

Edge Network Services Limited

Directors' Report and Financial Statements

Financial Year Ended 31 December 2019

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DIRECTORS AND OTHER INFORMATION

Board of directors at date of signing

Gareth Lambe
Yvonne Cunnane
Maria Begona Fallon (appointed 1 July 2019)

Solicitors

Matheson
70 Sir John Rogerson's Quay
Dublin 2

Secretary and registered office

Matsack Trust Limited
4 Grand Canal Square
Grand Canal Harbour
Dublin 2

Registered number: 514292

Auditor

Ernst & Young
Chartered Accountants
Harcourt Centre
Harcourt Street
Dublin 2

Bankers

Bank of America
2 Park Place
Hatch Street
Dublin 2

Citi International PLC
1 North Wall Quay
Dublin 1

Bank Mendes Gans N.V.
Herengracht
1017 CE Amsterdam
The Netherlands

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of Edge Network Services Limited ("the company") for the financial year ended 31 December 2019.

Principal activity and review of the business

Edge Network Services Limited is wholly owned by Facebook International Operations Limited, a company incorporated in the Republic of Ireland. Its ultimate holding company and controlling party is Facebook, Inc., a company incorporated in the United States of America.

The principal activity of the company is to carry on the business of and activities associated with connectivity services.

During the year, the company established two new branches in Denmark and Portugal.

Results and dividends

The statement of comprehensive income and statement of financial position for the year ended 31 December 2019 are set out on pages 10 and 11 respectively. The profit before taxation amounted to €36.0 million (2018: €34.8 million). The profit after taxation for the financial year of €28.3 million (2018: €22.9 million) has been credited to reserves.

The directors do not recommend payment of a dividend for the year (2018: €nil).

Review of key performance indicators

The key performance indicators focused on by management are turnover, cost of sales and capital expenditure.

Turnover

Turnover increased from €478.2 million in 2018 to €615.1 million in 2019, an increase of €136.9 million. This increase was attributable to growth in amounts invoiced by the company to other group entities for connectivity services.

Cost of sales

Cost of sales increased from €412.4 million in 2018 to €549.5 million in 2019, an increase of €137.1 million. These costs were primarily related to the additional costs associated with providing connectivity services.

Capital expenditure

The cost of fixed assets increased from €1.2 billion in 2018 to €2.1 billion in 2019, an increase of €0.9 billion. This increase was attributable to the effects of the adoption of IFRS 16, 'Leases', and additional asset purchases during the year.

Principal risks and uncertainties facing the business

Management has considered its exposure to market risk, credit risk, liquidity risk and economic risk and does not consider the company to have significant exposure in respect of these risks.

Economic risk

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020, which is indicative of a condition that did not exist at the end of the reporting date.

During this period and up to the date of this report, the company has continued business operations with limited disruption and has remained engaged in performing its principal activities. As the scale and duration of these developments remain uncertain, it is difficult to quantify the financial impact of the evolving situation. The company will continue to monitor and assess but does not expect a material adverse impact on its ability to continue as a going concern.

Financial risk management objectives and policies

Management has considered its exposure to the below risks and does not consider the company to have significant exposures in respect of these risks.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise a number of types of risk including interest rate risk and currency risk.

DIRECTORS' REPORT - continued

Financial risk management objectives and policies - continued

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in interest rates.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Credit risk is the risk that a counter party will not meet its objectives under a financial instrument or customer contract, leading to financial risk. The board of directors has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Liquidity risk is the risk that the company will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The company monitors its risk to shortage of funds on a regular basis, its objective being to ensure sufficient funds are available to meet its obligations as they fall due.

Going concern

The directors have evaluated the relevant conditions and events that are known and reasonably knowable at the date that the financial statements are approved, including the current outbreak of a novel strain of coronavirus (COVID-19). The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and the company's ultimate parent company, Facebook, Inc., has indicated that it will provide such financial support to the company, in the event that funds are not otherwise available, to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements. The spread of COVID-19, as set out in the Principal Risks and Uncertainties section above, is not expected to have a material adverse impact on the company's ability to continue as a going concern. The directors, to the best of their current knowledge and based on the procedures above, therefore consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Foreign branches

Details of the company's foreign registered branches at 31 December 2019 are set out below.

Name of foreign branch

Edge Network Services Limited	Japan
Edge Network Services Limited	United Kingdom
Edge Network Services Limited	Taiwan
Edge Network Services Limited	France
Edge Network Services Limited	Singapore
Edge Network Services Limited	Spain
Edge Network Services Limited	Italy
Edge Network Services Limited	Malaysia
Edge Network Services Limited	Poland
Edge Network Services Limited	Colombia
Edge Network Services Limited	Denmark
Edge Network Services Limited	Portugal

Future developments

The directors do not anticipate any future changes in the principal activity of the company.

Directors and secretary and their interests

The names of the persons who were directors of the company at any time during the period are set out below. They served as directors for the entire period unless otherwise stated.

Gareth Lambe
Yvonne Cunnane
Maria Begona Fallon (appointed 1 July 2019)

In accordance with the Articles of Association, the directors are not required to retire by rotation.

DIRECTORS' REPORT - continued

Directors and secretary and their interests - continued

None of the directors, nor the secretary of the company, had a direct interest in the share capital of the company at the period end. The directors held interests of less than 1% of the issued share capital of the company's ultimate holding company, Facebook, Inc. and are therefore exempt from disclosure in the financial statements under section 260 of the Companies Act 2014.

The directors and secretary and their families had no other interests in the shares of the company or any other group company at 31 December 2019 that require disclosure.

Events since the end of the financial year

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considers any relevant events that occur subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period.

In March 2020, the company received a capital contribution from its parent in the form of cash amounting to €112 million.

Other than as described above and in the Principal Risks and Uncertainties section in relation to COVID-19, there were no other significant events between 31 December 2019 and the date of approval of these financial statements affecting the company, which require adjustment to or disclosure in the financial statements.

