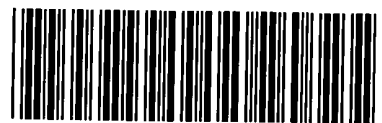


Registered number: 09727400

**INTERROUTE FINCO LIMITED  
(FORMERLY INTERROUTE FINCO PLC)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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## **INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

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## **INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

### **COMPANY INFORMATION**

**Directors**

M Sicoli  
J Kaman  
C McKee

**Registered number**

09727400

**Registered office**

Interoute Finco Limited  
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 LIMITED (FORMERLY INTERROUTE FINCO PLC)**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present the Strategic report for Interoute Finco Limited (the "Company") for the year ended 31 December 2017.

#### **Principal activities**

The principal activity of the Company was to act as a vehicle for holding external debt on behalf of the Interoute Communications Holdings SA Group. The Company was a public limited company registered in England and Wales. On 1 June 2018, the company re-registered its status to a private limited company and changed its name from Interoute Finco Plc to Interoute Finco Limited.

#### **Review of business and future developments**

During the course of 2017, the Company was 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').

In October 2017, a new Term Loan B facility was entered into as part of the refinancing exercise to redeem the €350m 7.375% Senior secured notes due 2020 and also reduce the interest rate on the €275m Term Loan B facility. The new Term Loan B facility has a principal of €640m and bears a floating rate of interest at 3.25% per annum plus 3 month Euribor, with the latter subject to a floor of 0%. As at the balance sheet date, the Company's Term Loan B is due for repayment in a single payment in November 2023.

On 31 May 2018, GTT Americas LLC, as purchaser and GTT Communications, Inc. (GTT) as guarantor completed the acquisition of all the shares of Interoute Communications Holdings S.A. (the parent company of the Interoute Group) for consideration of approximately €1.9 billion in cash. GTT's stock is currently traded on the New York Stock Exchange (NYSE). The closing of this transaction triggered the repayment of the €640m Term Loan B, pursuant to the change of control provisions of the facility agreement.

The new directors of the company intend to liquidate the company in the near future.

#### **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.

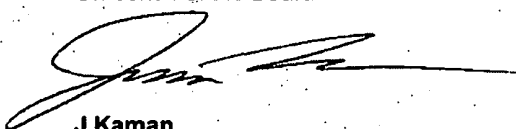
##### **(b) Interest rate cash flow risk**

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. In order to mitigate this risk, we monitor interest rates and the appropriateness of a fixed rate hedge.

#### **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



**J Kaman**  
Director

Date: 19<sup>th</sup> July 2018

## **INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017. 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 (2016: €nil).

#### **Directors**

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

G Williams (resigned 31 May 2018)  
M Woolf (resigned 31 May 2018)  
C Birkett (resigned 31 May 2018)  
M Sicoli (appointed 31 May 2018)  
J Kaman (appointed 31 May 2018)  
C McKee (appointed 31 May 2018)

#### **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**

Refer to note 15 of the financial statements for details of 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 (2016: €nil).

#### **Going concern**

The financial statements have been prepared on a basis other than going concern as following the acquisition of the Company by GTT and the subsequent repayment of the €640m Term Loan B the new directors intend to liquidate the company.

Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 3 of the financial statements. Adjustments have been made in these financial statements to reclassify long-term liabilities as current liabilities.

**INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

**DIRECTORS' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**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**

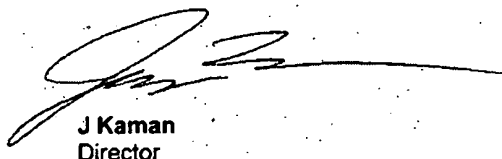
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting.

**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:



**J Kaman**  
Director

Date: 19<sup>th</sup> July 2018

**INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERROUTE FINCO LIMITED**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

---

**Opinion**

In our opinion, Interoute Finco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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**Emphasis of matter - Basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the basis of preparation. Following the year end the company has been acquired by a new ultimate parent entity and the new directors intend to liquidate the company in the near future. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 3 to the financial statements. Adjustments have been made in these financial statements to reclassify long-term liabilities as current liabilities.

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**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

**INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERROUTE FINCO LIMITED (CONT)**

**Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

**Responsibilities of the directors for the financial statements**

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

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.

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**OTHER REQUIRED REPORTING**

**Companies Act 2006 exception reporting**

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

We have no exceptions to report arising from this responsibility.



