

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP)  
(Reg: 93017, Cayman Islands)**

**Report and Financial Statements**

for the period ended 31 December 2018

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)**

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**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
Partnership Information**

**General Partner**

euNetworks GP LLC (formerly known as Spear Cayman GP LLC)

**Board of directors of the General Partner**

Brian McMullen  
Trent Vichie  
John T. Siegel, Jr.  
Neil Hobbs  
Brady Rafuse  
Kai-Uwe Ricke  
Joshua Ho-Walker  
Cyrus Gentry

**Officers**

Brady Rafuse (CEO)  
Richard Taylor (General Counsel)

**Partnership Registration Number**

93017  
Registered in Cayman Islands

**Registered Office**

Maples Corporate Services Limited  
PO Box 309, Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

**Auditor**

BDO LLP  
55 Baker Street  
London W1U 7EU

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
Directors' of euNetworks GP LLC Report  
for the period ended 31 December 2018**

**Profile**

The Directors of euNetworks GP LLC (formerly known as Spear Cayman GP LLC) present their report on euNetworks Holdings LP (formerly known as Stonepeak Spear Cayman LP) (the "Partnership"), and its subsidiaries for the period ended 31 December 2018.

The principal activity of the Partnership is that of an investment holding vehicle with investments in euNetworks Holdings 4 Limited and its subsidiary undertakings (the "Group"). No change to this activity is currently envisaged.

On 11 January 2018 the Partnership acquired, through its subsidiaries, the entire share capital of euNetworks Holdings Limited from the investors in EUN Holdings LLP.

**Review of the business**

*Principal activities*

The principal activity of the Group is as a bandwidth infrastructure provider under the trading name "euNetworks". The Group owns and operates 15 fibre based metropolitan networks across Western Europe, with these networks connected by euNetworks' long haul network. euNetworks is a market leader in data centre connectivity, directly connecting over 390 data centres in Europe. euNetworks is also a leading cloud connectivity provider. The Group offers a portfolio of metropolitan and long-haul services including Dark Fibre, Wavelengths and Ethernet. Wholesale, finance, content, media, data centre and enterprise customers benefit from euNetworks' unique inventory of fibre and duct based assets that are tailored to fulfil their high bandwidth needs.

*Results and performance*

	<b>Period from 23 October 2017 to 31 Dec 2018</b>
	<b>€'m</b>
Revenue	148.2
Gross margin	78.3%
Adjusted EBITDA	54.5
Loss before taxation	(92.0)

"Adjusted EBITDA" is defined as Earnings Before Interest, Tax, Depreciation, Amortisation, profit / loss on disposal of plant and equipment and long-term incentive plan costs.

The Group's loss before taxation for the period was largely due to depreciation amounting to €107.1m resulting the fair valuation of the assets acquired following the acquisition of euNetworks Holdings Limited and its subsidiaries on 11 January 2018 and finance cost amounting to €24.0m. The loss after tax for the period was €78.1m.

*Customers*

euNetworks delivers high bandwidth services to customers spanning the wholesale, finance, content, media, data centre and enterprise segments.

*Services provided*

The Group delivers a focused product set centred on its core assets of owned fibre optic cables and associated equipment. These assets are used to deliver targeted bandwidth solutions for customers.

Focused Products

**Dark Fibre:** The core asset of the business. euNetworks offers leased fibre by strand in the metropolitan and long haul networks.

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
Directors' of euNetworks GP LLC Report (cont'd.)  
for the period ended 31 December 2018**

Wavelengths: Transmission product, offering high capacity connectivity, typically between data centres. euNetworks offers this in the metropolitan and long haul networks.

Ethernet: Transmission product, offering private connections between data centres and many business locations.

Non-focused products include Colocation and Internet.

**Bandwidth Solutions**

euTrade: Ultra low latency services over euNetworks' dedicated network platform. Delivering industry leading services to the finance business segment.

DC Connect: Pre-deployed connectivity between key data centres in cities, with rapid service delivery. Available today in London, Frankfurt, Paris, the Netherlands and Manchester with further cities to follow.

Cloud Connect: Private and secure connection into the top cloud providers, with fixed, burstable and usage based billing options and online ordering available.

euSpectrum: A cost effective alternative to procuring long haul dark fibre while building a managed multi terabit backbone.

Private Connect: A dedicated private network, offering fibre and equipment to a single customer.

**Transactions with Limited Partners**

Limited Partners' capital is subscribed, drawn down and repaid under the terms of the Amended and Restated Exempted Limited Partnership Agreement (the "LPA"). The Partnership has holders of Class A-1 Units and Class B Profits Interest Units. Each Limited Partner will be entitled to drawings on account of their share of the profits of the Partnership in such sum and at such times as may from time to time determined in accordance with the LPA.

There have been no transfers of Limited Partners' interests between equity and debt in the period or since the period end.

**General Partner**

The General Partner of the Partnership is euNetworks GP LLC, which is managed by its Board of Directors (the "Board of Directors"). The Directors who were in office during the period were:

Brian McMullen (appointed on 23 October 2017)  
Peter Bruce (appointed on 23 October 2017 and ceased 11 January 2018)  
Trent Vichie (appointed on 23 October 2017)  
John T. Siegel, Jr. (appointed on 11 January 2018)  
Neil Hobbs (appointed on 11 January 2018)  
Brady Rafuse (appointed on 11 January 2018)  
Bill Fathers (appointed on 11 January 2018 and ceased on 26 Sep 2018)  
Jennifer Smith (appointed on 11 January 2018 and ceased on 28 March 2019)  
Waldemar Szlezak (appointed on 11 January 2018 and ceased on 20 December 2018 )  
Kai-Uwe Ricke (appointed on 11 January 2018)  
Joshua Ho-Walker (appointed on 11 January 2018)  
Cyrus Gentry (appointed on 11 January 2018)

The Officers were in office during the period:

Brady Rafuse (CEO) (appointed on 11 January 2018)  
Richard Taylor (General Counsel) (appointed on 11 January 2018)

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)**  
**Directors' of euNetworks GP LLC Report (cont'd.)**  
**for the period ended 31 December 2018**

**Future developments**

The Group will continue with its strategy of selling its focused product set to a targeted group of customers, combined with network expansion to increase our addressable market, both organically and inorganically through the acquisition of complementary businesses in adjacent geographies.

**Principal Risks and Uncertainties**

The management of the business and execution of the Group's strategy are subject to a number of commercial risks. Risks are reviewed by the Directors and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Partnership and the Group.

The key business risks affecting the Group are set out below:

<b>Risk</b>	<b>Mitigating factors</b>
Changes in technology or commercial models may impact demand for the Group's services	<ul style="list-style-type: none"> <li>• The Group continues to closely monitor key industry trends driving demand, including the rollout of 5G, and developments in the Internet of Things, Cloud Computing, artificial intelligence, big data, Virtual Reality, and ultra-high definition video.</li> <li>• The Group actively monitors competitor activity on key routes with regards to its focussed products to ensure that its products and bandwidth solutions remain competitively positioned and differentiated.</li> <li>• The Group works with suppliers to ensure that its cost base remains competitive, and to enable flexibility to respond to changing pricing and commercial dynamics.</li> </ul>
The Group's business plan relies on a continuation of above-market growth	<ul style="list-style-type: none"> <li>• The Group continues to expand its addressable market through ongoing network development.</li> <li>• The Group pro-actively attracts customers looking for an alternative to incumbent carriers that are unable to offer the desired routes, services, and total cost of ownership.</li> <li>• The Group tracks and monitors services at a customer level to ensure continued low customer churn.</li> <li>• The Group actively targets high growth market segments e.g. Content and Financial Services.</li> </ul>
Reliance on third parties to deliver certain services may impact operational service quality	<ul style="list-style-type: none"> <li>• The Group works closely with our third party suppliers to ensure third party service levels meet customers' operational and commercial performance needs.</li> <li>• The Group constructs its own network where possible to reduce third party dependencies, and we have sufficient access to capital to support planned development projects.</li> <li>• The Group actively seeks to recruit and retain the talent necessary to maintain our standard of operational excellence.</li> </ul>

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
Directors' of euNetworks GP LLC Report (cont'd.)  
for the period ended 31 December 2018**

**Disclosure of information to the auditors**

So far as each of the current Directors and Officers is aware there is no relevant audit information of which the auditors are unaware. Each Director or Officer has taken all steps that they ought to have taken as a director or officer in order to make themselves aware of any relevant audit information and to establish that the Partnership's independent auditors are aware of that information.