Directors' compliance statement

The directors acknowledge that they are responsible for securing the company's compliance with its relevant obligations. The directors confirm that:

- 1) A compliance policy statement setting out the company's policies, that in their opinion are appropriate to the company, respecting compliance by the company with its relevant obligations has been drawn up.
- 2) Appropriate arrangements or structures that are designed to secure material compliance with the company's relevant obligations have been put in place.
- 3) A review of the arrangements and structures referred to at 2 above has been conducted during the financial year ended 31 December 2019.

Non preparation of group financial statements

Consolidated accounts have not been prepared for the year ended 31 December 2019 as the company is exempt from the obligation to prepare and deliver group accounts under Section 300 of the Companies Act 2014, whereby the company and all of its subsidiary undertakings are included in the consolidated accounts for a larger group, drawn up to the same date, Facebook, Inc. Those accounts have been drawn up in accordance with the provisions of the Seventh Directive (83/349EEC). Consequently, these financial statements present information about the company as an individual undertaking and not about its group.

Accounting records

The measures taken by the directors to secure compliance with the company's obligation to keep adequate accounting records as outlined in sections 281 to 285 of the Companies Act 2014, are the use of appropriate systems and procedures and employment of competent personnel. The accounting records are kept at 4 Grand Canal Square, Grand Canal Harbour, Dublin 2.

Disclosure of information to auditor

The directors in office at the date of this report have each confirmed that:

- as far as the directors are aware, there is no relevant audit information of which the statutory auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's statutory auditor is aware of that information.

Audit committee

The company has not established an Audit Committee. The directors confirm that the functions which would be undertaken by any such Audit Committee are fulfilled by the existing structure in place, being primarily the Audit Committee established and operated by Facebook, Inc. which undertakes the financial oversight functions for the group as a whole, including the company.

DIRECTORS' REPORT - continued

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial period that give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial period, and of the profit or loss of the company for the financial period. Under that law, the directors have prepared the financial statements in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the Financial Reporting Council, including Financial Reporting Standard 101 Reduced Disclosure Framework) and Irish law.

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial period and the profit or loss of the company for the financial period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the 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:

- correctly record and explain the transactions of the company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

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

Statutory auditor

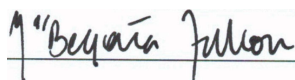
The statutory auditor, Ernst & Young, Chartered Accountants have indicated willingness to continue in office in accordance with Section 383(2) of that Companies Act 2014.

On behalf of the board



Gareth Lambe
Director

Date: 25 August 2020



Maria Begona Fallon
Director

Date: 25 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDGE NETWORK SERVICES LIMITED

Opinion

We have audited the financial statements of Edge Network Services Limited ('the Company') for the year end date ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards including FRS 101 Reduced Disclosure Framework (Irish Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with Irish Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) 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 Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), 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 ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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.

Continued /

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDGE NETWORK SERVICES LIMITED (Continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Director's Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' Report is consistent with the financial statements; and
- in our opinion, the Directors' Report has been prepared in accordance with section 391 of the Companies Act 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Continued /

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDGE NETWORK SERVICES LIMITED (Continued)

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

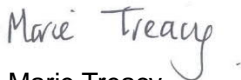
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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 IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Marie Treacy
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin

Date: 27 August 2020

STATEMENT OF COMPREHENSIVE INCOME
Financial Year Ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Turnover	2	615,123	478,157
Cost of sales		<u>(549,539)</u>	<u>(412,396)</u>
Gross profit		65,584	65,761
Administrative expenses		(23,242)	(17,169)
Other operating expenses		<u>-</u>	<u>(14,226)</u>
Operating profit	3	42,342	34,366
Interest receivable and similar income	4	369	465
Interest payable and similar charges	5	<u>(6,674)</u>	<u>(46)</u>
Profit on ordinary activities before taxation		36,037	34,785
Tax on profit on ordinary activities	6	<u>(7,749)</u>	<u>(11,918)</u>
Profit for the financial year - attributable to owners		<u>28,288</u>	<u>22,867</u>
Total comprehensive profit for the year:			
- attributable to owners		<u>28,288</u>	<u>22,867</u>

The profit for the financial year and the accumulated profit brought forward have been included in the company's profit and loss account reserves.

All activities are derived from continuing operations.

The notes on pages 13 to 32 form an integral part of these financial statements.

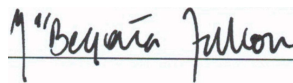
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 €'000	2018 €'000
Fixed assets			
Intangible assets	7	4,579	2,964
Tangible assets	8	1,613,275	925,685
Financial assets	10	158,321	128,798
		<u>1,776,175</u>	<u>1,057,447</u>
Current assets			
Debtors - amounts falling due within one year	11(a)	166,633	166,246
- amounts falling due after more than one year	11(b)	167,182	162,995
Cash and cash equivalents		5,800	34,256
		<u>339,615</u>	<u>363,497</u>
Creditors - amounts falling due within one year	13	<u>(224,069)</u>	<u>(95,134)</u>
Net current assets		<u>115,546</u>	<u>268,363</u>
Total assets less current liabilities		1,891,721	1,325,810
Creditors - amounts falling due after more than one year	14	<u>(279,624)</u>	<u>(2,924)</u>
Net assets		<u>1,612,097</u>	<u>1,322,886</u>
Capital and reserves			
Called up share capital presented as equity	16	200	200
Share premium	16	411,896	411,896
Capital contributions	16	1,107,570	846,647
Profit and loss account	16	92,431	64,143
Equity shareholder's funds		<u>1,612,097</u>	<u>1,322,886</u>

The notes on pages 13 to 32 form an integral part of these financial statements.

