

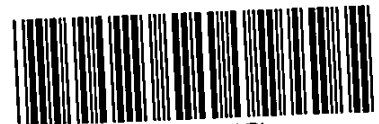
Registered number 02329182

NAVISITE EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2010

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NAVISITE EUROPE LIMITED

COMPANY INFORMATION

DIRECTORS	A Becker G M Ruhan J Pluntze
COMPANY SECRETARY	Business Control Ltd
COMPANY NUMBER	02329182
REGISTERED OFFICE	Business Control Ltd Frome Road Odd Down Bath BA2 2PP
AUDITOR	Baker Tilly UK Audit LLP Hartwell House 55-61 Victoria Street Bristol BS1 6AD
BANKERS	HSBC Bank Plc Kingston Upon Thames Surrey KT1 1NS

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DIRECTORS' REPORT for the year ended 31 July 2010

The directors present their report and the financial statements for the year ended 31 July 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was that of the supply of application hosting services, together with the design and implementation of computerised sales management systems and related consultancy services.

BUSINESS REVIEW

Review of the Company's business

The company is a leading worldwide provider of enterprise-class, cloud-enabled hosting, managed applications and hosting services.

The company works in many markets, focusing across a number of sectors, Financial Services, Retail, Healthcare and Pharmaceuticals, Manufacturing and Distribution, Publishing, Media Services and Software.

The company provides IT support across a highly resilient platform with its data centre and network infrastructure, supported by highly trained staff providing 24/7 support for the mission critical IT and e-commerce sectors.

Principal risks and uncertainties

The principal risks facing the company include centre data outage and risk of terrorist attacks due to the highly sensitive information being stored. These risks are well mitigated through having various power sources, and being located in highly secure buildings. The company also employs highly trained staff to ensure that the high technology equipment is kept up to date.

Key performance indicators

The company has had a successful year with strong operational profit of £795,843 (compared with a loss of

NAVISITE EUROPE LIMITED

DIRECTORS' REPORT for the year ended 31 July 2010

£827,869 in 2009) The turnover of the business has reduced by 2.7% to £8,687,674 (£8,932,237 in 2009) and gross profit has reduced by 16.4% to £6,917,123 (£8,277,058 in 2009) The gross profit reduction is largely down to the increase in rental costs, which is driven by rent increases and the release of a finance lease as an operating lease Details of this lease are mentioned in note 13

The administrative expenses have decreased by £2,983,647 to £6,121,280, due to reclassification of data centre costs and a reduction of £2,305,866 in its parent company Navisite Inc apportionment of management charges to £2,897,550 (£5,203,416 in 2009)

The loss for the financial year was £261,442 compared with a loss of £2,133,339 in 2009

The current ratio has increased from 1.34 to 1.6 during the year, this is mainly due to an increase in rent and service charge prepayments as well as increased cash balances The increase in prepayments is a result of changes to the lease arrangements that occurred during the year and service charges paid in advance during the year but refunded following the year end

Future Developments

The future plans of the company are to continue to expand upon the services offered, in particular Cloud Enterprise services and focus on the mid-market to enterprise IT outsource market

Post balance sheet events

On 21 April 2011 Navisite Inc Group, including the company, was purchased by Time Warner Cable Inc

RESULTS

The loss for the year, after taxation, amounted to £261,442 (2009 - loss £2,133,339)

DIRECTORS

The directors who served during the year were

A Becker
G M Ruhan
J Pluntze

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

NAVISITE EUROPE LIMITED

**DIRECTORS' REPORT
for the year ended 31 July 2010**

AUDITOR

The directors, having been notified of the cessation of the partnership known as Richardson Groves, resolved that Richardson Groves LLP be appointed as successor auditor with effect from 1 December 2010, in accordance with the provisions of the Companies Act 2006, 1216(3)b

The directors, having been notified of the cessation of the LLP known as Richardson Groves LLP, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2011, in accordance with the provisions of the Companies Act 2006, 1216(3)b

The auditor, Baker Tilly UK Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on **5-5-11** and signed on its behalf



J Pluntze
Director

NAVISITE EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAVISITE EUROPE LIMITED

We have audited the financial statements on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of directors' responsibilities, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/UKNP.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2010 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.