**Post balance sheet events**

On 28 March 2019, the indirectly held subsidiary euNetworks Group Limited acquired 100% of the shares of Onstage Online GmbH ("Onstage"), a fibre company headquartered in Vienna, Austria.

On 10 April 2019, the Partnership raised €50m from an issue of additional Class A-1 Units to existing Limited Partners.

On 15 May 2019, the Group increased its term loan B facility by €30m on the same terms as the existing €300m Term Loan B.

**Statement of responsibilities in respect of the financial statements**

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

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the preparation of financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with IFRS (International Financial Accounting Standards). Under company law, as applied to the Partnerships, the members must not approve the financial statements unless they are satisfied that they give true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the exempted limited partnership and enable them to ensure that the financial statements comply with Companies Act 2006 as applied to the Partnerships by the Regulations.

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

On behalf of the Directors,



Brady Rafuse  
CEO  
Director of euNetworks GP LLC  
26 June 2019

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
Independent Auditor's Report  
for the period ended 31 December 2018**

**INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF EUNETWORKS HOLDINGS LP**

**Opinion**

We have audited the financial statements of euNetworks Holdings LP ("the Limited Partnership") and its subsidiaries ("the Group) for the fifteen month period ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Partners' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of its loss for the period then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Limited Partnership and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
Independent Auditor's Report (cont'd)  
for the period ended 31 December 2018**

**Other information**

The General Partner is responsible for the other information. The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

**Responsibilities of the General Partner**

As explained more fully in the Directors of euNetworks GP LLC Report in respect to the financial statements, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines 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 General Partner is responsible for assessing the Group'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 General Partner either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's 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 auditor's 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 Financial Reporting Council's website at:  
<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
Independent Auditor's Report (cont'd)  
for the period ended 31 December 2018**

**Use of our report**

This report is made solely to the Limited Partnership's partners, as a body, in accordance with the terms of our engagement letter dated 25 June 2019. Our audit work has been undertaken so that we might state to the Limited Partnership's partners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Limited Partnership and the Limited Partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed.



BDO LLP  
Chartered Accountants  
London, UK  
4 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)**  
**Consolidated Statement of Comprehensive Income**  
**for the period ended 31 December 2018**

	Notes	Period from 23 Oct 2017 to 31 Dec 2018 €'m
Revenue	4	148.2
Cost of sales		<u>(32.2)</u>
Gross profit		116.0
Administrative expenses	5	<u>(184.0)</u>
Operating loss		(68.0)
<b>Analysed as:</b>		
Adjusted EBITDA		54.5
Depreciation	12	(107.1)
Amortisation	13	(5.5)
Loss on disposal of plant and equipment		(1.2)
Management equity plan	30	<u>(8.7)</u>
Operating loss		(68.0)
Financial costs	8	<u>(24.0)</u>
Loss before tax		(92.0)
Income tax credit	10	<u>13.9</u>
Loss for the period		(78.1)
Other comprehensive income for the period, net of tax		-
Total comprehensive loss for period		<u>(78.1)</u>

The accounting policies and Notes on page 13 onwards form part of, and should be read in conjunction with, these financial statements

euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
 Consolidated Statement of Financial Position  
 as at 31 December 2018

	Notes	31 Dec 2018 €'m
<b>Non-current assets</b>		
Plant and equipment	12	911.4
Intangible assets	13	312.8
Deferred tax assets	14	0.9
Prepayments	15	2.6
Total non-current assets		<u>1,227.7</u>
<b>Current assets</b>		
Infrastructure assets held for resale	17	0.1
Trade receivables	18	23.8
Other receivables	19	2.7
Prepayments	15	5.0
Cash and cash equivalents	20	12.1
Total current assets		<u>43.7</u>
<b>Total assets</b>		<u><b>1,271.4</b></u>
<b>Current liabilities</b>		
Interest bearing borrowings		-
Deferred revenue	21	8.9
Trade and other payables	22	45.7
Income tax payable		0.6
Total current liabilities		<u>55.2</u>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	23	313.6
Provisions	24	2.6
Deferred revenue	21	28.0
Deferred tax liabilities	14	107.5
Total non-current liabilities		<u>451.7</u>
<b>Net assets</b>		<u><b>764.5</b></u>
<b>Equity</b>		
Members' interest	25	833.9
Employee share option reserve	26	8.7
Retained earnings	26	(78.1)
		<u><b>764.5</b></u>

The financial statements were approved on behalf of the Board of Directors of the General Partner and authorised for issue by,



**Brady Rafuse**  
 CEO  
 Director of euNetworks GP LLC  
 26 June 2019

The accounting policies and Notes on page 13 onwards form part of, and should be read in conjunction with, these financial statements

euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
**Consolidated Statement of Cash Flows**  
**for the period ended 31 December 2018**

	Notes	31 Dec 2018 €'m
<b>Operating activities</b>		
Loss before tax		(92.0)
Adjustment for:		
Depreciation of plant and equipment	12	107.1
Amortisation of intangibles	13	5.5
Management equity plan	30	8.7
Financial costs	8	24.0
Loss on disposal of plant and equipment	12	1.2
Operating cash flows before movements in working capital		<u>54.5</u>
Changes in working capital	27	28.3
Income tax paid		<u>(0.7)</u>
<b>Net cash flows from operating activities</b>		<b><u>82.1</u></b>
<b>Investing activities</b>		
Purchase of euNetworks Holdings Limited and its subsidiaries, net of cash acquired	11	(1,032.8)
Purchase of plant and equipment		(69.8)
Purchase of intangible assets	13	(1.1)
<b>Net cash flows used in investing activities</b>		<b><u>(1,103.7)</u></b>
<b>Financing activities</b>		
Debt raised	23	320.0
Repayment of debt	23	(100.0)
Members capital issued and buyback	25	833.9
Interest paid	8	(20.2)
<b>Net cash flows from financing activities</b>		<b><u>1,033.7</u></b>
<b>Effect of exchange rates on cash and cash equivalents</b>		
Net increase in cash and cash equivalents		12.1
Cash and cash equivalents at beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	20	<b><u>12.1</u></b>

The accounting policies and Notes on page 13 onwards form part of, and should be read in conjunction with, these financial statements

euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)  
**Consolidated Statement of Changes in Partners' Equity**  
for the period ended 31 December 2018

Group	Notes	Non-distributable		Distributable	Total equity €'m
		Members' interest €'m	Management equity plan reserves €'m	Retained earnings €'m	
At inception 23 October 2017			-	-	-
Loss for the period, representing total comprehensive income for the period			-	(78.1)	(78.1)
Contributions by and distributions to owners:					
Members' Class A1 Interest	25	833.4	-	-	833.4
Members' Class B Profit Interest Units	25	0.5	-	-	0.5
Management equity plan		-	8.7	-	8.7
<b>Balance as at 31 December 2018</b>		<b>833.9</b>	<b>8.7</b>	<b>(78.1)</b>	<b>764.5</b>

The accounting policies and Notes on page 13 onwards form part of, and should be read in conjunction with, these financial statements

**euNetworks Holdings LP (f.k.a Stonepeak Spear Cayman LP) (Reg: 93017, Cayman Islands)**  
**Notes to the Financial Statements**  
**for the period ended 31 December 2018**

**1. Partnership Information**

euNetworks Holdings LP (formerly known as Stonepeak Spear Cayman LP) (the "Partnership") is an exempted limited partnership formed on the 23 October 2017 and registered in the Cayman Islands. The registered office of the Partnership is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The principal activity of the Partnership is an investment holding parent for its subsidiary, euNetworks Holdings 4 Limited.