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

Date: 20 July 2018

**INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

		<b>Year ending 31 Dec 2017</b>	<b>Year ending 31 Dec 2016</b>
	<b>Note</b>	<b>€000</b>	<b>€000</b>
Administrative expenses		(26)	(2)
<b>Operating loss</b>		<b>(26)</b>	<b>(2)</b>
Finance income	7	33,076	40,143
Finance expense	7	(33,079)	(40,000)
<b>Net finance (expense)/income</b>		<b>(3)</b>	<b>143</b>
<b>(Loss)/profit before income tax</b>		<b>(29)</b>	<b>141</b>
Income tax expense	8	-	-
<b>(Loss)/profit for the year</b>		<b>(29)</b>	<b>141</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(29)</b>	<b>141</b>

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

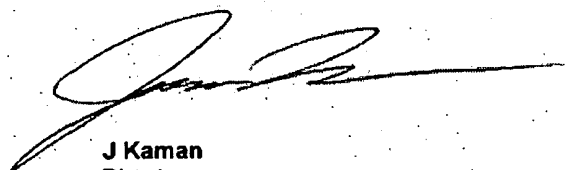
**INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**  
**REGISTERED NUMBER: 09727400**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 €000	2016 €000
<b>Current assets</b>			
Trade and other receivables	9	643,523	631,993
Cash and cash equivalents		56	68
		<u>643,579</u>	<u>632,061</u>
Payables: amounts falling due within one year	10	(643,251)	(6,704)
<b>Net current assets</b>		<u>328</u>	<u>625,357</u>
Payables: amounts falling due after more than one year	11	-	(625,000)
<b>Net assets</b>		<u>328</u>	<u>357</u>
<b>Capital and reserves</b>			
Ordinary shares	12	63	63
Capital contribution reserve	13	750	750
Accumulated losses	13	(485)	(456)
<b>Total equity</b>		<u>328</u>	<u>357</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:



**J Kaman**  
Director

Date: 19<sup>th</sup> July 2018

**INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Ordinary shares €000	Capital reserve €000	Accumulated losses €000	Total equity €000
As at 1 January 2017	63	750	(456)	357
<b>Comprehensive expense for the year</b>				
Loss for the financial year	-	-	(29)	(29)
<b>Total comprehensive expense for the year</b>	-	-	(29)	(29)
<b>At 31 December 2017</b>	<b>63</b>	<b>750</b>	<b>(485)</b>	<b>328</b>

**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)
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	141	141
<b>Total comprehensive income for the year</b>	-	-	141	141
<b>Contributions by and distributions to owners</b>				
Capital contribution	-	750	-	750
<b>Total transactions with owners</b>	-	750	-	750
<b>At 31 December 2016</b>	<b>63</b>	<b>750</b>	<b>(456)</b>	<b>357</b>

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

## **INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **1. General information**

Interoute Finco Limited ('the Company') is a limited company by shares and is incorporated and domiciled in England. The address of its registered office is 31<sup>st</sup> 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 "2016" in these notes) relate to the year from 1 January 2016 to 31 December 2016 or as at 31 December 2016 as applicable.

#### **2. Statement of compliance**

The individual financial statements of Interoute Finco Limited 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 which have been applied in the preparation of the current year financial statements as a result of the directors' decision to liquidate the company, along with those principal accounting policies, which were previously applied in the preparation of the financial statements whilst the company was a going concern, are listed below. The Company has adopted FRS 101 in these financial statements.

##### **3.1 Basis of preparation, including going concern**

Following the acquisition of the Company and the repayment of the €640m Term Loan B the new directors intend to liquidate the Company. Accordingly, the current year financial statements have been prepared on a basis other than going concern.

As a result of the adoption of the basis other than going concern adjustments have been made in the financial statements to reclassify long term liabilities as current liabilities. No adjustments were required to reclassify fixed assets to current assets, to reduce assets to their realisable value or to provide for liabilities arising as a result of the planned liquidation.

The comparatives as at 31 December 2016 presented within these financial statements continue to be prepared on a going concern basis, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit and loss.

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 2017**

**3. Summary of significant accounting policies (continued)**

**3.2 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.

**3.3 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 2017, have had a material impact on the Company.

**3.4 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 20 Rue de la Poste, L-2346, Luxembourg. These financial statements are separate financial statements.

## INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 3. Summary of significant accounting policies (continued)

##### 3.5 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'.

##### 3.6 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.

## INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 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.

#### 3.7 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.

#### 3.8 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.

## INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 3. Summary of significant accounting policies (continued)

##### 3.9 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.

##### 3.10 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 judgment in making an accounting policy choice in accounting for the refinancing exercise completed in October 2017 where two debt instruments were replaced by one new debt instrument. In one instance, the refinancing was treated as an extinguishment of a financial instrument where the €350m senior secured loan note was legally redeemed. In the second instance, where the old €275m Term Loan B was rolled into the new €640m Term Loan B but at a lower interest rate – it was assessed that the present value of the new instrument plus transaction costs was not different to the present value of cash flows under the old instrument by 10% or more – and therefore this was treated as a modification of a financial instrument. This accounting policy choice has determined the accounting for the Company's Term Loan B (Note 11).