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made Note 1.10 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £261,442 during the year ended 31 July 2010 and, at that date, the company had net liabilities of £5,141,211. These conditions, along with the other matters explained in note 1.10 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

NAVISITE EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAVISITE EUROPE LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Baker Tilly UK Audit LLP

Mr Tim Lerwill (Senior statutory auditor)
for and on behalf of
Baker Tilly UK Audit LLP, Statutory Auditors
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD
Date *17/5/11*

NAVISITE EUROPE LIMITED

**PROFIT AND LOSS ACCOUNT
for the year ended 31 July 2010**

	Note	2010 £	2009 £
TURNOVER	1,2	8,687,674	8,932,237
Cost of sales		(1,770,551)	(655,179)
GROSS PROFIT		6,917,123	8,277,058
Administrative expenses		(6,121,280)	(9,104,927)
OPERATING PROFIT/(LOSS)	3	795,843	(827,869)
EXCEPTIONAL ITEMS			
Net profit on disposal of finance lease	8	320,386	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		1,116,229	(827,869)
Interest receivable and similar income		-	4,642
Interest payable and similar charges	7	(1,377,671)	(1,310,112)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(261,442)	(2,133,339)
Tax on loss on ordinary activities	9	-	-
LOSS FOR THE FINANCIAL YEAR	16	(261,442)	(2,133,339)

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and loss account

The notes on pages 8 to 15 form part of these financial statements

NAVISITE EUROPE LIMITED
Registered number 02329182

BALANCE SHEET
as at 31 July 2010

	Note	£	2010	£	2009	£
FIXED ASSETS						
Tangible assets	10			1,029,458		6,989,957
CURRENT ASSETS						
Debtors	11	2,806,680			2,490,240	
Cash at bank		1,283,717			583,039	
		<u>4,090,397</u>			<u>3,073,279</u>	
CREDITORS: amounts falling due within one year	12	(2,560,049)			(2,285,117)	
NET CURRENT ASSETS				<u>1,530,348</u>		<u>788,162</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>2,559,806</u>		<u>7,778,119</u>
CREDITORS amounts falling due after more than one year	13			(7,701,017)		(12,657,888)
NET LIABILITIES				<u>(5,141,211)</u>		<u>(4,879,769)</u>
CAPITAL AND RESERVES						
Called up share capital	15			1,287		1,287
Share premium account	16			124,414		124,414
Profit and loss account	16			(5,266,912)		(5,005,470)
SHAREHOLDER'S DEFICIT	17			<u>(5,141,211)</u>		<u>(4,879,769)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

5-5-11


J. Pluntze
Director

The notes on pages 8 to 15 form part of these financial statements

NAVISITE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2010

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 CASH FLOW

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.3 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Improvements to property	-	20% straight line
Plant and machinery	-	20% straight line
Office equipment	-	20-33% straight line
Leasehold property	-	Over the term of the lease

1.5 LEASING AND HIRE PURCHASE

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

NAVISITE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2010

1 ACCOUNTING POLICIES (continued)

1.7 FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.8 PENSIONS

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

1.9 REVENUE RECOGNITION

The company recognises the revenue for application hosting contracts over the term of the contract. Expenditure, including initial set up costs, are also expended to the Profit and loss account over the contract term

1.10 GOING CONCERN

The directors report deficit funds of £5,141,211

On the basis of their assessment of the company's financial position, of the enquiries made of the executive management of Navisite Inc and its indication of continued support of the company for a period of at least 12 months from the date of approval of these financial statements, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

As noted in the directors' report and in note 21 on 21 April 2011 Navisite Inc was purchased by Time Warner Cable Inc and, from that date, the ultimate parent undertaking and the controlling party of the company will be Time Warner Cable Inc