The principal activity of the Partnership's subsidiary is an investment holding and acting as a corporate manager, advisor and administrative centre to support the business development and marketing of the businesses of its subsidiaries. The principal activity of the subsidiaries is disclosed in Note 16 to the financial statements. The Group operates high capacity fibre networks, provides high capacity communications infrastructure and networking solutions and services under the trading name "euNetworks".

The Group is a bandwidth infrastructure provider. The Group owns and operates 15 fibre based metropolitan networks across Western Europe, with these networks connected by euNetworks' long haul network. euNetworks leads the market in data centre connectivity, directly connecting over 390 data centres in Europe. euNetworks is also a leading cloud connectivity provider. The Group offers a portfolio of metropolitan and long-haul services including Dark Fibre, Wavelengths and Ethernet. Wholesale, finance, content, media, data centre and enterprise customers benefit from euNetworks' unique inventory of fibre and duct based assets that are tailored to fulfil their high bandwidth needs.

In particular, the Group operates a network which combines a 'long-haul' inter-city network linking Germany, the Netherlands, the United Kingdom, Ireland, France, Belgium, Austria, Sweden, Denmark, Switzerland and high density 'last-mile' metropolitan optical fibre networks in London, Frankfurt, Munich, Berlin, Stuttgart, Hamburg, Düsseldorf, Cologne, Paris, Amsterdam, Rotterdam, Utrecht, Manchester, Dublin and Vienna. Duct infrastructure is in place in The Hague and Hanover. The Group also has a nationwide network in Germany.

The Group delivers a focused product set centred around its core assets of owned fibre optic cables and associated equipment. These assets are used to deliver targeted bandwidth solutions for customers.

The Group also operates a secure data centre facility in Amsterdam and 21 colocation sites in Germany.

The functional and presentational currency for the Group is the Euro. This reflects the primary trading currency of the business.

## 2. Significant accounting judgements, estimates and assumptions

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRS").

The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 December 2018. The Partnership was formed on 23 October 2017. The consolidated income statement and other comprehensive income covers the period from 23 October 2017 to 31 December 2018.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group and Partnership's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in Note 3.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Group are presented in Euros ("€"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements. Euro is the presentation currency of the Group as the major part of the Group's business has been carried out in Euros. All values presented are rounded to the nearest million ("€m"), except when indicated otherwise.

#### a) New standards, interpretations and amendments effective from 1 January 2018

The Group has early adopted IFRS 15 and IFRS 9. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

New standards impacting the Group that will be adopted in the financial statements for the period ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

##### *IFRS 9 - Financial instruments*

IFRS 9 Financial Instruments replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition of financial instruments from IAS 39.



2. Significant accounting judgements, estimates and assumptions (cont'd.)

2.1 Basis of preparation (cont'd.)

- a) New standards, interpretations and amendments effective from 1 January 2018 (cont'd.)

*IFRS 9 - Financial instruments (cont'd.)*

*(i) Classification and measurement*

IFRS 9 contains a new classification and measurement approach for financial assets that is a function of the business model, in which assets are managed and their cash flow characteristics. IFRS 9 includes three principle classification categories for financial assets those measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sales financial assets.

*(ii) Impairment*

IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group applied the simplified approach mandated to trade receivables by recording lifetime expected losses. The Group applied the general approach to the Group's amortised cost financial assets, other than trade receivables including, but not limited to, cash and cash equivalents.

Loss allowances are measured on either of the following bases:

- 12-month basis - these are expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date, or
- Lifetime basis - these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision. The loss provision percentage was 1.63% for the period ended 31 December 2018.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with an initial application date of 23 October 2017.

*IFRS 15 - Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

## 2. Significant accounting judgements, estimates and assumptions (cont'd.)

### 2.1 Basis of preparation (cont'd.)

#### *IFRS 15 - Revenue from Contracts with Customers (cont'd.)*

The Group early adopted IFRS 15. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

#### b) Standards and interpretations issued but not yet effective

#### *IFRS 16 - Leasing (mandatorily effective from 1 January 2019)*

The standard is effective for periods commencing on or after 1 January 2019 and will be adopted by the Group in the year ending 31 December 2019. Under the provisions of the standard most leases, including the majority of those previously classified as operating leases, will be brought on to the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability increased for the accretion of interest and reduced by lease payments. It will result in a significant proportion of the Group's leases with a term of greater than one year being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in cost of sales and an increase in finance costs. The standard will also impact a number of statutory measures such as operating profit and cash generated from operations, and alternative performance measures used by the Group.

The full impact of IFRS 16 is currently under review, including understanding the practical application of the principles of the standard. The group estimates that the impact on the financial statements for the year ended 31 December 2019 will be an increase in EBITDA of between €32m - €35m.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

#### *IFRIC 23 Uncertainty over Income Tax Positions*

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments, addressing whether to consider uncertain tax treatments separately; assumptions about the examination of tax treatments by taxation authorities; determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates; and consideration of changes in facts and circumstances.

**2. Significant accounting judgements, estimates and assumptions (cont'd.)**

**2.1 Basis of preparation (cont'd.)**

- b) Standards and interpretations issued but not yet effective (cont'd.)

*Other*

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

*Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2018)*

*Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)*

*Amendments to IFRS 3: Definition of a Business*

*Annual Improvements to IFRSs 2015-2017 Cycle (IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes, and IAS 23 Borrowing Costs) (effective 1 January 2019)*

*IFRS 17 Insurance Contracts (effective 1 January 2021)*

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**2.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Partnership and its subsidiaries at the reporting date. Subsidiaries are entities over which the Partnership has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Partnership, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to members of the Partnership.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

## 2. Significant accounting judgements, estimates and assumptions (cont'd.)

### 2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

### 2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

#### Rendering of network services

Revenue from rendering services in connection with the fibre networks and data centre colocation services of the Group is recognised when the services are performed. Payments received in advance for such services are deferred and recognised based on actual usage.

Installation fees are deferred as unearned income and recognised over the period of the contract.

## 2. Significant accounting judgements, estimates and assumptions (cont'd.)

### 2.4 Revenue recognition (cont'd.)

#### Sale of items of network infrastructure

The Group, in the course of its ordinary activities, routinely sells items of network infrastructure which it had previously held for use in its network services. The proceeds from such sales are recognised as revenue.

Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future costs) can be measured reliably. The enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

#### Data centre power revenues

The Group purchases the supply of power to a data centre for both its own use and for the supply of power to the customers' server equipment held in that data centre. The Group makes separate charges to its customers, in addition to those it raises for the supply of colocation facilities, to recover the element of power cost that relates to the use of power by customer equipment. Such recharges are recognised as revenue in the period in which the power is consumed.

#### Revenue from Contracts with Customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

##### *Identifying performance obligations*

The Group provides fibre networks connection services and data centre colocation services. Payments are received in advance for such services are deferred and recognised based on provision of the services and actual usage.

The Group also charges installation fees arising from the provision of the above services which are amortised over the period of the initial contract.

Additionally, the Group also sells on an ad-hoc basis items of network infrastructures which had previously held for use in its network services. The proceeds from such sales are recognised as revenue.

The Group also recharges the power supply usage of customers' server equipment held in data centres and such recharges are recognised as revenue on a marked-up basis in the period in which the power is consumed.

##### *Determining the timing of satisfaction of performance obligation*

The Group concluded that revenue for services is to be recognised based on actual usage at the point of time because the customer simultaneously receives and consumes the benefits provided by the Group.

Additionally, the installation fees charged to customers are amortised over the period of the contract.

The revenue from one-off sales of network infrastructure are determined at the date when the risk and rewards of ownership of the network equipment are transferred to the buyer and the Group neither retains any managerial involvement associated to the ownership nor effective control over the goods sold.

**2. Significant accounting judgements, estimates and assumptions (cont'd.)**

**2.4 Revenue recognition (cont'd.)**

Revenue from Contracts with Customers - (cont'd.)

*Determining method to estimate variable consideration and assessing the constraint*

Certain contracts for the sale of equipment include a right of return and volume rebates that give rise to variable consideration. Additionally, the installation fees charged to customers are amortised over the period of the contract.

**2.5 Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Partnership and subsidiaries operate by the end of the financial year.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2. Significant accounting judgements, estimates and assumptions (cont'd.)

