COLT TECHNOLOGY SERVICES

Annual Report

For the year ended 31 December 2016

Registered no: 02452736

Strategic Report
For the year ended 31 December 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

Business review and principal activities

Colt Technology Services (the "Company" or "Colt") provides a range of information and communication services providing customers with seamless end-to-end capability across technologies. This is under a general authorisation applicable to all communications providers in the United Kingdom. The Directors expect the Company to continue in these activities in the future. The Company is a subsidiary of Colt Telecom Limited, an intermediate UK holding company. Its ultimate parent company is FMR LLC a company incorporated in the United States of America.

The Company reports under Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

The Company is required to set out in this report a fair review of the business of the Company during the financial year ended 31 December 2016 and of the position of the Company at the end of that financial year and a description of the principal risks and uncertainties facing the Company (known as a "Business Review"). The information that fulfils the requirement of the Business Review is set out below.

Business Environment

GDP in the UK reduced in 2016 by 0.4% from 2.2% to 1.8%; however there is a 0.2% forecast growth in 2017. In Network Services, the market for fixed line network services is forecast to grow 4.5% in the medium term with 8% growth in Ethernet balanced by a 4% decline in leased line services (mainly SDH).

In Voice Services, the market for enterprise customer spend is forecast to decline by 0.8% per annum over the medium term due principally to substitution of traditional voice by mobile, email, social media applications, other over-the-top services and continued price erosion.

Data Centre Services are focused on the colocation market which is expected to grow 8.8% in 2017.

Impact of Brexit

During 2016 the UK, by way of a referendum, voted to invoke Article 50 and leave the European Union. The key areas where this could impact the Colt business are as follows:

- Trade negotiations present a risk and potential opportunity, particularly in the financial sector. A possible loss of "passporting rights" in the UK could cause migration of some financial sector activity to continental Europe or elsewhere;
- The macro-economic impact of Brexit presents some risk;
- The impact of fluctuating currency exchange rates on our financial statements; and,
- Regarding tax, legal, regulatory and people matters, it is too early to judge the nature or scale of any impact.

The stock market as a whole has experienced a recovery following the vote as a result of the proportion of FTSE 100 groups who have overseas operations and the beneficial foreign exchange impact of retranslation to sterling has minimised the implications of the economic slowdown.

Strategy

Our strategy is defined by three priorities: a focus on key markets, delivering an exceptional customer experience and optimising the use of our assets. We focus on key locations where our target mid-market customers do business, principally tier 1 cities. In these locations we have deep presence through our metropolitan area networks (MANs) as well as international reach, which allows for end-to-end connectivity across our extensive footprint.

Strategic Report (continued)
For the year ended 31 December 2016

Business review and principal activities (continued)

Colt is well placed to help customers through change - with a renewed focus on our core specialism we will transform the way businesses consume network infrastructure and communications services. Colt will serve our customers in a way that they choose - providing them with the platform that enables them to become better at what they do. We understand that delivering the right experience to our customers helps drive improved trust and customer advocacy of Colt, and therefore growth of the business. We will continue to transform our business so that we are in the optimum operational state to serve our customers and help them overcome their business challenges, now and in the future. We will focus on getting the most out of all our assets: our physical network assets and our expert people, to better serve our customers and to deliver improved profitability and returns on investment.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are integrated with the principal risks and uncertainties facing the Colt Group and are not managed separately. Details of the risks and uncertainties facing the Colt Group can be found in the consolidated 2016 Colt Group annual report which does not form part of this report. The Colt Group annual report is available from the Company's registered office, as set out in note 20.

Review of the financial performance and key performance indicators ("KPIs")

The Board of Directors monitors the financial performance of the Company's operations on a regular basis. The KPIs have been calculated in line with the amounts presented in the financial statements unless otherwise stated. Details of the most significant KPIs used by the Company are set out below:

- *Turnover:* Turnover and its growth are used for internal performance analysis and by investors to assess the performance of the business.

- *Data services turnover:* The level and growth of higher margin data services turnover is used for internal performance analysis to assess the performance of the business.

- *EBITDA:* EBITDA is earnings before net finance costs, tax, depreciation, exceptional items and impairment charges. The Directors believe that EBITDA represents a meaningful measure of the underlying operating profitability of the business.

- *Capital expenditure:* Capital expenditure is the amount of the Company's funds which have been spent on the purchase of assets which are retained within the business.

The statement of comprehensive income for the year is set out on page 10.

The Company's KPIs for 2016 and 2015 are detailed in the table below and discussed below.

	Year ended 31 December	
	2016 £m	**2015 £m**
Turnover	**334.7**	**321.7**
EBITDA[1] on ordinary activities	**76.8**	**99.3**
Loss before taxation	**(30.6)**	**(89.8)**
Fixed asset additions	**117.3**	**80.9**

1 EBITDA *is earnings before net finance costs, tax, depreciation, exceptional items and* impairment charges.

Strategic Report (continued)
For the year ended 31 December 2016

Turnover

Overall turnover increased in 2016 by £13.0m compared to the prior year. There was an overall decrease in data and IT services turnover of £1.4m (2016: £220.3m; 2015: £221.7m) mainly due to an increase of £5.6m in Bandwidth services seeing continued growth in Ethernet offset by a decrease in asset sales of £7.0m in IT services. Data Centre services also saw a reduction in revenue of £1.5m. Voice Services revenue increased by £20.5m mainly due to improved voice trading performance.