2. TURNOVER

All turnover arose within the United Kingdom

3. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging

	2010 £	2009 £
Depreciation of tangible fixed assets		
- owned by the company	543,786	477,505
- held under finance leases	370,377	736,662
Foreign exchange gain/loss	59,365	33,183
	<u>973,528</u>	<u>1,247,350</u>

During the year, no director received any emoluments (2009 - £NIL)

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010

4 AUDITOR'S REMUNERATION

	2010 £	2009 £
Fees payable to the company's auditor for the audit of the company's annual accounts	14,500	14,500

5 STAFF COSTS

Staff costs were as follows

	2010 £	2009 £
Wages and salaries	999,759	906,927
Social security costs	129,412	123,826
Other pension costs	16,802	15,656
	<u>1,145,973</u>	<u>1,046,409</u>

The average monthly number of employees, including the directors, during the year was as follows

	2010 No	2009 No
	<u>22</u>	<u>16</u>

6 DIRECTORS REMUNERATION

Directors remuneration is paid by the parent entity. The parent company makes no recharges of these to Navisite Europe Limited and it is impossible to make an accurate apportionment.

7 INTEREST PAYABLE

	2010 £	2009 £
On finance leases and hire purchase contracts	482,034	1,007,265
Interest on inter company loan	895,637	302,847
	<u>1,377,671</u>	<u>1,310,112</u>

8. EXCEPTIONAL ITEMS

	2010 £	2009 £
Profit on disposal of finance lease	<u>320,386</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010**

9. TAXATION

	2010 £	2009 £
UK corporation tax charge on loss for the year	-	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is the same as (2009 - the same as) the standard rate of corporation tax in the UK of 28% as set out below

	2010 £	2009 £
Loss on ordinary activities before tax	(261,442)	(2,133,339)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%%)	(73,204)	791,396

EFFECTS OF

Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	104,173	-
Capital allowances for year in excess of depreciation	(34,078)	(3,829)
Utilisation of tax losses	(1,210)	(787,567)
Other short term timing differences	4,319	675
Adjustments to tax charge in respect of prior periods	-	(675)

CURRENT TAX CHARGE FOR THE YEAR (see note above)

-	-
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FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges

NAVISITE EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010**

10 TANGIBLE FIXED ASSETS

	Improvements to property £	Plant & machinery £	Office equipment £	Leasehold property £	Total £
COST					
At 1 August 2009	67,120	43,189	3,413,375	7,367,070	10,890,754
Additions	-	-	826,167	-	826,167
Disposals	-	-	-	(7,367,070)	(7,367,070)
At 31 July 2010	67,120	43,189	4,239,542	-	4,349,851
DEPRECIATION					
At 1 August 2009	38,672	8,638	2,729,297	1,124,190	3,900,797
Charge for the year	9,684	8,638	525,464	370,377	914,163
On disposals	-	-	-	(1,494,567)	(1,494,567)
At 31 July 2010	48,356	17,276	3,254,761	-	3,320,393
NET BOOK VALUE					
At 31 July 2010	18,764	25,913	984,781	-	1,029,458
At 31 July 2009	28,448	34,551	684,078	6,242,880	6,989,957

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2010 £	2009 £
Leasehold property	-	6,242,880

11. DEBTORS

	2010 £	2009 £
Trade debtors	1,681,369	1,807,010
Amounts owed by group undertakings	1,484	14,506
Other debtors	149,147	126,252
Prepayments and accrued income	974,680	542,472
	<u>2,806,680</u>	<u>2,490,240</u>

NAVISITE EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010**

**12 CREDITORS.
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2010 £	2009 £
Net obligations under finance leases and hire purchase contracts	-	443,670
Trade creditors	829,848	217,803
Corporation tax	-	1,191
Social security and other taxes	139,342	128,564
Other creditors	-	11,524
Accruals and deferred income	1,590,859	1,482,365
	<u>2,560,049</u>	<u>2,285,117</u>