### 2.5 Income tax (cont'd.)

#### Deferred tax (cont'd.)

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period.

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 they relate to income taxes levied by the same taxation authority and the Group and the Partnership intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

#### Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- When the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.6 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised as an expense in the statement of profit or loss and other comprehensive income in the same financial year as the employment that gives rise to the contributions.

#### Employees' leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2. Significant accounting judgements, estimates and assumptions (cont'd.)

2.7 Borrowing costs

Borrowing costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Euros using exchange rates prevailing at the end of the financial period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.



2. Significant accounting judgements, estimates and assumptions (cont'd.)

2.9 Plant and equipment

All items of plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure on an item of plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment and furniture	over 3 to 10 years
Network equipment	over 3 to 20 years
Telecommunication networks	over 20 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of the financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and its useful life.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

The Group capitalises costs directly associated with expansions and improvements of the Group's telecommunications network and customer installations, costs associated with network construction and provisioning of services. This includes employee related costs. The Group amortises such costs over an estimated useful life of 3 to 20 years.

The Group transfers infrastructure assets from plant and equipment to inventories at their carrying amount at the date on which the intended use of the asset changes from network service delivery to infrastructure sale of assets. These items are carried at the lower of net book value and fair value less cost to sell.

## 2. Significant accounting judgements, estimates and assumptions (cont'd.)

### 2.10 Intangible assets

Externally acquired intangible assets such as software are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Development costs are capitalised based on an assessment on whether they meet the criteria laid down in IAS38 for capitalisation. Capitalised development costs are amortised over their useful life. The useful life is based on management estimates of the period that the asset will generate revenue and is periodically reviewed for appropriateness.

#### Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition.

Goodwill on subsidiaries is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

#### Customer Contracts

Customer contracts acquired are recognised at their fair value at the acquisition date. The customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the contract period of up to 15 years.

#### Software licences

Acquired software licenses are initially capitalised at costs which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use, including employee related costs. Direct expenditure which enhances or extends the performance of the software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining the software are recognised as an expense as incurred.

**2. Significant accounting judgements, estimates and assumptions (cont'd.)**

**2.10 Intangible assets (cont'd.)**

Software licences (cont'd.)

Software licenses are subsequently carried at costs less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 4 years.

Trademarks

Trademarks are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 5 years, which is the shorter of their estimated useful lives and periods of contractual rights.

**2.11 Investment in subsidiary**

Investment in subsidiaries is stated at cost less impairment in value, if any, in the Partnership's separate statement of financial position.

Amounts owing by subsidiaries where settlements are neither planned for nor expected in the foreseeable future are treated as part of the investment cost in the subsidiary and are presented as such (see also Note 16).

**2.12 Impairment of non-financial assets excluding goodwill**

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. Significant accounting judgements, estimates and assumptions (cont'd.)

2.12 Impairment of non-financial assets excluding goodwill - (cont'd.)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset (or cash-generating unit) is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.13 Assets classified as held-for-sale

Assets classified as held-for-sale are carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

2.14 Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs.

Effective interest method

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's and the Partnership's loans and receivables in the statement of financial position comprise trade and other receivables and cash and cash equivalents.

2. Significant accounting judgements, estimates and assumptions (cont'd.)

2.14 Financial Instruments (cont'd.)

Financial assets - (cont'd.)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash with banks and financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

2. Significant accounting judgements, estimates and assumptions (cont'd.)

2.14 Financial instruments (cont'd.)

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Partnership after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Partnership, or against the retained earnings of the Partnership if the shares are purchased out of earnings of the Partnership.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Partnership.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as fair value through profit or loss if the financial liability is either held for trading, including derivatives not designated as effective as a hedging instrument; or it is designated as such upon initial recognition.

**Other financial liabilities**

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.7).

Trade and other payables

Trade and other payables, including payables to related parties, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

**2. Significant accounting judgements, estimates and assumptions (cont'd.)**

**2.14 Financial instruments (cont'd.)**

**Financial liabilities and equity instruments - (cont'd.)**

**Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Where financial instruments are redeemed prior to maturity, the difference between the redemption proceeds and the carrying value at the date of redemption is recognised in profit or loss. Where financial instruments are converted to equity the increase in equity is recorded at the carrying value of the financial liability at the date of conversion.

**2.15 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

Provisions for dilapidations are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**2.16 Leases**

**Finance lease**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

**2. Significant accounting judgements, estimates and assumptions (cont'd.)**

**2.16 Leases - (cont'd.)**

Assets held under finance leases are capitalised as plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position of the Group as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated statement of profit or loss, unless they are issue costs, in which case they are initially recognised as a reduction in the proceeds of the associated capital instrument (Note 2.7).

Operating leases

*The Group as lessor*

Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

*The Group as lessee*

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**2.17 Share-based payments (Management equity plan)**

euNetworks Holdings LP issued equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at the fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using either the Black-Scholes or the Monte Carlo pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.



## 2. Significant accounting judgements, estimates and assumptions (cont'd.)

### 2.18 Related parties

A related party is defined as follows:

- a) A person or a close of member of that person's family is related to the Group and Partnership if that person:
  - i) Has control or joint control over the Partnership;
  - ii) Has significant influence over the Partnership; or
  - iii) Is a member of the key management personnel of the Group or Partnership or of a parent of the Partnership.
- b) An entity is related to the Group and the Partnership if any of the following conditions apply:
  - i) The entity and the Partnership are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - iii) Both entities are joint ventures of the same third party;
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the Partnership or an entity related to the Partnership. If the Partnership is itself such a plan, the sponsoring employees are also related to the Partnership;
  - vi) The entity is controlled or jointly controlled by a person identified in (a);
  - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimates that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

- i) Leases  
Leases are classified as an operating lease if the duration of the arrangements are for less than a major part of the facilities' useful lives and the present value of the minimum payments under the arrangement does not amount to at least substantially all of the fair value of the facilities. The classification of leases may change if there are significant changes from previous estimates of the facilities' useful lives and the present value of the minimum payments. The Group uses all readily available information in estimating the useful lives and present value of minimum payments.

**3. Critical accounting judgements and key sources of estimation uncertainty (cont'd.)**

**3.1 Critical judgements made in applying the accounting policies (cont'd.)**

ii) Income taxes

The management has exercised significant judgement when determining the Group's and the Partnership's provisions for income taxes. These involve assessing the probabilities that deferred tax assets resulting from deductible temporary differences, unutilised tax losses and unabsorbed tax allowances, if any, can be utilised to offset future taxable income. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of action. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

Given the wide range of international business arrangements, the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and Partnership domicile. The carrying amount of the Group's income tax payable as at 31 December 2018 is €0.6m and the carrying amounts of deferred tax assets and liabilities as at 31 December 2018 are disclosed in Note 14 to the financial statements.

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and reported amounts of revenue and expense within the next financial year, are discussed below.

i) Depreciation of plant and equipment

The Group depreciates the plant and equipment, using the straight-line method, over their estimated useful lives after taking into account their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the useful economic lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's plant and equipment are disclosed in Note 12 to the financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd.)

3.2 Key sources of estimation uncertainty - (cont'd.)

ii) Impairment of plant and equipment

At the end of each financial year, an assessment is made whether there is objective evidence that plant and equipment is impaired.

An impairment exists when the carrying value of plant and equipment exceed their recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The recoverable amount of plant and equipment is determined based on value-in-use, by discounting the expected future cash flows for each cash generating units ("CGU"). Management considers that the Network business and the 'Data Centre and colocation business' each constitute a CGU.

The expected future cash flows are based on financial budgets approved by Management for a period up to 4 years using a discount rate of 6.73% and a long term growth rate of 3.5%. Based on this, Management estimated that recoverable of plant and equipment are in excess of its carrying value and accordingly no allowance for impairment was deemed necessary for plant and equipment as at 31 December 2018. The carrying amounts of the Group's plant and equipment are disclosed in Note 12 to the financial statements.

iii) Impairment of intangible assets

At the end of each financial year, an assessment is made whether there is objective evidence that the intangible assets are impaired.