On behalf of the board


Gareth Lambe
Director



Maria Begona Fallon
Director

Date: 25 August 2020

Date: 25 August 2020

STATEMENT OF CHANGES IN EQUITY
Financial Year Ended 31 December 2019

Equity attributable to owners of the parent	Share capital €'000	Share premium €'000	Capital contributions €'000	Profit and loss account €'000	Total equity €'000
Balance at 1 January 2018	200	411,896	450,018	41,276	903,390
Profit for the financial year	-	-	-	22,867	22,867
Total comprehensive income for the year	-	-	-	22,867	22,867
Proceeds from capital contributions (Note 16)	-	-	396,629	-	396,629
Total contributions from owners	-	-	396,629	-	396,629
Balance at 31 December 2018	200	411,896	846,647	64,143	1,322,886
Profit for the financial year	-	-	-	28,288	28,288
Total comprehensive income for the year	-	-	-	28,288	28,288
Proceeds from capital contributions (Note 16)	-	-	260,923	-	260,923
Total contributions from owners	-	-	260,923	-	260,923
Balance at 31 December 2019	200	411,896	1,107,570	92,431	1,612,097

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The accounting policies have been applied to the period, unless otherwise stated, in dealing with items which are considered material in relation to the financial statements.

1.1 Corporate information

The company carries on the business of and activities associated with connectivity services.

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors. The company is a limited company incorporated and domiciled in Ireland (registered number 514292). The registered office is located at 4 Grand Canal Square, Grand Canal Harbour, Dublin 2.

1.2 Basis of preparation

The financial statements are presented in Euro ("€"). This is also the functional currency of the entity as it is the currency of the primary economic environment in which the company operates. Unless otherwise stated, the financial statements have been presented in thousands ('000').

The financial statements have been prepared on the going concern basis and in accordance with accounting standards issued by the Financial Reporting Council and the Companies Act 2014 ('Irish GAAP'). The financial statements comply with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2014 ('the Act'). The financial statements are prepared under the historical cost convention, unless otherwise stated.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101, which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.17.

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

Going concern

The directors have evaluated the relevant conditions and events that are known and reasonably knowable at the date that the financial statements are approved, including the current outbreak of a novel strain of COVID-19. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and the company's ultimate parent company, Facebook, Inc., has indicated that it will provide such financial support to the company, in the event that funds are not otherwise available, to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements. The spread of COVID-19, as set out in the Principal Risks and Uncertainties section in the Directors' Report, is not expected to have a material adverse impact on the company's ability to continue as a going concern. The directors, to the best of their current knowledge and based on the procedures above, therefore consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Significant accounting policies - continued

1.2 Basis of preparation - continued

Non preparation of group financial statements

Consolidated accounts have not been prepared for the year ended 31 December 2019 as the company is exempt from the obligation to prepare and deliver group accounts under Section 300 of the Companies Act 2014, whereby the company and all of its subsidiary undertakings are included in the consolidated accounts for a larger group, drawn up to the same date, Facebook, Inc. Those accounts have been drawn up in accordance with the provisions of the Seventh Council Directive 83/349EEC of 13 June 1983 based on Article 54(3)(g) of the Treaty on consolidated accounts. Consequently, these financial statements present information about the company as an individual undertaking and not about its group.

Subsidiary undertakings

Details of subsidiary undertakings are included in Note 10 of the financial statements. Investment in subsidiary undertakings are reported in financial assets on the statement of financial position and are stated at cost less accumulated impairment loss (if any). An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Impairment is assessed by comparing the carrying value of an asset with its recoverable amount, which in turn is the higher of fair value less cost to sell or value in use.

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

- The requirement in paragraph 38 of IAS 1, 'Presentation of Financial Statements' to present comparative information in respect of;
 - (i) Paragraph 73(e) of IAS 16, 'Property, Plant and Equipment',
 - (ii) Paragraph 118(e) of IAS 38, 'Intangible Assets'.
- The following paragraphs of IAS 1, 'Presentation of financial statements',
 - 10(d) (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position)
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from contracts with customers'.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures regarding detailed information about the estimates used to measure recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives).
- The requirements of paragraph 52 of IFRS 16 'Leases'.

The consolidated financial statements of Facebook, Inc. are available to the public and can be downloaded free of charge from the company's investor relations website, located at <http://investor.fb.com>. The equivalent disclosures where required to apply the disclosure reductions of FRS 101, are included within the Form 10-K document that contains the publicly available financial statements of Facebook, Inc.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Significant accounting policies - continued

1.3 Turnover

Connectivity services revenue

In accordance with IFRS 15, Revenue, the company recognises revenue when services are supplied by the company to other group companies, net of value added tax. It is derived from the company's principal activity of the provision of connectivity services. Revenue from this agreement is recognised when the obligation to the other group companies is satisfied, and control of the promised services is transferred. The company recognised revenue over time, as the customer simultaneously receives and consumes the benefits as the service is provided. The company applies an output method, based on underlying financial results as agreed between parties, which is considered to faithfully depict the transfer of control to the other group companies.

1.4 Foreign currency

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities which are measured using the historic cost are translated at the exchange rates at the date of initial translation and are not subsequently retranslated.

All foreign exchange gains and losses are presented in the statement of comprehensive income in administrative expenses or other operating expenses.

1.5 Leases – the company as a lessee

Accounting policies applied after 1 January 2019

At the inception of a contract, the company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company has elected to apply the recognition exemptions for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term. The company has also elected to apply the practical expedient to combine its lease and related non-lease components on an ongoing basis to all of its underlying classes of assets, to the extent those non-lease components are fixed and service the underlying leased asset. In addition, the company has elected the practical expedient to apply a portfolio approach to certain equipment leases with similar characteristics where it reasonably expects the effects on the financial statements would not differ materially from application to the individual leases within that portfolio.

Right-of-use assets and lease liabilities are recognised at the lease commencement date. At commencement date, the lease liability is equal to the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate. At commencement date, the right-of-use asset is equal to the amount of the initial lease liability and the total amount of initial direct costs or lease payments made at or prior to commencement, less any lease incentives received.

Lease payments include fixed payments, including in-substance fixed payments, less any:

- lease incentives received;
- variable lease payments that depend on an index or rate;
- amounts expected to be paid or payable under residual value guarantees;
- the exercise price of a purchase option when the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Significant accounting policies - continued

1.5 Leases – the company as a lessee – continued

Lease payments will also include estimates of the following costs if, as a sole result of the lease agreement commencing, the company is required to dismantle or remove an underlying asset, restore the site on which it is located on, or restore the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Other costs incurred as a result of improvements made or installation of assets performed by the company that are subject to restoration obligations in the lease, will be accounted for as part of the cost of those assets in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'.