Cost of sales & administrative expenses

Cost of sales for the year decreased by £23.9m (2016: £237.4m, 2015: £261.3m). This was mainly driven by an exceptional impairment of network infrastructure of £nil (2015: £21.8m).

Administrative expenses for the year decreased by £1.7m (2016: £118.6m, 2015: £120.3m). This was mainly due to a balance sheet driven foreign exchange adverse movement of £29.9m (2016: £32.8m, 2015: £2.9m) as a result of exchange movements due immediately subsequent to the BREXIT referendum. This was offset by a decrease in exceptional items of £25.9m (2016: £9.7m, 2015: £41.3m). In 2016 there was an exceptional item relating to redundancy costs of £9.7m (2015: £17.5m), an exceptional impairment of software and equipment of £nil (2015: £18.1m) and an exceptional item relating to the share scheme £nil (2015: £5.7m).

Gross profit

Gross profit before exceptional items saw an increase of £15.1m mainly due to increased Voice turnover and a reduction in cost of sales due to the exit of IT services. Gross profit after exceptional items increased by £36.9m (2016: £97.3m, 2015: £60.4m).

EBITDA

EBITDA declined by £22.5m from £99.3m in 2015 to £76.8m in 2016, due to the reduction in contribution from the change in product mix during the year. Offsetting the reduced contribution are cost saving benefits from restructuring programs, which have reduced the cost base within EBITDA.

Loss before taxation

Loss on ordinary activities before taxation for the year was £30.6m (2015: loss of £89.6m). The improvement was mainly due to lower exceptional items.

Net Liabilities

The net liabilities of the company are £192.1m (2015: £161.5m) with the movement due to the loss for the year.

On behalf of the board

Director

Gary Carr

29 June 2017

Directors' Report
For the year ended 31 December 2016

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

Directors and Company Secretary

The Directors of the Company acting during the year and up to the date of signing the financial statements were:

C Grivner
R Tilbrook
C Landau (resigned 31 December 2016)
T Panico (appointed 31 December 2016)
M Hewitt (resigned 22 June 2017)
G Carr (appointed 22 June 2017)

The Company Secretaries who held office during the year and up to the date of this report were:

V Benis (resigned 26 January 2016)
E Chengapen (appointed 26 January 2016)

Employees

The objective of the Company's relationship with its employees is to maximise every opportunity for employees to share in the Company's success, from owning shares in the Company's ultimate parent to taking responsibility at the earliest opportunity. This objective is underpinned by an employment approach that measures each individual by their personal contribution to the success of the Company.

The continued development and utilisation of Colt objectives and performance website has simplified the goal setting and objectives in 2017 for all employees. It will continue to support Colt's annual performance management process including goal setting, competency development, mid-year and year end reviews and regular performance reviews throughout the year.

The Company believes that listening to its employees and establishing a two-way communication culture is critical to continuous engagement with the employees. The Company does this via an annual employee survey and the UK Communications Committee which was formed to establish better communications with the employees.

The culture of the Company is also one of equality of opportunity in both recruitment and promotion. The Company is committed to attracting and retaining the best people based upon ability and merit.

The Company is conscious of its obligations to disabled persons and makes every effort to ensure that they receive equal opportunities and are not discriminated against on the grounds of their disability. It is the policy of the Company that disabled people receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be given help with any necessary rehabilitation and retraining. The Company is, where practicable, prepared to modify equipment and procedures, in order to make full use of an individual's abilities.

It is Company policy to keep employees as fully informed as possible on matters which affect them through direct face to face briefings and other established procedures for communication.

Charitable contributions

Contributions for charitable purposes made during the year included donations of £81,825 including amounts for Coram Children's Charity £37,500 and other charities totalling £44,325 pertaining to the charity bike ride.

Directors Report (continued)
For the year ended 31 December 2016

Financial risk management objectives and policies

The Colt Group operates a centralised treasury function, the prime objective of which is to optimise the return on the Group's cash balances and to manage the working capital requirements of the Group. The Company's major financial instruments are borrowings and working capital. The Company's principal financial risk exposures arise from credit risk of customers.

Liquidity and interest rate risk

The Colt Group raises equity and borrowings centrally and on-lends these to its subsidiaries. All of the Company's debt is intercompany and has a fixed interest rate.

Credit risk

The Company is exposed to its customers defaulting on the payment of their debts. Management mitigates this risk by performing credit assessment on new customers. Management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

Economic conditions

Continued competition and price erosion could adversely affect Colt's results. Colt's lines of business are subject to unique and diverse technology and competitive risks. Across networking and telephony, competitors are driving technology integration to achieve a lower cost to serve which has increased margin and price risks.