Impairment exist when the carrying value of intangible assets, comprising of customer contracts, trademarks, software and goodwill, exceed their recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use. The recoverable amounts of intangible assets are determined based on value-in-use, by discounting the expected future cash flows for each CGU. Management considers that the Network business and the Data Centre and colocation business each constitute a CGU.

The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rates used. For further details of assumptions applied in the impairment assessment of intangible assets and carrying amounts of Group's intangible assets, refer to Note 13 to the financial statements.

iv) Allowance for doubtful receivables

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

v) Management equity plan

The charge for management equity plan is calculated in accordance with estimates and assumptions which are described in Note 30 to the financial statements. The valuation model used required highly subjective assumptions to be made including expected dividend yields, risk-free interest rates and expected staff turnover. The management drew upon a variety of external sources to aid them in determination of the appropriate data to use in such calculations.

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**4. Revenue**

	<b>Period from 23 Oct 2017 to 31 Dec 2018 €'m</b>
Network services and sale of network infrastructure	136.5
Colocation services	11.7
	<u>148.2</u>
Timing of revenue recognition:	
Over time	<u>148.2</u>

**Geographical information**

Revenue based on geographical location of customers are as follows:

Germany	53.5
United Kingdom	34.1
Ireland	22.4
Netherlands	15.0
United States of America	9.9
Switzerland	2.9
France	3.0
Others	7.4
	<u>148.2</u>

The Group has contracts with financing components where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group adjusted the time value of money component.

The contract assets and liabilities arising as a result of this, and included in the balance sheet as at 31 December 2018 are as follows:

	<b>31 Dec 2018 €'m</b>
Contract assets	
Financing component prepayment - Current	0.5
Financing component prepayment - Non-current	1.4
	<u>1.9</u>
Contract Liabilities	
Financing component deferred revenue - Current	0.7
Financing component deferred revenue - Non current	2.3
	<u>3.0</u>

Revenue and finance costs recognised in the income statement in the period to 31 December 2018 as a result of adjusting for the time value of money component on revenue contracts were as follows:

	<b>31 Dec 2018 €'m</b>
Increase in revenue arising from the time value of money component on contracts	0.6
Finance costs charged for the time value of money component on contracts	(0.4)
	<u>0.2</u>

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5. Administrative expenses

	Period from 23 Oct 2017 to 31 Dec 2018 €'m
Network operating expenses	31.2
Staff costs (Note 6)	33.2
Other expenses	5.8
Depreciation and amortisation	112.6
Loss on disposal of plant and equipment	1.2
	<u>184.0</u>

Network operating expenses include those costs that relate to the general operation and maintenance of the Group's network assets, and network related charges.

6. Staff costs

	Period from 23 Oct 2017 to 31 Dec 2018 €'m
Wages and salaries	26.2
Social security costs	4.1
Pension costs	0.7
Management equity plan	8.7
Termination costs	-
Other staff costs	0.7
	<u>40.4</u>
Less: cost capitalised	
Network equipment	(6.5)
Software	(0.7)
	<u>33.2</u>

Wages and salaries include Directors' remuneration and Directors' fees. Other staff costs include costs of recruitment and costs of interim staff.

The average number of employees of the Group including directors during the period were:

	31 Dec 2018
Administration	49
Operation	152
Sales and marketing	96
	<u>297</u>

The Partnership has no employees.

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**7. Key management personnel**

The key management personnel, who have authority for planning, directing and controlling the activities of the Group are the officers authorised by the Board of Directors.

	Period from 23 Oct 2017 to 31 Dec 2018 €'m
Short term employee benefits	1.5
Management equity plan	3.7
	<u>5.2</u>

There were 3 Officers in the Group's defined contribution plan during the period. Group pension contributions of €31k were paid to a money purchase scheme on their behalf.

The total amount payable to the highest paid Officer in respect of emoluments including the attributed value for the long term incentive plan was €3.35m.

**8. Financial costs**

	Period from 23 Oct 2017 to 31 Dec 2018 €'m
Debt cost written-off	2.8
Debt cost amortised	1.0
Interest on bank loans	11.6
Fees incurred on acquisition of euNetworks Holdings Limited and its subsidiaries	8.6
	<u>24.0</u>

**9. Auditors' remuneration**

	Period from 23 Oct 2017 to 31 Dec 2018 €'m
Group and Partnership audit	0.3
Tax advisory	0.1
Tax compliance	0.1
	<u>0.5</u>

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10. Income tax expense/(credit)

	Period from 23 Oct 2017 to 31 Dec 2018 €'m
Current tax:	
- Current year	1.3
Deferred tax:	
- Current year	(15.2)
	<u>(13.9)</u>

Domestic income tax is calculated at 19% of the estimated assessable loss for the year. Taxation profit for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the UK income tax rate of 19% to profit before income tax as a result of the following differences:

	Period from 23 Oct 2017 to 31 Dec 2018 €'m
Loss before income tax	(92.0)
Income tax at statutory rate of 19%	(17.5)
Tax effect of:	
- Different tax rates of overseas operations	0.5
- Movement on unrecognised deferred tax	(0.3)
- Income not taxable for tax purposes	(1.0)
- Movement on recognised deferred tax	0.1
- Expenses not deductible for tax purposes	4.3
Total taxation (credit)	<u>(13.9)</u>

The tax rates of overseas operations range from 12.5% to 33%.

11. Business combination

On 11 January 2018 euNetworks Holdings LP (through its subsidiaries; euNetworks Holdings 4 Ltd, euNetworks Holdings 3 Ltd and eunetworks Holdings 2 Ltd) acquired 100% of the issued share capital of euNetworks Holdings Limited and its subsidiaries. The principal activity of the Group is as a bandwidth infrastructure provider. The acquisition has significantly increased the Group's access to additional equity capital to support its growth. The Partnership became the ultimate parent entity for euNetworks Holdings Limited as part of the restructuring process resulting from the acquisition. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	€'m
Cash paid	518.4
Members capital issued	314.6
Debt	199.8
Total purchase consideration	<u>1,032.8</u>

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**11. Business combination (cont'd.)**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Book value €'m	Fair value adjustment €'m	Fair value €'m
Cash and cash equivalents	14.0	-	14.0
Trade receivables	27.8	-	27.8
Other receivables and prepayments	7.0	-	7.0
Infrastructure assets held for resale	0.1	-	0.1
Plant and equipments	278.7	658.7	937.4
Intangible assets	9.3	44.3	53.6
Deferred tax assets	2.3	-	2.3
Trade and other payables	(26.1)	-	(26.1)
Deferred revenue	(38.3)	-	(38.3)
Interest bearing borrowings	(97.2)	-	(97.2)
Provisions and contingent liabilities	(3.4)	-	(3.4)
Deferred tax liability	(3.8)	(120.4)	(124.2)
Net identifiable assets acquired	<u>170.4</u>	<u>582.6</u>	<u>753.0</u>
Add: Transaction fees and loan arrangement fee			16.2
Add: Goodwill			<u>263.6</u>
Total purchase consideration			<u>1,032.8</u>

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

The fair value of acquired trade receivables was €27.8m. The gross contractual amount for trade receivables due was €28.1 of which €0.3m was expected to be uncollectible.

The acquired business contributed revenues of €148.2m and net loss of €92.0m to the Group for the period from 11 January to 31 December 2018. If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and loss for the year ended 31 December 2018 would have been €152.5m and €91.7m respectively. These amounts have been calculated using the subsidiary's results and adjusting them for the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2018, together with the consequential tax effects and excluding acquisition costs.