The lease liability is measured at amortised cost using the effective interest method. Right-of-use assets are depreciated over the lesser of the useful life of the asset or the lease term, applying the straight-line method. The lease term includes periods covered by an option to extend if the company is reasonably certain to exercise that option, and includes periods covered by an option to terminate if the company is reasonably certain not to exercise that option. When determining the probability of exercising such options, the company considers contract-based, asset-based, entity-based, and market-based factors.

The carrying amount of the lease liability is remeasured to reflect reassessment or lease modification if there is a change to the future lease payments, a change to the lease term, or a change to the assessment of an option to purchase the underlying asset, extend a lease, or terminate a lease. A corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. To determine the incremental borrowing rate, the company considers its parent company's centralised treasury function, guarantees, credit risk profile, lack of publicly issued debt, and positive cash flow, in combination with the specific currency and interest rate environment of the company.

The company's lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes, and other. Variable lease costs are expensed as incurred in the statement of comprehensive income. The company's lease agreements do not contain any residual value guarantees or restrictive covenants.

Accounting policies applied before 1 January 2019

The company has applied IFRS 16 using the modified retrospective approach and has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policies, which are outlined below.

Operating lease – IAS 17

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Benefits received as an incentive to enter into an operating lease, such as rent-free periods, are also spread on a straight-line basis over the lease term as a reduction of the rental expense.

These benefits are recognised as deferred rent liabilities as they arise over the rent-free period and are shown on the statement of financial position. They are classified within current liabilities if they will be recognised within one year or less. If not, they are presented as creditors – amounts falling due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Significant accounting policies - continued

1.6 Interest payable and similar charges

Interest payable generally comprises interest payable on borrowings calculated using the effective interest rate method, or interest and penalty expenses. These are recognised in the statement of comprehensive income.

1.7 Interest receivable and similar income

Interest receivable comprises interest receivable on cash at bank and intercompany income, calculated using the effective interest rate method, and are recognised in the statement of comprehensive income.

1.8 Income tax

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) *Current tax*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

(b) *Deferred tax*

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is prepared on an undiscounted basis and is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current or deferred tax assets and liabilities are not discounted.

1.9 Intangible assets

Intangible assets (other than goodwill) are recognised at fair value on the acquisition date. These assets are amortised on a straight-line basis over their estimated useful lives of 3 years. The company tests the carrying value of its intangible assets for impairment in the full financial year following the initial recognition of the intangible assets, and subsequently if events or changes in circumstances indicate that this asset may be impaired. Impairment is assessed by comparing the carrying value of an asset with its recoverable amount, which in turn is the higher of fair value less costs to sell or value in use.

1.10 Tangible assets

Tangible assets, which include right of use assets, are initially recognised at cost and subsequently stated at cost less depreciation and accumulated impairment losses (if any). Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value. The cost of tangible assets include expenditure that is 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The cost of servicing of tangible fixed assets is charged to the statement of comprehensive income during the financial year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Significant accounting policies - continued**1.10 Tangible assets - continued**

Each part of an item of tangible assets with a cost that is significant in relation to the total cost of the item, and which have different useful lives, are depreciated separately.

Depreciation on assets is charged using the straight-line method so as to allocate the cost of assets less their residual value over their estimated useful lives, or as it relates to right of use assets, the remaining lease term if shorter. Assets under construction are not depreciated until such time as the assets are ready for their intended use. The estimated useful lives are as follows:

Network equipment	5 – 20 years
Computer equipment	3 years
Office equipment	3 years
Machinery and other equipment	2 years
Buildings	10 – 20 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively, if there is an indication of a significant charge since the last year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment is assessed by comparing the carrying value of an asset with its recoverable amount, which in turn is the higher of fair value less cost to sell or value in use.

1.11 Debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as amounts due after more than one year, within current assets.

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Recognition and measurement of these financial instruments is dealt with in Note 1.14.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, held for the purpose of meeting short-term cash commitments, and bank deposits. Cash at bank and bank deposits earn interest at floating rates based on daily deposit bank rates. Bank deposits are made for varying periods depending on the immediate cash requirements of the company and earn interest at the respective deposit interest rates. Cash balances from the group cash pooling arrangement are presented in cash and cash equivalents or creditors – amounts falling due within one year.

1.13 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors also comprise accrual expenses and various taxes payable. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as creditors – amounts falling due after more than one year.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Recognition and measurement of these financial statements is dealt with in Note 1.14.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Significant accounting policies - continued

1.14 Financial instruments

(a) *Financial assets*
Classification

The company classifies its financial instruments in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income ('OCI') or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the company's business model for managing the financial instrument and the contractual terms of the cash flows.

In order for a financial asset to be classified and measured at amortised cost its contractual cash flows should be solely payments of principal and interest ('SPPI') on the principal amount outstanding and the financial assets should be held under a business model where cash flows result from collecting contractual cash flows. Financial assets which are debt instruments are measured at fair value through other comprehensive income ('FVTOCI') where the contractual cash flows are 'SPPI' and the assets are managed under a business model where cash flows result from both collecting contractual cash flows and selling the financial assets.

For instruments measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The company reclassifies debt instruments when, and only when, its business model for managing those assets changes.

Recognition, measurement and derecognition

Financial assets are recognised on the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ('FVTPL'), directly attributable transaction costs. A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the statement of comprehensive income.

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. All the company's debt instruments are measured at amortised cost as the assets are held for collection of contractual cash flows and those cash flows represent 'SPPI'.