Likely future developments

Although 2016 had its challenges, Colt enters 2017 as a stronger business. While the Company continues to face the challenge of tough competition it has strengthened relationships with its customers who want to procure more of its services. Colt is returning to its core areas of strength around network, data and voice products so that it can focus on key markets, delivering an exceptional customer experience to customers, and optimising the use of the Company's assets.

Dividends

The Directors do not recommend paying dividends for the year ended 31 December 2016 (2015: Nil).

Creditors' payment policy

Where goods or services have been supplied in accordance with terms agreed with a supplier, it is the policy of the Company that the supplier is paid in accordance with those terms.

At 31 December 2016, the number of days of annual purchases represented by year end creditors was 44 days (2015: 39 days). This is mainly due to an increase in Trade creditors of £11.3m and a reduction in cost of sales £23.9m. There has been no change to underlying payment terms or policies.

Directors' Report (continued)
For the year ended 31 December 2016

Statement of disclosure of information to auditors

Each person who is a Director at the date of approval of this report confirms that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)* and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Colt Group SA. The Directors have received confirmation that Colt Group SA intends to support the Company for 13 months after these financial statements are signed.

On behalf of the board

Gary Carr
Director

29 June 2017

Independent auditors' report to the members of Colt Technology Services

Report on the financial statements

Our opinion

In our opinion, Colt Technology Services' financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Balance sheet as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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

PDBarkus

Paul Barkus (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2017

Statement of comprehensive income for the year ended 31 December 2016

	Note	2016	2015*
		£'000	£'000
Turnover	4	**334,657**	321,706
Cost of sales excluding exceptional items		**(237,380)**	(239,502)
Exceptional items	7	**-**	(21,801)
Cost of sales including exceptional items		**(237,380)**	(261,303)
Gross profit excluding exceptional items		**97,277**	**82,204**
Gross profit including exceptional items		**97,277**	**60,403**
Administrative expenses excluding exceptional items		**(108,858)**	(79,018)
Exceptional items	7	**(9,743)**	(41,275)
Administrative expenses including exceptional items		**(118,601)**	(120,293)
Other operating income		**23,526**	11,803
Operating profit/(loss) excluding exceptional items	7	**11,945**	14,989
Operating profit/(loss) including exceptional items		**2,202**	(48,087)
Interest receivable and similar income	8	**10,104**	10,522
Interest payable and similar expenses	9	**(42,765)**	(52,053)
Loss on ordinary activities before taxation		**(30,459)**	(89,618)
Tax on loss on ordinary activities	10	(186)	(202)
Loss for the financial year		**(30,645)**	(89,820)
Other comprehensive income		-	143
Total comprehensive expense for the financial year		**(30,645)**	(89,677)

* restated see note 23

Balance sheet
As at 31 December 2016

	Note	2016	2015
		£'000	£'000
Fixed assets			
Intangible assets	11	**79,875**	80,542
Tangible assets	12	**296,419**	266,130
		376,294	346,672
Current assets			
Debtors	13	**173,632**	151,454
Cash at bank and in hand		**9,204**	896
		182,836	152,350
Creditors: amounts falling due within one year	14	**(742,469)**	(279,693)
Net current liabilities		**(559,633)**	(127,343)
Total assets less current liabilities		**(183,339)**	219,329
Creditors: amounts falling due after more than one year	14	**-**	(369,736)
Provisions for liabilities	16	**(8,796)**	(11,083)
Net liabilities		**(192,135)**	(161,490)
Capital and reserves			
Called up share capital	17	**519,518**	519,518
Share premium account		**568**	568
Capital contribution reserve		**311,065**	311,065
Accumulated losses		**(1,023,286)**	(992,641)
Total equity		**(192,135)**	(161,490)

The financial statements on pages 10 to 28 were approved by the board of directors on 29 June 2017 and were signed on its behalf by:

Carr

Gary Carr
Director

Colt Technology Services **Registered number: 02452736**

Statement of changes in Equity
For the year ended 31 December 2016

	Called up share capital	Share premium account	Capital contribution reserve	Accumulated losses	Total equity/(deficit)
	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	519,518	568	311,065	(902,964)	(71,813)
Loss for the financial year	-	-	-	(89,820)	(89,820)
Other comprehensive income	-	-	-	143	143
At 31 December 2015	519,518	568	311,065	(992,641)	(161,490)
Loss for the financial year	-	-	-	(30,645)	(30,645)
Other comprehensive income	-	-	-	-	-
At 31 December 2016	**519,518**	**568**	**311,065**	**(1,023,286)**	**(192,135)**

Notes to the financial statements
For the year ended 31 December 2016

1. General Information

The Company's principal activity is providing a range of information and communication services providing customers with seamless end-to-end capability across technologies. This is under a general authorisation applicable to all communications providers in the United Kingdom. The Company is a subsidiary of Colt Telecom Limited, an intermediate UK holding company. Its ultimate parent company is FMR LLC a company incorporated in the United States of America. The address of the Company's registered office is Colt House, 20 Great Eastern Street, London, England, EC2A 3EH.

2. Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

(A) Significant accounting policies

Basis of preparation
The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Directors believe that it is appropriate for the financial statements to be prepared on a going concern basis, given the financial support being provided by the immediate parent, Colt Group S.A., to enable the Company to meet its financial liabilities as they fall due for the next 13 months from the date of approval of the Company's financial statements.

Exemptions for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemption:

(i) The requirement to prepare a statement of cash flow under section 7 of FRS 102 paragraph 1.12(b) on the basis that it is a qualifying entity and its parent Colt Group S.A., includes the company's cash flows in its own consolidated financial statements, which are publicly available.

Consolidated financial statements
The financial statements contain information about Colt Technology Services as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its intermediate parent Colt Group S.A., a company incorporated in Luxembourg. Refer to note 20 for further details on the ultimate parent company and controlling party of the Company.

Turnover
Turnover represents amounts earned for services provided to customers (net of value added tax and discounts).

Contracted income invoiced in advance for fixed periods is recognised as turnover in the period of actual service provision. Data and IT Services turnover is generally billed in advance. Advance billings for data centre turnover is recognised on a straight-line basis over the initial contract term of the data centre agreement. Installation fees are deferred and recognised in the statement of comprehensive income over the expected length of the customer relationship period (typically three to five years) or the contractual period, if longer. Voice turnover is recognised when voice traffic travels across the network.

Notes to the financial statements
For the year ended 31 December 2016 (continued)

3. Summary of significant accounting policies (continued)

(A) Significant accounting policies (continued)

Turnover (continued)
Charges to customers for services provided through the Company's network where the Company is deemed to be acting as agent are reported net of service providers' charges to the Company.

Cost of sales
Cost of sales includes payments made to other carriers, depreciation of network infrastructure and equipment and direct network costs.

Foreign currencies
Transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Monetary assets and liabilities are translated at the period end rate. All foreign exchange transactions relate to trading activities and are taken to profit and loss as they arise.

Operating leases
Costs in respect of operating leases are charged on a straight-line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

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

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

3. Summary of significant accounting policies (continued)

(A) Significant accounting policies (continued)

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including debtors, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period the amortised cost is re-assessed taking into account the future expected cash flows of the asset. Any difference between the carrying amount of the financial asset and the previous carrying amount is recognised in the statement of comprehensive income within other income.

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

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

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

At the end of each reporting period the amortised cost is re-assessed taking into account the future expected cash flows of the asset. Any difference between the carrying amount of the financial liability and the previous carrying amount is recognised in the statement of comprehensive income within other expenses.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

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

3. Summary of significant accounting policies (continued)

(A) Significant accounting policies (continued)

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Intangible fixed assets and amortisation
Intangible assets are stated at cost less accumulated amortisation on a straight-line basis and impairment losses. Cost is usually determined as the amount paid by the Company, unless the asset has been acquired as part of a business combination. Internally generated intangibles are not recognised except for computer software and applied development costs. Intangible assets with finite lives are amortised over their estimated useful economic lives and are only tested for impairment where there is a triggering event. The Company regularly reviews all of its amortisation rates and residual values to take account of any changes in circumstances. The Directors' assessment of the useful life of intangible assets is based on the nature of the asset, the durability of the products to which the asset attaches and the expected future impact of competition on the business. Amortisation rates of computer software are included below:

Computer software	20% - 33% per annum

Tangible fixed assets and depreciation
Tangible fixed assets are recorded at historical costs less accumulated depreciation and any accumulated impairment losses. Network infrastructure and equipment comprises assets purchased and built, at cost, together with capitalised labour, directly attributable to the cost of construction.

Network infrastructure and equipment	3% - 20% per annum
IT hardware, fixtures, fittings and vehicles	10% - 33% per annum

The Company's network assets are long-lived with cables and switching equipment operating for between five and 30 years. The Company also provides Data Centre services. The assets, which are primarily the cost of constructing the facility, are depreciated over 20 years. The annual depreciation charge is sensitive to the estimated service life allocated to each asset type. The Company reviews asset lives annually and changes them when it is considered necessary to reflect its current estimates of its remaining lives in light of changes in technology, the actual condition and expected utilisation of the assets concerned.

Property provisions
The Company provides for obligations relating to excess leased space and dilapidation in its properties. The provisions represent the net present value of the future estimated costs and the unwinding of the discount is included within the interest charge for the year.

Redundancy provisions
A redundancy provision is recognised when the Company has developed a detailed formal plan for redundancies, has a reliable estimate of the cost of redundancy and has raised a valid expectation in those affected that it will carry out the redundancies by starting to implement redundancies or announcing its main features.

Notes to the financial statements for the year ended 31 December 2016 (continued)

3. Summary of significant accounting policies (continued)

(A) Significant accounting policies (continued)

Employee Benefits

Pension Scheme
The Company participates in a pension scheme open to all employees over 18 years of age. The Company pays a monthly charge attributable to the Company's share of pension scheme costs. The scheme is a defined contribution scheme and as such pension costs are charged to the statement of comprehensive income on an accruals basis in the period in which contributions are payable to the scheme.

