u>-</u>	<u>-</u>

8.3 Factors that may affect future tax charges

From 1 April 2015, the UK taxation rate has been 20%. Legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020 was enacted in October 2015. A further reduction to 17% from 1 April 2020 was enacted in September 2016.

INTERROUTE FINCO PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. Trade and other receivables

	2016 €000	2015 €000
Amounts owed by group undertakings	631,993	598,843

The amounts owed by group undertakings are unsecured, repayable on demand and carry a market rate of interest.

10. Payables: Amounts falling due within one year

	2016 €000	2015 €000
Amounts owed to group undertakings	37	31
Interest due on Fixed Rate Loan Notes	5,378	5,951
Interest due on Senior Secured Floating Rate Notes	-	3,458
Interest due on Term Loan B Floating Rate Notes	1,289	-
	6,704	9,440

Amounts owed to group undertakings are unsecured and repayable on demand with interest being charged on pooling balances based on the 3 month Euribor rate plus a margin.

11. Payables: Amounts falling due more than one year

	2016 €000	2015 €000
Senior Secured Fixed Rate Loan Notes due 2020	350,000	350,000
Senior Secured Floating Rate Notes due 2020	-	240,000
Term Loan B Floating Rate Notes due 2023	275,000	-
	625,000	590,000

As at 31 December 2016 the payables relate to €350,000,000 7.375% fixed rate loan notes and €275,000,000 3.75% plus 3 month Euribor Term Loan B notes. Only the former is listed on the Irish Stock Exchange. In November 2016 the senior secured floating rate notes were repaid in full out of the proceeds of the newly issued Term Loan B. The refinancing had the substance of an extinguishment of an existing financial instrument. Costs arising from the extinguishment of €2.4m have been included in finance expenses in Note 7.

As at 31 December 2015 the payables relate to €350,000,000 7.375% fixed rate loan notes and €240,000,000 6.25% plus 3 month Euribor floating rate loan notes. The loan notes were listed on the Irish Stock Exchange.

The Company has chosen to account for its debt initially at fair value, then subsequently at amortised cost. The debt is secured on the assets of the Interoute group by means of cross-guarantees between certain Interoute group companies.

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12. Share capital

	2016 €000	2015 €000
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each (2015: 50,000 at £1 each)	63	63

An exchange rate of GBP:EUR 1:1.26 was used to translate the authorised ordinary shares of £1 each. These shares were authorised and allotted on 11 August 2015.

13. Reserves

Capital contribution reserve

The capital contribution reserve includes contributions from Interoute Communications Holdings Limited for €750,000 received during the year (2015: Nil).

Accumulated losses

The Accumulated losses represents the accumulated profits, losses and distributions of the Company.

14. Ultimate parent undertaking and controlling party

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

Consolidated financial statements of Interoute Communications Holdings S.A., the intermediate parent undertaking of Interoute Communications Holdings Limited, can be obtained from the Company Secretary at 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.