The company's debt instruments consist of the following:

- Loans owed from related parties
- Trade receivables (including intercompany) and other receivables

Impairment of financial assets measured at amortised cost

For receivables, including intercompany trade receivables, the company applies the simplified approach permitted by IFRS 9, 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Significant accounting policies - continued

1.14 Financial instruments - continued

(a) *Financial assets - continued*

To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics. The company uses judgement in making assumptions around the risk of default and expected loss rates, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For loans owed from related parties, the company applies the general approach to providing for expected credit losses, as prescribed by IFRS 9, 'Financial Instruments'. The general expected credit loss model under IFRS 9, 'Financial Instruments' requires the calculation of '12 month expected credit losses' (losses based on defaults which are possible within 12 months of the reporting date) for financial assets, unless the asset at the reporting date is not considered to be 'low credit risk' and is deemed to have had a 'significant increase in credit risk' since initial recognition, in which case lifetime expected credit losses should be recorded.

Management consider amounts due from related parties to have 'low credit risk' when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the short term.

(b) *Financial liabilities*

Financial liabilities at amortised cost include intercompany amounts payable and trade and other creditors. These financial instruments are initially measured at fair value, net of any transaction costs in the case of borrowings, and subsequently measured at amortised cost using the effective interest rate.

Borrowings are classified as current liabilities (creditors due within one year), unless the group has an unconditional right to defer settlement of the liability for at least one year after the statement of financial position date.

Financial liabilities are derecognised when the company's obligations specified in the contract expire, are discharged or cancelled. Interest expense is recognised using the effective interest method.

1.15 Fiber capacity

Data capacity – indefeasible rights of use ("IRU")

The company capitalises assets arising from contracts for an indefeasible right of use of fiber optic networks where the IRU qualifies as a right of use asset. These assets are reported in tangible fixed assets on the statement of financial position. The assets have a range of useful lives of between 10 and 20 years. The estimated useful life is determined to be the shorter of the economic and technological useful life of the underlying network or the contractual terms as stipulated in the agreement.

Data capacity – prepaid fiber capacity

The company recognises other assets arising from right of use of data capacity. These are classified as prepaid assets and are measured at cost less accumulated amortisation.

1.16 Share capital

Called up shares are classified as equity.

1.17 Critical accounting estimations and judgements

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:

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Significant accounting policies - continued

1.17 Critical accounting estimations and judgements - continued

(a) *Useful economic lives of tangible assets*

In estimating the lives of its computer and network equipment, the company has primarily relied on its own and industry experience, recommendations from suppliers and other data available in the marketplace. The company evaluates its estimates and assumptions in each reporting period and, when warranted, adjusts these assumptions.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 8 for the carrying amount of the tangible assets, and Note 1.10 for the useful economic lives for each class of asset.

(b) *Impairment of intercompany trade debtors*

The company makes an estimate of the recoverable value of intercompany trade debtors. When assessing impairment of intercompany trade debtors, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See Note 11 for the net carrying amount of the debtors and associated impairment provision. For intercompany trade debtors the company applies the simplified approach permitted by IFRS 9, 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivable.

(c) *Impairment of fixed assets*

The company periodically evaluates fixed assets for impairment including tangible and financial assets. Factors that would indicate potential impairment would include, but are not limited to, a significant change in physical condition of the assets and technical obsolescence. See Note 1.10 for the impairment policy on tangible assets and Note 1.14 for the impairment policy of financial assets.

(d) *Incremental borrowing rate on leases*

When the company cannot readily determine the interest rate implicit in a lease, it uses an incremental borrowing rate ('IBR') to measure lease liabilities. The company estimates the IBR by considering its parent company's centralised treasury function, guarantees, credit risk profile, lack of publicly issued debt, and positive cash flow, in combination with the specific currency and interest rate environment of the company.

1.18 Recent accounting pronouncements

The following new standards and amendments are effective for the first time for periods beginning on or after 1 January 2019.

The adoption of the new accounting standard for leases, IFRS 16

In January 2016, the IASB issued IFRS 16, Leases, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases. IFRS 16 supersedes the lease recognition requirements of IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 has an effective date of 1 January 2019. The company has adopted IFRS 16 on 1 January 2019 applying the modified retrospective method to all leases existing at the date of initial application.

The impact of the adoption of IFRS 16 is shown in Note 19 to the financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments, which clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Significant accounting policies – continued**1.18 Recent accounting pronouncements**

Other than the adoption of IFRS 16, there has been no impact to the company from the adoption of new standards and amendments.

2 Turnover

Turnover is the value of the principal services supplied by the company to other group companies, net of value added tax. It is derived from the company's principal activity of connectivity services.

An analysis of turnover by geographic market is not disclosed as the directors are of the opinion that it would be prejudicial to the interests of the company.

3 Operating profit	2019	2018
	€'000	€'000

The profit on ordinary activities before taxation is arrived at after charging:

Auditor's remuneration – statutory audit	45	34
Auditor's remuneration paid on behalf of branches	46	-
Foreign exchange loss	9,764	14,226
Depreciation of tangible assets (Note 8)	303,881	157,791
Amortisation of intangible assets (Note 7)	2,318	1,546
Amortisation of prepaid fiber capacity (Note 11)	21,799	22,142
Loss on disposal of fixed assets	1,766	3,682
	<u>1,766</u>	<u>3,682</u>

Remuneration paid to the company's statutory auditor, Ernst & Young, in respect of the financial year, relates to the audit of the financial statements only. There were no other fees paid in respect of tax services, other assurance or non-audit services provided.

Directors are not remunerated by the company for the services provided.

The company did not have any employees as at 31 December 2019 and 31 December 2018.