Share Based Payments
The cost of share based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options in Colt Group, is recognised as an employee benefit expense in the statement of comprehensive income. This cost, which is expensed over the vesting period, is recognised only in respect of share based payments granted after 7 November 2002. Full details of the employee benefit plan are included in the Colt Group S.A. annual report for the year ended 31 December 2016.

Related party transactions
The Company has taken advantage of the exemption under paragraph 33.7 from the provisions of FRS 102, on the grounds that it is a wholly owned subsidiary of a group headed by Colt Group S.A. and has not disclosed transactions with other group companies within the Colt Group.

(B) Critical accounting judgements and estimates

Critical judgements in applying the entity's accounting policies
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

No critical accounting judgements have been applied in these financial statements.

Critical accounting estimates and assumptions
The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Turnover recognition
Turnover from voice services, which are generally billed in arrears, and from data and IT services, which are generally billed in advance, is recognised when services are provided. Turnover from installation activities is deferred and recognised over the expected length of the customer relationship period (typically three to five years) or contract term, if longer.

Payments to other operators
When telephony traffic is carried by other operators, the Company incurs interconnect costs. The prices at which these services are charged are often subject to regulation by the local regulatory authority in the UK. A regulatory determination may give rise to amendments (most often in the form of reductions) to interconnect costs including retrospective adjustment.

The Company reviews its interconnect costs on a regular basis and adjusts the rate at which these costs are charged in the statement of comprehensive income in accordance with the estimated interconnect costs for the current period. Estimates are used in assessing the likely impact of retrospective adjustments.

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 . Summary of significant accounting policies (continued)

(B) Critical accounting estimates and judgements (continued)

Impairment
The carrying values of investments and intercompany debtors are reviewed for impairment only when events indicate the carrying value may be impaired. Impairment indicators include both internal and external factors. Examples of internal factors include analysing performance against budgets and assessing absolute financial measures for indicators of impairment. Examples of external considerations assessed for indications of impairment include wider economic factors.

Where impairment indicators are present, the recoverable amounts of assets are measured. Asset recoverability requires assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of uncertain matters. In particular, management has regard to assumptions in respect of revenue mix and growth rates, EBITDA margins, timing and amount of capital expenditure, long-term growth rates and the selection of appropriate discount rates. See notes 11 and 13 for the net carrying amounts of investments and debtors.

Debtors
The Company performs regular reviews of the bad debt risk within its debtors and makes provisions to reflect its views of the financial condition of its customers and their ability to pay in full for amounts owing for services provided. Estimates which are based on historical experience are used in determining the level of debts that are not expected to be collected impairment.

Provisions
The Company's provisions are established based on its best estimate at the balance sheet date of the amounts necessary to settle existing obligations or commitments as of each balance sheet date.

Financing transactions
The company has a number of arrangements which constitute financing transactions under section 11 of FRS 102. These transactions are measured at the present value of the future cash flows discounted at a market rate of interest. Estimations have been applied in determining the appropriate market rate of interest, which ranges from 8.7-13% based on the term of the loans and the prevailing market conditions over that term. See notes 8, 9, 13, 14.

Notes to the financial statements for the year ended 31 December 2016 (continued)

4. Turnover

The Company operates in a single business segment, telecommunications, primarily in the UK. Turnover is classified as voice, data and IT services and intercompany, as shown below.

	2016	2015
	£'000	£'000
Turnover		
Voice	107,729	87,183
Data, DCS and IT services	220,318	221,719
Intercompany	6,610	12,804
	334,657	321,706

The analysis of turnover between voice, data and IT services and intercompany is provided on a voluntary basis as the Directors consider that it provides meaningful additional information. Voice turnover comprises services including the transmission of voice through a switching centre. Data and IT Services turnover includes managed and non-managed network services, bandwidth services, data and voice traffic which are delivered in a digital form (IP Voice). Intercompany turnover represents sales to other subsidiaries of the Colt Group.

5. Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2016	2015
By activity	Number	Number
Technical services and operations	407	480
Sales and marketing	159	170
Administration	164	217
	730	867

	2016	2015
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries*	63,909	67,682
Social security costs	9,849	9,104
Other pension costs	8,219	9,626
	81,977	86,412
Less: staff costs capitalised	(13,276)	(13,548)
	68,701	72,864

*Wages and salaries included £nil in 2016 (2015: £5.2m) of costs related to cash-settled share based payment arrangements (note 17).

Notes to the financial statements for the year ended 31 December 2016 (continued)

6. Directors' emoluments

The aggregate amount of emoluments paid to the Directors was £3,079,401 (2015: £1,277,534).

The highest paid director received emoluments of £1,937,402 (2015: £333,360) for services to the Company in the year. Pension contributions paid by the Company on his behalf were £20,000 (2015: £8,526).

No compensation for loss of office was paid in 2016 (2015: £nil).

There are 6 directors (2015:4) to whom retirement benefits are accruing under a money purchase scheme, in respect of qualifying services. The pension contribution made by the company for the year ended 31 December 2016 was £108,500 (2015: £57,200).