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12. Plant and equipment

Group	Telecom networks €'m	Network equipments €'m	Office furniture & equipment €'m	Assets under construction €'m	Total €'m
<b>Cost</b>					
At incorporation, 23 October 2017	-	-	-	-	-
Purchase of euNetworks Holdings Limited and its subsidiaries	764.1	166.9	3.4	3.0	937.4
Addition during the period	45.1	34.0	0.9	2.3	82.3
Disposals during the period	(1.3)	(0.1)	-	-	(1.4)
Reclassification	3.0	-	-	(3.0)	-
Balance at 31 December 2018	810.9	200.8	4.3	2.3	1,018.3
<b>Accumulated depreciation</b>					
At incorporation, 23 October 2017	-	-	-	-	-
Depreciation during the period	75.4	29.8	1.9	-	107.1
Disposals during the period	(0.2)	-	-	-	(0.2)
Balance at 31 December 2018	75.2	29.8	1.9	-	106.9
Net Book value 31.12.2018	735.7	171.0	2.4	2.3	911.4

On 11 January 2018 the Partnership acquired euNetworks Holdings Limited and its subsidiaries and subsequently revalued plant and equipment to its fair value as at the acquisition date. The reconciliation of the net book value as at 11 January 2018 is as follows:

Net book value of plant and equipment at 11 January 2018 - pre-acquisition	€'m
Fair value revaluation of plant and equipment at acquisition date	278.7
Fair value of plant and equipment acquired	658.7
	<u>937.4</u>

As at 31 December 2018, the Group did not have any assets under finance lease arrangements.

13. Intangible assets

Group	Customer contracts €'m	Trademarks €'m	Software €'m	Goodwill €'m	Total €'m
<b>Cost</b>					
At inception, 23 October 2017	-	-	-	-	-
Purchase of euNetworks Holdings Limited and its subsidiaries	49.9	-	3.7	263.6	317.2
Additions	-	-	1.1	-	1.1
Balance at 31 December 2018	49.9	-	4.8	263.6	318.3
<b>Accumulated amortisation</b>					
At inception, 23 October 2017	-	-	-	-	-
Amortisation	4.3	-	1.2	-	5.5
Balance at 31 December 2018	4.3	-	1.2	-	5.5
Carrying amount 31.12.2018	45.6	-	3.6	263.6	312.8

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**13. Intangible assets (cont'd.)**

The goodwill has been allocated to two CGUs, which are also the reportable operating segments, for impairment testing as follows:

- Network business
- Data centres and colocation

The carrying amounts of goodwill allocated to each CGU is as follows:

	Network business 31 Dec 2018 €'m	Data centres & colocation 31 Dec 2018 €'m	Total 31 Dec 2018 €'m
Goodwill	242.8	20.8	263.6

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for these value-in-use calculations are those regarding the discount rates, growth rates and expected changes to revenue and costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in revenue and costs are based on past practices and expectations of future changes in the market.

The key assumptions adopted for the testing include:

- a) Pre-tax discount rate - management assessed its weighted average cost of capital and adjusted this rate for asset specific risks as at 31 December 2018 in determining an appropriate pre-tax discount rate for impairment purposes. The resulting discount rate calculated was 6.73%.
- b) Cash flows – Value-in-use calculations are based on cash flows expected to be generated by the Group over the next 4 years, and are aligned with the long-term forecast approved by the Board of Directors of euNetworks GP LLC who manage the Partnership. The long-term forecast approved by the Board incorporates forecast operating cash flows for the Network business and Data centres and colocation cash generating units. All cash flow projections were completed in Euros.
- c) The terminal value growth rate applied is 3.5%.
- d) Sensitivity testing has been performed on the value-in-use model applied for a reasonably possible change in key assumptions. For both the Network business and Data Centre and colocation CGUs, the model showed sufficient headroom over the carrying value of assets, further indicating no impairment loss is required at 31 December 2018.

The testing carried out at the end of the period indicated that both the Network business and Data Centre and colocation assets and associated goodwill do not require impairment. Management believes that any reasonably possible change in the above key assumptions applied is not likely to materially cause the recoverable amounts to be lower than their carrying amounts.

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14. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position of the Group as follows:

	31 Dec 2018 €'m
Deferred tax assets	
- to be recovered after one year	<u>0.9</u>
Deferred tax liabilities	
- to be settled after one year	<u>(107.5)</u>

The movements in deferred tax assets are as follows:

Group	Difference in amortisation of intangibles €'m	Difference in depreciation for tax purposes €'m	Provisions €'m	Total €'m
At 23 October 2017	-	-	-	-
Purchase of euNetworks Holdings Limited	-	-	2.3	2.3
Charged to profit or loss deferred tax assets	-	-	(1.4)	(1.4)
At 31 December 2018	<u>-</u>	<u>-</u>	<u>0.9</u>	<u>0.9</u>

The movements in deferred tax liabilities are as follows:

Group	Difference in amortisation of intangibles €'m	Difference in depreciation for tax purposes €'m	Provisions €'m	Total €'m
At 23 October 2017	-	-	-	-
Purchase of euNetworks Holdings Limited	2.1	1.5	0.2	3.8
Revaluation of new deferred tax liabilities arising from fair value increases	8.6	111.7	-	120.3
Charged to profit or loss deferred tax liabilities	(2.7)	(13.7)	(0.2)	(16.6)
At 31 December 2018	<u>8.0</u>	<u>99.5</u>	<u>-</u>	<u>107.5</u>

At the end of the financial period, the Group had unutilised tax losses of approximately €170.6m which are available for offset against future taxable profits. A deferred tax asset of €0.9m has been recognised in respect of €8.1m of such losses.

No deferred tax asset has been recognised in respect of the remaining €162.5m tax losses due to uncertainty of their future realisation. These losses may be carried forward indefinitely subject to agreement by relevant tax authorities.

The Partnership has not recognised, nor has available any deferred tax assets or liabilities.

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**15. Prepayments**

	<b>31 Dec 2018</b>
	<b>€'m</b>
Non-current	2.6
Current	5.0
	<u>7.6</u>

Prepayments mainly pertain to network expense, fibre and office rentals and insurance paid in advance.

The Partnership had no prepayments.

**16. Investment in subsidiary**

The details of subsidiaries are as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Registered address</b>	<b>Nature of business</b>
euNetworks Holdings 4 Limited	Cayman Islands	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands	Investment holding company
euNetworks Holdings 3 Limited	Cayman Islands	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands	Investment holding company
euNetworks Holdings 2 Limited	United Kingdom (England)	15 Worship Street, London, EC2A 2DT	Investment holding company
euNetworks Holdings Limited	United Kingdom (England)	15 Worship Street, London, EC2A 2DT	Investment holding company
euNetworks Group Limited	United Kingdom (England)	15 Worship Street, London, EC2A 2DT	Investment holding company
euNetworks 1 Pte. Limited	Singapore	50 Raffles Place #32-01 Singapore Land Tower, Singapore 0489623	Investment holding company/ Data network services
euNetworks 2 Pte. Limited	Singapore	50 Raffles Place #32-01 Singapore Land Tower, Singapore 0489623	Dormant
euNetworks GmbH	Germany	Theodor-Heuss-Allee 112, 60486 Frankfurt am Main Deutschland	Data network services

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**16. Investment in subsidiary (cont'd.)**

The details of subsidiaries are as follows (cont'd):

<b>Name</b>	<b>Country of incorporation</b>	<b>Registered address</b>	<b>Nature of business</b>
euNetworks Ireland Private Fiber Limited	Ireland	Suite D16 (2nd Floor M), The Cubes Offices, Beacon South Quarter, Sandyford, Dublin 18, Ireland	Data network services
euNetworks B.V.	The Netherlands	Paul van Vlissingenstraat 16, 1096 BL Amsterdam, The Netherlands.	Data network services
euNetworks Data Centres BV	The Netherlands	Paul van Vlissingenstraat 16, 1096 BL Amsterdam, The Netherlands.	Data network services
euNetworks DCH BV	The Netherlands	Paul van Vlissingenstraat 16, 1096 BL Amsterdam, The Netherlands.	Data network services
euNetworks Fiber UK Limited	United Kingdom (England)	15 Worship Street, London, EC2A 2DT	Data network services
European Fiber Networks Asset GmbH (in liquidation)	Germany	Theodor-Heuss-Allee 112, 60486 Frankfurt am Main Deutschland	In liquidation
European Fiber Networks "GND" GmbH (in liquidation)	Germany	Theodor-Heuss-Allee 112, 60486 Frankfurt am Main Deutschland	In liquidation
euNetworks SAS	France	15 rue Beaujon 75008 Paris, France	Data network services
euNetworks BVBA	Belgium	Bld Louis Schmidlaan 119, Bus 3, Brussels 1040	Data network services
euNetworks AG	Switzerland	c/o Kämpfen Rechtsanwälte Gerechtigkeitsgasse 23 8001 Zürich, Switzerland	Data network services
euNetworks srl	Italy	Viale Abruzzi, 94, 20131 Milan, Italy.	Data network services
euNetworks Fiber S.L.	Spain	Calle Velázquez . 53, Madrid, Spain	Infrastructure provision

The Partnership has an effective equity interest of 100% in all subsidiaries as at 31 December 2018.