4 Interest receivable and similar income	2019	2018
	€'000	€'000

Intercompany interest income	356	465
Bank interest receivable	13	-
	<u>369</u>	<u>465</u>

5 Interest payable and similar charges	2019	2018
	€'000	€'000

Bank interest expense	-	46
Interest expense relating to lease liabilities (Note 9)	6,674	-
	<u>6,674</u>	<u>46</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Tax on profit on ordinary activities	2019 €'000	2018 €'000
<i>Current tax:</i>		
Irish corporation tax on profit on ordinary activities	6,716	4,647
Under provision in respect of prior year	530	-
Foreign corporation tax on profit on ordinary activities	5,119	3,963
Current tax charge for the financial year	<u>12,365</u>	<u>8,610</u>
<i>Deferred tax (Note 12):</i>		
Deferred tax (credit)/charge for the financial year	<u>(4,616)</u>	<u>3,308</u>
Total tax on profit on ordinary activities	<u>7,749</u>	<u>11,918</u>

Reconciliation of the expected tax charge at the statutory tax rate to the actual tax charge at the effective rate

The assessed tax charge for the period is different to the statutory rate of corporation tax in the Republic of Ireland (12.5%). The differences are explained below:

	2019 €'000	2018 €'000
Profit on ordinary activities before tax	<u>36,037</u>	<u>34,785</u>
Profit on ordinary activities multiplied by statutory rate of corporation tax in the Republic of Ireland of 12.5%	4,505	4,348
<i>Effects of:</i>		
Expenses and disallowed items for tax purposes	1,760	481
Effects of deferred tax (credit)/charge	(1,606)	5,200
Under provision in respect of prior year	530	-
Income subject to a higher rate of tax	2,560	1,889
Total tax charge	<u>7,749</u>	<u>11,918</u>

7 Intangible assets	Computer software €'000
Cost	
At 1 January 2019	5,339
Additions	3,933
Disposals	(201)
At 31 December 2019	<u>9,071</u>
Accumulated amortisation	
At 1 January 2019	2,375
Charge for the year	2,318
Disposals	(201)
At 31 December 2019	<u>4,492</u>
Net book values	
At 31 December 2018	<u>2,964</u>
At 31 December 2019	<u>4,579</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Tangible assets	Computer and network equipment €'000	Machinery and other equipment €'000	Buildings €'000	Assets in course of construction €'000	Total €'000
Cost					
At 1 January 2019	991,122	202	-	238,873	1,230,197
Effect of adoption of IFRS 16 (Note 9)	157,905	-	172,435	-	330,340
Adjustment for change in accounting policy	(88,162)	-	-	-	(88,162)
Additions	159,937	-	60,344	462,300	682,581
Transfers between classes	218,849	-	-	(218,849)	-
Intragroup disposals	(42,775)	(202)	-	(13,523)	(56,500)
At 31 December 2019	<u>1,396,876</u>	<u>-</u>	<u>232,779</u>	<u>468,801</u>	<u>2,098,456</u>
Accumulated depreciation					
At 1 January 2019	304,495	17	-	-	304,512
Charge for the year	247,398	-	56,483	-	303,881
Adjustment for change in accounting policy	(88,162)	-	-	-	(88,162)
Disposals	(35,033)	(17)	-	-	(35,050)
At 31 December 2019	<u>428,698</u>	<u>-</u>	<u>56,483</u>	<u>-</u>	<u>485,181</u>
Net book value					
At 31 December 2018	<u>686,627</u>	<u>185</u>	<u>-</u>	<u>238,873</u>	<u>925,685</u>
At 31 December 2019	<u>968,178</u>	<u>-</u>	<u>176,296</u>	<u>468,801</u>	<u>1,613,275</u>

Right-of-use assets amounting to €828.5 million at 31 December 2019 are included within computer and network equipment and buildings. The cost of computer and network equipment at 1 January 2019 includes finance leases amounting to €393 million, which had been capitalised before the adoption of IFRS 16. See Note 9 for further detail.

On adoption of IFRS 16, €88.2 million of accumulated amortisation on previously held finance leases was reclassified to the cost line.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Leases

The company has entered into various non-cancellable lease agreements for network equipment. These leases have lease periods expiring between 2020 and 2039. Certain leases include one or more options to renew. The company does not include renewals in the determination of the lease term unless the renewals are deemed to be reasonably certain. Information presented below should be considered in conjunction with Notes 1.5 and 19.

<i>Right of use assets</i>	Buildings €'000	Computer and network equipment €'000	Total €'000
As at adoption date of 1 January 2019	172,435	551,229	723,664
Additions during the year	60,344	237,558	297,902
Depreciation charge for the year	(56,483)	(136,617)	(193,100)
Net book values at 31 December 2019	<u>176,296</u>	<u>652,170</u>	<u>828,466</u>

The cost of computer and network equipment at 1 January 2019 includes finance leases amounting to €393 million, which had been capitalised before the adoption of IFRS 16.

Right of use assets are included within 'Tangible assets' in the statement of financial position.

Lease liabilities

The following is an analysis of lease liabilities as of 31 December 2019, by relevant maturity groupings based on contractual maturities.

	31 December 2019 €'000
Not later than 1 year	102,524
Later than 1 year and not later than 5 years	143,967
Later than 5 years	<u>175,676</u>
Total undiscounted lease liabilities	<u>422,167</u>
Less imputed interest	(46,407)
Lease liabilities as at 31 December 2019	<u>375,760</u>
Of which are:	
Current	96,136
Non-current	<u>279,624</u>

Current and non-current lease liabilities are included within 'Creditors' in the statement of financial position.

As of 31 December 2019, the company has additional leases that have not yet commenced with lease obligations of approximately €165.6 million. These leases will commence between 2020 and 2022.

The following amounts related to leases were recognised in the statement of comprehensive income:

	2019 €'000
Depreciation of right of use assets	193,100
Interest expense	6,674
Short-term lease expense	<u>89</u>

Total cash outflows in relation to leases in 2019 were €246.5 million.

Commitments for short-term leases as at 31 December 2019 amount to €139.1 million.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Financial assets	2019 €'000	2018 €'000
<i>Shares in group undertakings</i>		
<i>Amounts invested in subsidiaries</i>		
As at the beginning of the year	128,798	72,412
Additions during the year	29,523	56,386
As at the end of the year	<u>158,321</u>	<u>128,798</u>

In the opinion of the directors the market value of the above investments are not less than their cost.

Additions

In January 2019, the company made capital contributions to Edge Network Services Peru and Edge Network Services Colombia S.A.S of €11.0 million and €2.6 million, respectively.

In February 2019, the company made a capital contribution to Edge Network Services Canada Inc. of €3.8 million.