None of the Directors (2015: nil) exercised share options held in Colt Group S.A. under the SAYE scheme during the year.
The company previously adopted a phantom share incentive plan which vested in September 2015. The total amount receivable by the directors at the end of the year was £nil (2015: £10,534).

7. Operating profit/(loss)

	2016	2015
	£'000	£'000
Operating profit/(loss) is stated after charging:		
Staff costs	**68,701**	72,864
Operating lease rentals		
- Property	**5,835**	5,577
- Leased lines	**46,572**	44,077
- Other	**118**	107
Depreciation	**43,314**	48,663
Amortisation	**21,497**	35,645
Services provided by the Company's auditors		
-Fees payable for the audit	**28**	8

The Company separately identifies and discloses one-off or unusual items (termed "exceptional items"). The directors believe that this provides meaningful analysis of the results of the Company and aids the users of financial statements. During the year the company had exceptional items of £9,743k (2015: £17,513k) relating to redundancy costs, £nil (2015: £39,899k) relating to impairment of software and network infrastructure and equipment, and £nil (2015: £5,664k) relating to the wind up of the employment shared payment scheme.

8. Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest receivable from intercompany	**4,985**	3,671
Total interest income on financial assets not measured at fair value through profit and loss	**4,985**	3,671
Other income	**5,119**	6,851
Total interest receivable and similar income	**10,104**	10,522

Interest receivable from fellow subsidiary companies relates to financial assets that are measured at amortised cost and calculated using the effective interest method.

Other income reflects an adjustment to the carrying value of intra-group loans resulting from a change in their future estimated cash flows.

Notes to the financial statements
For the year ended 31 December 2016 (continued)

9. Interest payable and similar expenses

	2016 £'000	2015 £'000
Interest on intra group short-term loan	**252**	500
Interest payable on intra group long-term loan	**41,055**	39,997
Total interest expense on financial assets not measured at fair value through profit or loss	**41,307**	40,497
Other expenses	**1,458**	11,556
Total interest payable and similar expenses	**42,765**	52,053

Interest payable from fellow subsidiary companies relates to financial liabilities that are measured at amortised cost and calculated using the effective interest method.

Other expense reflects an adjustment to the carrying value of intra-group loans resulting from a change in their future estimated cash flows.

10. Tax on loss on ordinary activities

a) Tax expense included in profit or loss

	2016 £'000	2015 £'000
Current tax:		
- UK corporation tax on profits for the year	**54**	-
- Adjustments in respect of prior periods	**132**	202
Total current tax	**186**	202

b) Reconciliation of tax charge

The tax expense assessed on the profit on ordinary activities is different from the amount computed by applying the standard UK corporation tax rate of 20% (2015: 20.25%) to the profit on ordinary activities as a result of the following factors:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	**(30,459)**	**(89,618)**
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 20% (2015: 20.25%)	**(6,092)**	**(18,148)**
Effects of:		
Expenses not deductible for tax purposes	**7,359**	**14,861**
Current year deferred tax movement not provided	**(4,692)**	**(3,030)**
Group Relief surrendered for nil consideration	**3,479**	**6,317**
Adjustments to tax charge in respect of prior years	**132**	**202**
Tax charge for the period	**186**	**202**

Notes to the financial statements
For the year ended 31 December 2016 (continued)

10. Tax on loss on ordinary activities (continued)

c) Tax rate changes

With effect from 1 April 2017, the main rate of corporation tax will be reduced from 20% to 19%. The main rate of corporation tax will be further reduced to 17% with effect from 1 April 2020.

d) Provision for deferred tax

No deferred tax asset has been recognised in the financial statements. Deferred tax assets require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income together with any future tax planning strategies. Having regard to this at 31 December 2016, no deferred tax assets had been recognised by the company. The unrecognised potential deferred tax asset is as follows:

	2016	2015
	£'000	£'000
Excess of depreciation over capital allowances	**24,301**	**32,911**
Short term differences	**1,260**	**2,363**
Unrecognised potential deferred tax asset	**25,561**	**35,274**

In the valuation of the deferred tax asset at 31 December 2016, a tax rate of 17% (2015: 20%) has been used.

11. Intangible assets

	2016	2015
	£'000	£'000
	Computer Software	Computer Software
Cost		
As at 1 January	**167,138**	370,471
Additions	**20,840**	18,749
Disposals	**(10)**	(222,082)
As at 31 December	**187,968**	167,138
Accumulated amortisation		
As at 1 January	**86,596**	258,107
Charge for the year	**21,497**	35,645
Impairment (Note 7)	**-**	14,926
Disposals	**-**	(222,082)
As at 31 December	**108,093**	86,596
Net book value		
As at 31 December	**79,875**	80,542

Intangible assets cost includes assets under construction of £17,147,338 (2015: £19,913,416).