**13. CREDITORS
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2010 £	2009 £
Net obligations under finance leases and hire purchase contracts	-	6,357,095
Amounts owed to group undertakings	127,085	127,085
Amounts owed to related company	6,915,744	6,173,708
Accruals and deferred income	658,188	-
	<u>7,701,017</u>	<u>12,657,888</u>

Creditors include amounts not wholly repayable within 5 years as follows

	2010 £	2009 £
Repayable other than by instalments	<u>7,042,829</u>	<u>6,300,793</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2010 £	2009 £
Between one and five years	<u>-</u>	<u>6,357,095</u>

The above loans to group undertakings and related company's are unsecured from the parent company and the ultimate parent company and as such, there is no pre-determined repayment schedule

In January 2010, the finance lease terms were amended and the lease was truncated. The effect of these changes were that on amendment, a profit was realised on the disposal of the finance lease and from amendment the lease transactions are treated as an operating lease and the residual creditor is deferred and amortised over the remainder of the lease term

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2010**

14 DEFERRED TAXATION

	2010 £	2009 £
At beginning and end of year	-	-
No provision has been made for deferred tax arising from losses carried forward due to insufficient evidence that the asset will be recoverable		

15 SHARE CAPITAL

	2010 £	2009 £
ALLOTTED, CALLED UP AND FULLY PAID		
1,287 Ordinary shares of £1 each	1,287	1,287

16 RESERVES

	Share premium account £	Profit and loss account £
At 1 August 2009	124,414	(5,005,470)
Loss for the year		(261,442)
At 31 July 2010	124,414	(5,266,912)

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S DEFICIT

	2010 £	2009 £
Opening shareholder's deficit	(4,879,769)	(2,746,430)
Loss for the year	(261,442)	(2,133,339)
Closing shareholder's deficit	(5,141,211)	(4,879,769)

18. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £16,802 (2009 - £15,656). Contributions totalling £3,592 (2009 - £1,330) were payable to the fund at the balance sheet date and are included in creditors.

NAVISITE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2010

19 OPERATING LEASE COMMITMENTS

At 31 July 2010 the company had annual commitments under non-cancellable operating leases as follows

	2010 £	2009 £
EXPIRY DATE.		
Between 2 and 5 years	1,470,292	77,400
After more than 5 years	-	280,855
	<u>1,470,292</u>	<u>358,255</u>

20 RELATED PARTY TRANSACTIONS

The company is a 100% subsidiary company of a group for which publicly available consolidated accounts are prepared and advantage has been taken of the exemption granted by Financial Reporting Statement Number 8 from the requirement to disclose details of transactions with related parties within the group

These consolidated accounts are available from 400 Minuteman Road, Andover, Massachusetts 01810, USA

G M Ruhan is a director of Global Marine Systems Limited, his brother A Ruhan is a director of Sentrum Services Limited and owns Sentrum III Limited

During the year, Navisite Europe Limited provided services to Global Marine Systems Limited totalling £104,116 (2009 £79,952) At the year end, Global Marine Systems Limited owed Navisite Europe Limited £17,484 (2009 £17,625)

During the year Navisite purchased services from Sentrum Services Limited of £305,756 (2009 £295,637) and from Sentrum III Limited of £1,945,009 (2009 £2,039,423) At the year end Navisite Europe Limited owed Sentrum Services Limited £nil (2009 £1,471) and Sentrum III Limited £58,610 (2009 £85,544)

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Interliant UK Holdings Limited, which is registered in England and Wales

The ultimate parent company is Navisite Inc a company incorporated in the U S A

The ultimate controlling party of the company is Navisite Inc

Copies of the group accounts can be obtained from Navisite Inc, 400 Minuteman Road, Andover, MA 01810

From 21 April 2011 the ultimate parent undertaking and the controlling party will be Time Warner Cable Inc