In July 2019, the company made a capital contribution to Edge Puerto Rico Network Services, Inc. of €3.1 million.

In August 2019, the company made capital contributions to Edge Network Services Mexico S.R.L. and Edge Network Services Colombia S.A.S of €1.8 million each.

In September 2019, the company made a capital contribution to Edge Network Services Colombia S.A.S of €5.4 million.

The company directly or indirectly owns the companies detailed below:

Name of company	Principal activity	Address of registered office	Ownership percentage
Edge Network Services Mexico S.R.L.	Connectivity services	Cordoba no. 42 Piso 8-807 Col. Roma Norte Delgacion Cuauhtemoc Mexico City 07700 Mexico	99%
Edge Network do Brasil Servicos em Tecnologia Ltda	Connectivity services	Avenida Bernadrino de Campos 98, Sobreloja Sala 16 Sao Paulo Brazil	99%
Edge Argentina S.R.L.	Connectivity services	Av. Corrientes 327 Piso 3 (1043AAD) Buenos Aires Argentina	90%
Edge Network Services Canada Inc.	Connectivity services	44 Chipman Hill Suite 1000 Saint John NB E2L 2A9 Canada	100%

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Financial assets - continued

Name of company	Principal activity	Address of registered office	Ownership percentage
Edge Network Services Chile SpA	Connectivity services	Napoleón 3565 of. 402 Las Condes Santiago Chile	100%
Edge Network Services Hong Kong Limited	Connectivity services	1806 Tower Two Lippo Centre 89 Queensway Hong Kong	100%
Edge Network Services Colombia S.A.S	Dormant	Avenue 82 No. 10-62 6th Floor Bogota Colombia	100%
Edge Network Services Peru	Connectivity services	Av. Victor Andres Belaunde 147 San Isidro Lima, Peru	99.9%
Edge Puerto Rico Network Services, Inc.	Network equipment operations and connectivity services	c/o Fast Solutions LLC Citi Tower 252 Ponce De Leon Avenue Floor 20 San Juan, 00918 Puerto Rico	100%

11 Debtors

	2019 €'000	2018 €'000
(a) Amounts falling due within one year		
Amounts owed by parent and fellow subsidiary undertakings	78,678	86,813
Amounts owed by subsidiary undertakings	7,660	-
Prepayments	34,899	50,605
Other debtors	18,377	6,207
VAT receivable	13,834	8,431
Corporation tax receivable	2,794	2,183
Loan receivable owed by subsidiary undertakings	10,391	12,007
	<u>166,633</u>	<u>166,246</u>
(b) Amounts falling due after more than one year		
Prepaid assets	165,490	162,995
Deferred tax asset (Note 12)	1,692	-
	<u>167,182</u>	<u>162,995</u>

Amounts owed by parent and fellow subsidiary undertakings and amounts owed by subsidiary undertakings as at 31 December 2018 were €81.8 million and €5.0 million, respectively. The presentation of these amounts has been updated in the current year.

Amounts owed by group undertakings are trade related, unsecured, interest free and are repayable on demand. Due to their maturity being short-term in nature the carrying values of all amounts owed by group undertakings at the statement of financial position date approximated their fair values.

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors – continued

The amounts receivable in respect of loans advanced are unsecured, repayable on demand and are subject to interest at arm's length rates of 2.57% and 3.68%.

The following amounts, relating to the right of use, support and maintenance of equipment lessees ("IRUs") that are paid in advance, are included in prepayments.

	2019 €'000	2018 €'000
At 1 January	42,460	23,737
Additions	14,221	40,865
Amortisation (included in cost of sales)	(21,799)	(22,142)
At 31 December	<u>34,882</u>	<u>42,460</u>

Due to their maturity being short-term in nature, the carrying amounts of all trade and other receivables at the statement of financial position date approximated their fair values.

The long term prepaid assets relate to amounts paid for the use of fiber capacity.

12 Deferred tax

The deductible and taxable temporary differences at the year-end in respect of which deferred tax (asset)/liability has been recognised are analysed as follows:

	2019 €'000	2018 €'000
Deferred tax (on origination and reversal of timing differences)		
Movement during the year	<u>(4,616)</u>	<u>3,308</u>
	Tangible assets	Total
	€'000	€'000
Movement in deferred tax (assets) and liabilities, during the year, were as follows:		
At 31 January 2018	(384)	(384)
Movement during the year (Note 6)	3,308	3,308
At 31 December 2018	<u>2,924</u>	<u>2,924</u>
At 31 January 2019	2,924	2,924
Movement during the year (Note 6)	(4,616)	(4,616)
At 31 December 2019	<u>(1,692)</u>	<u>(1,692)</u>

The deferred tax asset of €1,692,641 (2018: liability of €2,923,597) is recognised on temporary timing differences arising between the tax base of tangible assets and their carrying amounts in the financial statements.

The deferred tax asset has been recognised on the basis it is probable there will be sufficient future taxable profits against which the deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Creditors - amounts falling due within one year	2019 €'000	2018 €'000
Trade creditors	59,325	22,047
Amounts owed to parent and fellow subsidiary undertakings	2,923	3,394
Amounts owed to subsidiary undertakings	4,722	-
Accruals	52,484	69,689
VAT liability	1,789	4
Lease liabilities	96,136	-
Bank overdraft (Note 15)	6,690	-
	<u>224,069</u>	<u>95,134</u>

Trade creditors are non-interest bearing and are usually settled on 30-60 day terms.

The carrying amounts of all trade and other creditors at the statement of financial position date approximated their fair values.

Amounts owed to group undertakings are trade related, unsecured, non-interest bearing and are repayable on demand.

14 Creditors - amounts falling due after more than one year	2019 €'000	2018 €'000
Lease liabilities	279,624	-
Deferred tax liability (Note 12)	-	2,924
	<u>279,624</u>	<u>2,924</u>

15 Cash pooling arrangement	2019 €'000	2018 €'000
Borrowings		
Bank overdraft	<u>6,690</u>	<u>-</u>

The company, together with other legal entities in the Facebook group, is a member of a multi-currency notional cash pooling arrangement ("the arrangement") with a third-party bank provider. Actual cash balances are not physically converted and are not commingled between participating legal entities. As part of the notional cash pool agreement, the bank extends overdraft credit to participating entities as needed, provided that the overall notionally pooled balance of all accounts in the pool at the end of each day is at least zero.