Notes to the financial statements
For the year ended 31 December 2016 (continued)

12. Tangible assets

	Network infrastructure and equipment £'000	IT Hardware, fixtures, fittings and vehicles £'000	Total £'000
Cost			
As at 1 January 2016	**627,860**	**13,872**	**641,732**
Additions	70,137	8,935	79,072
Disposals	(15,485)	(4,620)	(20,105)
Transfers to group companies	(5,468)	-	(5,468)
As at 31 December 2016	**677,044**	**18,187**	**695,231**
Accumulated depreciation			
As at 1 January 2016	**368,601**	**7,001**	**375,602**
Charge for the year	39,862	3,453	43,315
Disposals	(15,485)	(4,620)	(20,105)
As at 31 December 2016	**392,978**	**5,834**	**398,812**
Net book value			
As at 31 December 2016	**284,066**	**12,353**	**296,419**
As at 31 December 2015	**259,259**	**6,871**	**266,130**

Fixed asset cost includes assets under construction of £48,731,918 (2015: £17,161,712).

	Network infrastructure and equipment £'000	IT Hardware, fixtures, fittings and vehicles £'000	Total £'000
Cost			
As at 1 January 2015	1,033,777	100,572	1,134,349
Additions	62,808	2,446	65,254
Disposals	(449,181)	(89,146)	(538,327)
Transfers to Group companies	(19,544)	-	(19,544)
As at 31 December 2015	**627,860**	**13,872**	**641,732**
Accumulated depreciation			
As at 1 January 2015	751,048	89,245	840,293
Charge for the year	44,933	3,730	48,663
Disposals	(449,181)	(89,146)	(538,327)
Impairment	21,801	3,172	24,973
As at 31 December 2015	**368,601**	**7,001**	**375,602**
Net book value			
As at 31 December 2015	**259,259**	**6,871**	**266,130**

Notes to the financial statements
For the year ended 31 December 2016 (continued)

13. Debtors

	2016	2015
	£'000	£'000
Trade debtors	**39,012**	32,312
Amounts owed by group undertakings	**114,206**	98,067
Other debtors	**1,226**	2,912
Prepayments and accrued income	**19,188**	18,163
	173,632	151,454

Amounts owed by group undertakings are unsecured, bear interest at the effective interest rate range of 0%-13% and are repayable in less than one year.

14. Creditors

Amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	**45,771**	28,708
Amounts owed to group undertakings	**616,207**	175,032
Taxation and social security	**290**	3,940
Other creditors	**7**	-
VAT payable	**1,073**	709
Accruals and deferred income	**79,121**	71,304
	742,469	279,693

Amounts owed to the parent company and to fellow subsidiary companies are unsecured and are charged interest at the effective interest rate range of 0%-13%.

Amounts falling due after more than one year

	2016	2015
	£'000	£'000
Amounts owed to group undertakings	**-**	369,736
	-	369,736

The unsecured inter-company loan of £nil (2015: £369,736,000) attracts interest at a rate of 10.5% per annum and matures on 30 June 2017.

Notes to the financial statements
For the year ended 31 December 2016 (continued)

15. Financial instruments

Financial assets that are debt instruments measured at amortised cost:

	2016	2015
	£'000	£'000
Trade debtors	39,012	32,312
Other debtors	1,226	2,912
Amounts owed by group undertakings	114,206	98,067
	154,444	133,291

Financial liabilities measured at amortised cost:

	2016	2015
	£'000	£'000
Trade creditors	45,771	28,708
Amounts owed to group undertakings	616,207	175,032
Accruals and deferred income	79,121	71,304
Other creditors	7	-
	741,106	275,044

16. Provisions for liabilities

Property provision	2016	2015
	£'000	£'000
At 1 January	3,576	2,253
(Release)/charge for the year	(272)	1,273
Amortisation of discount	63	50
Utilised during the year	-	-
At 31 December	3,367	3,576

Redundancy provision	2016	2015
	£'000	£'000
At 1 January	7,507	2,168
Charge for the year	8,811	17,513
Utilised during the year	(10,889)	(12,174)
At 31 December	5,429	7,507
	8,796	11,083

Property provision
The Company has made provisions against future rents, services and reinstatement costs associated with buildings being closed or 'mothballed'.

Redundancy provision
The Company has made provisions for redundancy costs which have been formally planned and announced and where implementation has commenced.

Notes to the financial statements
For the year ended 31 December 2016 (continued)

17. Called up share capital

	2016 £'000	2015 £'000
Authorised		
519,518,474 ordinary shares of £1 each (2015: 519,518,474 ordinary shares of £1 each)	**519,518**	519,518
Allotted, called up and fully paid		
519,518,474 ordinary shares of £1 each (2015: 519,518,474 ordinary shares of £1 each)	**519,518**	519,518

Employee share option schemes

Certain employees of the Company participate in a number of share option schemes operated by the Colt Group over Colt Group shares. These include:

(a) *Colt Group Share Plan*

The Colt Group Share Plan (the "Option Plan") allows for the grant of options in respect of ordinary shares to selected executives. The Option Plan is divided into two parts; the "Approved Part" which is approved by the HMRC and offers specific tax advantages on exercise, and the "Unapproved Part" which is not approved.