#### 5. Auditors' remuneration

Auditors' remuneration fees in respect of the audit of Interoute Finco Limited of €11,635 (2016: €11,300) were borne by another group company.

# **INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

### **6. Employees**

The Company does not employ any staff (2016: Nil). No directors received any remuneration from the Company for their services during the year (2016: Nil).

### **7. Finance income and expenses**

	2017 €000	2016 €000
<i>Finance income</i>		
Interest receivable from other group undertakings	33,076	40,143
	<u>33,076</u>	<u>40,143</u>
<i>Finance expenses</i>		
Interest payable on loan notes	(33,079)	(40,000)
	<u>(33,079)</u>	<u>(40,000)</u>

### **8. Income tax expense**

#### **8.1 Tax expense included in the Income statement**

	2017 €000	2016 €000
Current tax on (losses)/profits for the year	-	-

#### **8.2 Reconciliation of tax charge**

The tax assessed for the year is different to (2016: different to) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017 €000	2016 €000
(Loss)/profit before income tax	(29)	141
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	(6)	28
<b>Effects of:</b>		
Group relief surrendered	6	(28)
<b>Total tax charge</b>	-	-

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

On 1 April 2017 the UK corporation tax rate changed from 20% to 19%. A further reduction to 17% from 1 April 2020 was enacted in September 2016.

**INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**9. Trade and other receivables**

	<b>2017</b>	<b>2016</b>
	<b>€000</b>	<b>€000</b>
Amounts owed by group undertakings	<b>643,523</b>	<b>631,993</b>

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**

	<b>2017</b>	<b>2016</b>
	<b>€000</b>	<b>€000</b>
€640m Term Loan B	<b>640,000</b>	-
Amounts owed to group undertakings	<b>478</b>	<b>37</b>
Interest due on Fixed Rate Loan Notes	-	<b>5,378</b>
Interest due on €275m Term Loan B	-	<b>1,289</b>
Interest due on €640m Term Loan B	<b>2,773</b>	-
	<b>643,251</b>	<b>6,704</b>

As at 31 December 2017 the payables relate to a €640m 3.25% plus 3 month Euribor (subject to a floor of 0%) Term Loan B facility. The principal is repayable in a single payment in November 2023 and accrued interest is payable regularly. The debt is secured on business assets by way of intercompany cross guarantees.

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**

	<b>2017</b>	<b>2016</b>
	<b>€000</b>	<b>€000</b>
Senior Secured Fixed Rate Loan Notes due 2020	-	<b>350,000</b>
€275m Term Loan B due 2023	-	<b>275,000</b>
	-	<b>625,000</b>

As at 31 December 2016 the payables relate to €350m 7.375% senior secured fixed rate loan notes (SSN) and a €275m 3.75% plus 3 month Euribor Term Loan B facility. Only the former is listed on the Irish Stock Exchange.

In October 2017, a new €640m Term Loan B facility was entered into as part of the refinancing exercise to redeem the 7.375% SSN due 2020 (discussed above) and also reduce the interest rate on the €275m Term Loan B facility. The refinancing had the substance of an extinguishment of an existing financial instrument in relation to the €350m SSN and a modification in relation to the €275m Term Loan B. Costs arising from the extinguishment of €12.9m have been included in the income statement of fellow group company Interoute Communications Limited.

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.

## INTERROUTE FINCO LIMITED (FORMERLY INTERROUTE FINCO PLC)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 12. Share capital

	2017 €000	2016 €000
<b>Allotted, called up and fully paid</b>		
50,000 Ordinary shares of £1 each (2016: 50,000 at £1 each)	<b>63</b>	<b>63</b>

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 2016. No contributions were received in 2017.

##### Accumulated losses

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

#### 14. Events after the balance sheet date

On 31 May 2018, GTT Americas LLC, as purchaser and GTT Communications, Inc. (GTT) as guarantor completed the acquisition of all the shares of Interoute Communications Holdings S.A. (the parent company of the Interoute Group) for consideration of approximately €1.9 billion in cash. GTT's stock is currently traded on the New York Stock Exchange (NYSE). The closing of this transaction triggered the repayment of the €640m Term Loan B, pursuant to the change of control provisions of the facility agreement.

#### 15. 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 20 Rue de la Poste, L-2346 Luxembourg. Interoute Communications Holdings S.A. is the parent of the smallest and largest group to consolidate these financial statements.

As at 31 December 2017, the directors consider the Company's ultimate parent undertaking and controlling party to be Emasan AG, a company incorporated in Switzerland.

Following the purchase of the Interoute Group by GTT, as explained in note 14, the ultimate parent undertaking and controlling party is now GTT Communications Inc.