As at 31 December 2019, the overall notionally pooled balance of all accounts in the pool was in a surplus (2018: zero).

The terms of the bank overdraft are as follows:

- Repayment period: Repayable on demand
- Interest rate: Determined day-to-day by the bank, based on overnight interbank/swap rates.
The closing interest rate on 31 December 2019 for EUR balances was 0%.

The company is a beneficiary of a guarantee given by Facebook, Inc. under the arrangement to guarantee the amounts owed to the third-party bank provider. In addition, as part of the arrangement, other Facebook legal entities that are party to the cash pool arrangement have pledged cash held under the arrangement as security in respect of the obligations of the company.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Called up share capital and reserves	2019 €	2018 €
Authorised equity		
1,000,000 ordinary shares of €1 each	<u>1,000,000</u>	<u>1,000,000</u>
Ordinary shares issued and fully paid		
200,001 ordinary shares of €1 each	<u>200,001</u>	<u>200,001</u>

All shares carry equal voting rights. All shares issued are fully paid.

Share premium

Share premium is the difference between par value and the consideration received for the shares issued to the company's immediate parent.

Profit and loss account

Profit and loss account represents accumulated comprehensive income for the financial year and prior financial years plus adjustment for related taxes less dividends paid.

Capital contribution

Capital contributions represent money or assets contributed to the company by its parent.

In 2019 the company was provided, by way of a non-refundable and unconditional gift, a capital contribution of €260.9 million (US\$292.5 million), (2018: €396.6 million (US\$467.0 million)).

17 Related party transactions

The company has a related party relationship with its immediate parent, ultimate parent company, and other related group companies.

The company has availed of the exemption in FRS 101 para 8(k), from disclosing related party transactions entered into between two or more wholly-owned entities of the Facebook group.

18 Controlling parties

At 31 December 2019, the company was a wholly-owned subsidiary of Facebook International Operations Limited, a company incorporated in the Republic of Ireland, its registered office being 4 Grand Canal Square, Grand Canal Harbour, Dublin 2.

The ultimate holding company and ultimate controlling party is Facebook, Inc., a company incorporated in Wilmington, Delaware, United States of America. The ultimate holding company and controlling party of the smallest and largest group of which the company is a member, and for which consolidated financial statements are drawn up, is Facebook, Inc.

The consolidated financial statements are available to the public and can be downloaded free of charge from the investor relations website, located at <http://investor.fb.com>. The Facebook website is located at www.facebook.com.

NOTES TO THE FINANCIAL STATEMENTS - continued

19 First time adoption of IFRS 16, Leases

The changes to the company's accounting policies arising from the adoption of IFRS 16 set out in Note 1.5 are recognised in the opening balance sheet on 1 January 2019.

In accordance with the transitional provision in IFRS 16, the company has applied the modified retrospective transition method and has not restated prior year comparative information. Results for the year ended 31 December 2019 are presented under IFRS 16, whilst results for the year ended 31 December 2018 are reported in accordance with IAS 17. Under the modified retrospective transition method, any cumulative adjustment resulting from the adoption of IFRS 16 is required to be recognised in opening retained earnings as at 1 January 2019. However, following the adoption of IFRS 16, there has been no adjustment made by the company to opening retained earnings.

IFRS 16 specifies a single lessee accounting model, requiring lessees to recognise right-of-use assets and liabilities for all major leases on the statement of financial position and to provide enhanced disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leasing arrangements. The most significant impact to the company was the recognition of right-of-use assets and lease liabilities for leases previously recognised as operating leases under IAS 17. The recognition of depreciation and interest expense under IFRS 16 results in higher expense recognition at the beginning of a lease's term, as compared to recognising expense on a straight-line basis as previously required under IAS 17.

On initial application, the company has elected to record right-of-use assets based on the corresponding lease liability. The company recognised right-of-use assets amounting to €723.7 million with corresponding liabilities of €321.1 million in the statement of financial position as at 1 January 2019. The right-of-use assets include adjustments for any prepayments and accrued lease payments. When measuring lease liabilities, the company discounted the remaining lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied to the lease liabilities on 1 January 2019 was 1.9%.

The company has elected to apply the following practical expedients upon transition:

- to account for certain leases with lease terms ending within 12 months of the date of initial application as short-term leases, which cost is included in the disclosure of short-term expense, if applicable,
- to account for each lease component and any related non-lease components as a single lease component,
- to not reassess whether an arrangement is, or contains, a lease, on the date of initial application,
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics,
- to rely on previous assessments of whether leases are onerous as an alternative to performing an impairment review at transition – there were no onerous lease contracts as at 1 January 2019, and
- to exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application for certain leases.

The following table reconciles the company's operating lease commitments as at 31 December 2018, as previously disclosed in the company's financial statements, to the lease obligations recognised on initial application of IFRS 16 as at 1 January 2019.

	€'000
Operating lease commitments as at 31 December 2018	50
Short-term leases not recognised as a liability	(50)
Non-lease components recognised as a liability at adoption	362,184
Lease commitments to be recognised as a liability	362,184
Discounted using the incremental borrowing rate at 1 January 2019	(41,064)
Lease liability recognised as at 1 January 2019	321,120
Of which are:	
Current	75,297
Non-current	245,823

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Subsequent events

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considers any relevant events that occur subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period.

In March 2020, the company received a capital contribution from its parent in the form of cash amounting to €112 million.

Other than as described above and in the Principal Risks and Uncertainties section of the Directors' Report in relation to COVID-19, there were no other significant events between 31 December 2019 and the date of approval of these financial statements affecting the company, which require adjustment to or disclosure in the financial statements.

21 Approval of financial statements

The financial statements were approved and authorised for issue by the directors on 25 August 2020.