Options are generally exercisable between three and ten years from the date of grant at a subscription price which is not less than the market value of the ordinary shares at the date of grant.

No discounted options have been granted. The vesting of options granted since July 2003 is conditional upon the achievement of certain performance conditions. Full details of the share plan are included in the Colt Group S.A. annual report which is available at the address in note 21 below.

(b) Colt Savings-Related Share Option Scheme

The Colt Savings-Related Share Option Scheme (the "SAYE Scheme") operates for the benefit of all eligible employees. The SAYE Scheme allows for the grant of options in respect of ordinary shares linked to a building society or bank share-save contract for a term of three years with monthly contributions from employees of an amount between £5 and £250 (or the local currency equivalent). Options can be exercised at the end of the three year period at a subscription price set at the beginning of the contract which, under HMRC rules, cannot be less than 80% of the middle-market quotation of an ordinary share on the three days immediately prior to the date of grant. No performance conditions are attached to the Scheme.

The credit for the year is £nil (2015: £142,793).

(c) Colt Share Grant Plan

The Colt Share Grant Plan provides for awards to be made over Colt Group S.A. Company shares. Awards made to senior employees of Colt are cash-settled. These awards are aimed at attracting and retaining senior employees. Subject to meeting performance conditions which are challenging and reflect a real and meaningful improvement in performance, awards ordinarily vest 3 years after the date of grant.

The cash settlement charges relating to these awards are detailed in note 5.

Notes to the financial statements for the year ended 31 December 2016 (continued)

18. Capital commitments

	2016 £'000	2015 £'000
Future capital expenditure		
Contracted but not provided for	**24,371**	8,364

The company is a guarantor for Colt Group SA's Revolving Credit Facility. Details of the facility can be found in Colt Group S.A. financial statements. Copies of Colt Group S.A.'s financial statements are available from its registered office at K2 Building, Forte 1, 2a rue Albert Borschette, L-1246 Luxembourg or from the Company's registered office at Colt House, 20 Great Eastern Street, London, England, EC2A 3EH.

19. Operating lease commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £'000	2015 £'000
Payments due		
Not later than one year	**118**	23
Later than one year and not later than five years	**5,245**	8,631
After more than five years	**27,935**	25,784
	33,298	34,438

In 2016 the Company aligned the accounting for certain lease costs to charge these on a straight line basis where they had previously been expensed immediately. The impact in the Statement of Comprehensive Income is not material. Had this alignment occurred in previous years prepayments at 31 December 2015 would have been €4.1m higher.

20. Ultimate parent company and controlling party

The ultimate parent company and controlling party is FMR LLC, which is the parent undertaking of the largest group to consolidate these financial statements and is registered in the United States of America. FMR LLC's financial statements are not publicly available. The parent undertaking of the smallest group to consolidate these financial statements is Colt Group S.A., a company registered in Luxembourg. The immediate parent company is Colt Telecom Limited, a company incorporated in the UK and registered in England and Wales.

Copies of Colt Group S.A.'s financial statements are available from its registered office at K2 Building, Forte 1, 2a Rue Albert Borschette, L-1246 Luxembourg, or from the Company's registered office as set out above.

21. Pension arrangements

The Company operates a defined contribution pension scheme for its employees. Pension costs are charged to the statement of comprehensive income on an accruals basis in the period in which contributions are payable to the scheme. The pension cost for 2016 was £8.2m (2015: £9.6m) (refer to note 5). At 31 December 2016, there was no amount outstanding in relation to defined contribution pension schemes (2015: Nil).

Notes to the financial statements for the year ended 31 December 2016 (continued)

22. Related party transactions

An amount of £4,019k (2015: £9,350k) was billed during 2016 to FMR LLC and its subsidiaries (not within the Colt Group) for Voice and Network Services. At 31 December 2016 there were balances outstanding of £480k (2015: £208k) due from FMR LLC and its subsidiaries (not within the Colt Group).

During the year an amount of £701k (2015: £1,381k) was paid to FMR LLC and its subsidiaries (not within the Colt Group) for software and support services and at 31 December 2016 £96k (2015: £149k) was due to FMR LLC and its subsidiaries (not within the Colt Group).

23. Reclassifications and comparative figures

Certain reclassifications have been made to correct the prior year's financial statements to enhance comparability with the current year's financial statements.

As a result, certain line items have been amended in the statement of comprehensive income. Comparative figures have been adjusted to conform to the current year's presentation but the adjustments have had no impact on current or prior year loss on ordinary activities before taxation.

The items were reclassified as follows:

	2015 (previously stated) £'000	(Increase)/ decrease £'000	2015 (restated £'000
Cost of sales excluding exceptional items	(285,065)	45,563	(239,502)
Cost of sales exceptional items	-	(21,801)	(21,801)
Cost of sales including exceptional items	(285,065)	23,762	(261,303)
Administrative expenses excluding exceptional items	(39,119)	(39,899)	(79,018)
Administrative expenses exceptional items	(57,412)	16,137	(41,275)
Administrative expenses including exceptional items	(96,531)	(23,762)	(120,293)