During the period, the Group incorporated euNetworks Fiber S.L. for the purpose of expanding its business demographic in Spain.

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**17. Infrastructure assets held for resale**

The infrastructure assets held for resale is €0.1m at 31 December 2018 which comprised specific network assets.

**18. Trade receivables**

	31 Dec 2018 €'m
Amounts due from third parties	24.1
Allowance for doubtful trade receivables	(0.3)
	<u>23.8</u>

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience.

The Group does not hold collateral as security for its trade receivables.

Movements in allowance for doubtful trade receivables are as follows:

	31 Dec 2018 €'m
Balance at 23 October 2017	-
Arising from acquisition of euNetworks Holdings Limited and subsidiaries (Deducted)/added against allowance	0.3 -
Balance at 31 December 2018	<u>0.3</u>

The age analysis of trade receivables past due but not impaired is as follows:

	31 Dec 2018 €'m
Days due:	
0 - 90 days	4.9
91 - 180 days	0.3
181 days and over	1.6
Total	<u>6.8</u>

Management considers that the carrying amount of trade receivables in the financial statements approximates to their fair values.

Trade receivables that were past due and not impaired are due from substantial companies with a good collection track record with the Group.

The currency profiles of the Group's trade receivables as at 31 December are as follows:

	31 Dec 2018 €'m
Euro	13.8
Pound Sterling	9.3
US Dollar	0.3
Swiss Franc	0.4
	<u>23.8</u>

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**19. Other receivables**

	31 Dec 2018
	€'m
Deposits	0.5
Sundry receivables	2.2
	<u>2.7</u>

The currency profiles of the Group's other receivables as at 31 December are as follows:

	31 Dec 2018
	€'m
Euro	<u>2.7</u>

The Partnership had no other receivables.

**20. Cash and cash equivalents**

The currency profiles of the Group's cash and cash equivalents as at 31 December are as follows:

	31 Dec 2018
	€'m
Bank balances	10.6
Short-term deposits	1.5
	<u>12.1</u>

The Partnership had no cash and cash equivalents.

The currency profiles of the Group's trade receivables as at 31 December are as follows:

	31 Dec 2018
	€'m
Euro	8.6
Pound Sterling	1.8
Singapore Dollar	0.5
US Dollar	0.9
Others	0.3
	<u>12.1</u>

Bank deposits are mainly deposits with banks with high credit ratings assigned by international rating agencies. The majority of these deposits are bank accounts that guarantee services provided by certain suppliers and are therefore in place month to month as long the Group uses those suppliers.

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**21. Deferred revenue**

	31 Dec 2018 €'m
The deferred revenue will be released	
- within one financial year	8.9
- Between two and five financial years	18.1
- more than five financial years	9.9
Total non-current deferred revenue	<u>28.0</u>
Total deferred revenue	<u>36.9</u>

Deferred revenue comprises dark fibre leases, operational and maintenance services as well as installation fees.

**22. Trade and other payables**

	31 Dec 2018 €'m
<b>Current liabilities</b>	
Trade payables - owed to third parties	10.3
Other payables - owed to third parties	1.3
Income tax	0.6
Accrued expenses	33.5
	<u>45.7</u>

No interest is charged on the trade and other payables.

The currency profiles of the Group's trade and other payables as at 31 December are as follows:

	31 Dec 2018 €'m
Euro	33.9
Pound Sterling	10.7
US Dollar	0.2
Swedish Krona	0.2
Swiss Franc	0.7
	<u>45.7</u>

Management considers that the carrying amount of trade and other payables in the financial statements approximates their fair value.



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**23. Interest bearing Borrowings**

	31 Dec 2018 €'m
<b>Non-current</b>	
Bank loan	
Net Term Loan B on acquisition	97.2
Add: unamortised debt raise costs on acquisition	2.8
Gross Term Loan B on acquisition	100.0
Repaid on 11 January 2018 from new term loan B drawn	(100.0)
	<u>-</u>
New Term Loan B drawn on acquisition	300.0
Draw downs since acquisition	20.0
	<u>320.0</u>
Add: unamortised debt raise costs on acquisition	(6.4)
Bank loan balance at 31 December 2018	<u>313.6</u>
Bank loan as above	313.6
Add: unamortised debt raise costs	6.4
Gross bank loan	<u>320.0</u>
Maturity of the loan:	
Over 5 years	<u>320.0</u>

Bank loan

The Group's secured bank loans are secured by a fixed and floating charge over certain of the Group's assets.

The average effective borrowing rates during the financial period is Euribor plus 3.5% per annum and have a maturity date of 6 years from financial period ended 31 December 2018.

The Group has undrawn committed borrowings available at 31 December 2018 of €55m, for which all conditions have been met, as part of a revolving facility of €75m on a floating rate expiring in 5 years.

The bank loan is denominated in Euro.

Costs taken to the balance sheet in respect of this debt, to be amortised over its life, were €6.4m and these deferred costs have been netted off against the debt in the consolidated statement of financial position.

Management estimates that the carrying amount of the bank loan approximates its fair value due to frequent re-pricing.

The Partnership has no interest-bearing borrowings.

**24. Provisions**

	31 Dec 2018 €'m
At inception	
Arising from acquisition of euNetworks Holdings Limited and subsidiaries	3.0
Reversal of provisions during the period	(0.4)
At 31 December 2018	<u>2.6</u>

The provision relates to restoration costs of the rebuilding obligations that exist on the 21 points of presence locations in Germany.

The Partnership has no provisions.

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25. Members' interest

	Partnership		
	31 Dec 2018	31 Dec 2018	31 Dec 2018
	Class A-1 Units	Class B Profits Interest Units	€'m
At formation of the Partnership	-	-	-
Members Class A-1 Units with nominal value of €1,000 per unit	833,400	-	833.4
Class A-1 Units buyback during the period	(17)	-	-
Members Class B Profits Interest Units At 31 December 2018	-	175,743	0.5
	<u>833,383</u>	<u>175,743</u>	<u>833.9</u>

Members Class B Profits Interest Units are awarded to the employees of the Group at the discretion of the Board of Directors. As at period ended 31 December 2018, the total value of Members B interests stood at €550,834.

26. Reserves

- i) Employee share option reserve  
In 2018 a new Management Equity Plan was set up by the Partnership, the interests in which, could be realised on the investors in the Partnership realising their investments. The movement in share option reserves is disclosed on Page 12.
- ii) Retained earnings  
The retained earnings reserve contains the gains and losses recognised in the consolidated income statement. The movement in profit and loss reserves is disclosed on Page 10.

27. Changes in working capital

	31 Dec 2018 €'m
Increase in infrastructure assets held for resale	(0.1)
Increase in trade receivables	(23.8)
Increase in other receivables and prepayments	(16.7)
Increase in trade and other payables	29.4
Increase in deferred revenue	36.9
Increase in provisions	2.6
	<u>28.3</u>

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**28. Commitments**

**Operating lease commitments**

*Group as lessee*

The Group has entered into commercial non-cancellable leases on properties (offices, points of presence), dark fibre, data centre space, motor vehicles and small items of equipment where it is not in the best interests of the Group to purchase these assets. The leases have an average life of between 3 and 10 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

<b>Group</b>	<b>Land and buildings</b>	<b>Others</b>	<b>Total</b>
	<b>31 Dec 2018</b>	<b>31 Dec 2018</b>	<b>31 Dec 2018</b>
	<b>€'m</b>	<b>€'m</b>	<b>€'m</b>
Not later than one year	4.3	29.7	34.0
Later than one year and not later than five years	12.1	49.6	61.7
Later than five years	5.3	30.9	36.2
	<u>21.7</u>	<u>110.2</u>	<u>131.9</u>

The operating leases predominantly relate to leases of fibre networks.

The operating lease charge for the period was €36.3m.

*Group as lessor*

The Group has entered into commercial leases on its network properties. The following table sets out the future minimum lease payments receivable under operating leases as at 31 December as follows:

<b>Group</b>	<b>31 Dec 2018</b>
	<b>€'m</b>
Not later than one year	27.9
Later than one year and not later than five years	45.9
Later than five years	23.2
	<u>97.0</u>

**Capital commitments**

As at the end of the financial period, commitments in respect of capital expenditure are as follows:

<b>Group</b>	<b>31 Dec 2018</b>
	<b>€'m</b>
Capital expenditure contracted but not provided for	
- Commitments for the acquisition of plant and equipment	<u>26.3</u>

The Partnership had no operating leases.

**29. Related parties disclosures**

Key management personnel remuneration is disclosed in Note 7.

The Group bought equipment and services amounting to €8.5m from a supplier, Ciena, a company that a director of euNetworks GP LLC was also a director up to 11 June 2018. Amounts billed were based on market rates for such equipment and services and were due and payable under normal terms of payment.

**30. Management equity plan**

In 2018 a new Management Equity Plan was set up by the Partnership, certain employees received Class B Profits Interest Units in the Partnership, these interests vest either; i) over 4 years commencing 12 January 2018 or ii) they fully vest on the sale of the Partnership and its subsidiary undertakings. There were 175,743 Class B Profits Interest Units in issue as at 31 December 2018.

The fair value of the Class B Profits Interest Units in Management Equity Plan which was calculated using a Monte Carlo simulation at the time of the initial issue of the interests was €35.9m. The fair value charge for the period in respect of the Class B Profits Interest Units that vested in the period was €8.7m, this charge has been taken to the income statement in the period.

**31. Post balance sheet events**

On 28 March 2019, the Group acquired 100% of the issued shares of Onstage Online GmbH, a fibre company headquartered in Vienna, Austria, for total consideration of €10.8m. The acquisition will further enhance the Group's connectivity in Europe and brings with it our 15th duct based metropolitan network.

On 10 April 2019, the Partnership raised €50.0m from an issue of additional A1 interests to existing interest holders.

On 15 May 2019, the Group increased its term loan B facility by €30m on the same terms as the existing €300m term loan B.

**32. Financial risk management objectives and policies**

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Group uses financial instruments such as foreign currency forward contracts and interest rate swaps to hedge certain financial risk exposures.

The Board of Directors was, during the period, responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then established the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by a central finance team in accordance with the policies set by the management. Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between cost of risks occurring and the cost of managing risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

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**32. Financial risk management objectives and policies (cont'd.)**

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

*Credit risk*

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group has no significant concentration of credit risk because trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial conditions of trade receivables.

For banks and financial institutions, only independently rated and regulated parties are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management.

With respect to credit risk arising from the other financial assets of the Group and the Partnership, which comprise cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments. The management does not expect counterparties to fail to meet their obligations.

*Liquidity risk*

Liquidity risk is the risk that the Group and the Partnership will not be able to meet its financial obligations as they fall due. The Group and the Partnership manage the liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Group's and the Partnership's business operations, future capital expenditure and for working capital purposes. The Group's and the Partnership's objectives are to maintain a balance between continuing of funding and flexibility through the use of convertible bond issues and may consider other fund raising exercise such as right issues, private placements or equity-related exercise.

The Group prepares weekly rolling cash flow forecasts which are reviewed by management. Liquidity is managed centrally by the Group finance function. The following table detail the Group's and Partnership's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive (or pay). The table includes both interest and principal cash flows.

Group	Effective interest rate %	Between 3					Total €'m
		Up to 3 months €'m	to 12 months €'m	Between 1 to 2 years €'m	Between 2 to 4 years €'m	Over 4 years €'m	
<b>Financial assets</b>							
Cash and cash equivalent	0	12.1	-	-	-	-	12.1
Trade and other receivables	0	26.5	-	-	-	-	26.5
<b>At 31 Dec 2018</b>		<b>38.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38.6</b>
<b>Financial liabilities</b>							
Trade and other payables	0	45.7	-	-	-	-	45.7
Bank loan	4	-	-	-	-	320.0	320.0
<b>At 31 Dec 2018</b>		<b>45.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>320.0</b>	<b>365.7</b>

The Partnership did not have any financial obligations during the period.

**32. Financial risk management objectives and policies (cont'd.)**

*Interest rate risk*

Interest rate risk is the risk that fluctuations in interest rates could result in changes in interest income and expense as well as the value of financial instruments.

The Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group has no significant interest-bearing assets and liabilities other than the bank debt drawn down during the financial period.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings. The Group uses derivative financial instruments to hedge its interest rate risk.

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risks for non-derivative instruments at the end of the financial period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial period was outstanding for the whole period. The sensitivity analysis assumes an instantaneous 5% change in the interest rates from the end of the financial period, with all variables held constant.

	<b>Group</b>
	<b>31 Dec 2018</b>
	<b>€'m</b>
<b>Increase / (decrease) in consolidated statement of profit or loss and other comprehensive income</b>	
<b>Bank loan</b>	
Interest rate increases by 5%	(16.0)
Interest rate decreases by 5%	11.2

***Foreign currency risk***

Foreign currency risk is the risk that changes in exchange rates could result in fluctuation in the value of assets, liabilities, revenue and costs where the underlying transactions and balances are held in foreign currency.

The Group mainly operates in the Euro zone, most of the transactions in relation to the European business are concluded in Euro and the functional currency of all subsidiaries is Euro.

The Group did not use derivative financial instruments to hedge its foreign currency risk in financial period 2018.

***Foreign currency sensitivity analysis***

The Group is mainly exposed to Pound sterling. During 2018 this exposure was mitigated by the fact that Pound sterling revenue and Pound sterling costs were closely matched and therefore the Group was naturally hedged.

The following table details the Group's sensitivity to a change of 10 eurocent against the Pound sterling. The sensitivity analysis assumes an instantaneous change of 10 eurocent for a Pound sterling in the foreign currency exchange rates from the statement of financial position date, with all variables held constant.

	<b>Group</b>
	<b>31 Dec 2018</b>
	<b>€'m</b>
<b>Increase / (decrease) in consolidated statement of profit or loss and other comprehensive income</b>	
<b>Pound Sterling</b>	
Strengthens against Euro	2.2
Weakens against Euro	(2.2)

### 33. Fair value of financial assets and financial liabilities

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

A summary of the financial instrument held by category is provided below:

Group	31 Dec 2018 €'m
<b>Financial assets</b>	
Cash and cash equivalents	12.1
Trade and other receivables	26.5
Total loans and receivables	<u>38.6</u>
<b>Financial liabilities</b>	
Trade and other payables	45.7
Interest bearing borrowings	313.6
Total financial liabilities at amortised cost	<u>359.3</u>

### 34. Capital management policies and objectives

The management's policy is to ensure that the Group is able to continue as a going concern and to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group regards the equity attributable to shareholders as capital. Equity is represented by net assets.

The Group's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group balances its overall capital structure through new share issues, the issue of new debt and the redemption of existing debt.

Group	31 Dec 2018 €'m
Interest bearing borrowings	313.6
Cash and cash equivalents	(12.1)
Net debt	<u>301.5</u>
Total equity	764.5
Total capital	<u>1,066.0</u>
Gearing ratio	28.3%

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. The total capital is calculated as equity plus net debt.

The Board regularly reviews the funding profile of the Group and determines the issue or redemption of financial instruments to meet the Group's funding requirement while ensuring an appropriate balance between debt and equity.

There are no further changes in the Group's approach to capital management during the financial period.

Neither the Partnership nor any of its subsidiaries are subject to externally imposed capital requirements.

### 35. Ultimate parent undertaking

The Directors considered Stonepeak Infrastructure Fund II Cayman (S) Upper LP a Cayman Islands limited partnership to be the ultimate parent undertaking as at the period ended 31 December 2018.

As at the date of signing these financial statements in the opinion of the Directors, Michael Dorrell and Trent Vichie are the controlling parties.

