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## Claranet Limited

Report and Financial Statements

Year Ended

30 June 2011

Company Number 3152737

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# **Claranet Limited**

## **Report and financial statements for the year ended 30 June 2011**

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### **Directors**

C Nasser  
M Robert

### **Secretary and registered office**

M Robert,  
21 Southampton Row,  
London,  
WC1B 5HA

### **Company number**

3152737

### **Auditors**

BDO LLP,  
55 Baker Street,  
London,  
W1U 7EU

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# **Claranet Limited**

## **Report of the directors for the year ended 30 June 2011**

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The directors present their report together with the audited financial statements for the year ended 30 June 2011

### **Principal activity and business review**

Claranet Limited is part of the Claranet Group and operates in the UK, with two offices in London and an office in Warrington, Cheshire. The Claranet Group of companies operates in five additional countries: France, Germany, Spain, Portugal and Netherlands and the total Group, including the UK, employs over 500 staff and has revenue of approximately £70 million (2010 - £74 million).

The company's principal activity is providing managed application, network and hosting services to corporate customers. The portfolio of services includes:

#### **Application services**

- Managed website applications
- Managed email application
- Database management

#### **Network services**

- Internet connectivity
- Private network services

#### **Hosting services**

- Cloud hosting
- Managed hosting
- Colocation hosting

During financial year 2011, Claranet Limited secured a number of important new, renewal and/or extension contracts, including Williams de Broe Ltd, Western Provident Association, De Vere Hotels, Five (TV), Ann Summers, CAE Technology Services, Unison and SagePay.

Claranet operates, under the Claranet SOHO brand, a business unit focussed on legacy customers. Claranet SOHO provides ADSL, mail and shared hosting services and represents less than 10% of revenue.

Total contracted revenue for Claranet Ltd as at 30 June 2011 was in excess of £37.3 million.

Claranet invested in the continual improvement of its people, processes and systems and has the following accreditations: ISO 9001 2008, ISO 27001 2005, the Payment Card Industry Data Security Standard (PCI/DSS), Microsoft Gold Partner and named as a VMware Premier Service Provider.

### **Future Developments**

The directors will continue to drive profitability through various sales and marketing initiatives, with emphasis on Claranet's integrated Cloud service offerings which combine network, hosting and application service capabilities. In addition, the Claranet Group has been working to evolve its processes and systems to improve service quality and operate more efficiently. This has resulted in an ongoing programme of replacing legacy applications with ones like Salesforce.com and ServiceNow.

# **Claranet Limited**

## **Report of the directors for the year ended 30 June 2011 (continued)**

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### **Results and dividends**

For the year ended 30 June 2011, management have chosen to prepare their Report and Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. This change has been undertaken to follow industry best-practice.

Revenue for the year was £36,946,000 (2010 - £38,306,000). The difference coming primarily from the renewal of network services at lower revenue. Gross margin for the year increased to 49% as compared to 48% in year ended 30 June 2010.

The Statement of Comprehensive Income, as presented on page 8, shows operating profit of £2,130,000 for the year ended 30 June 2011 (2010 - £934,000).

The improvement to the operating profit is largely driven by an exceptional administrative expense that was incurred in the prior year of £1,432,000 (see note 5).

There was a profit for the year before tax of £1,928,000 (2010 - £737,000) and profit after taxation of £1,349,000 (2010 - £830,000). The deferred tax asset was reduced by £579,000 in the year (2010 - £93,000 was provided) as a result of a movement in temporary differences (see note 10).

In November 2007, as part of the reorganisation of the Group, the trades and assets of Netscalibur UK Ltd (acquired July 2003) and U-Net UK Ltd (acquired September 2004) were hived up into the company. The substance of these transactions was merely to rationalise the Group's operations and there was no change in the overall value of the businesses.

Following the same accounting treatment as last year, and in line with IFRS, the investment value has been treated as goodwill (see note 12 for further details). The carrying value of the goodwill has been reviewed for impairment, and the Directors believe that no impairment is necessary.

The profit for the year has resulted in an increase in shareholder's funds to £19,150,000 (2010 - £17,801,000).

The directors do not recommend the payment of a dividend (2010 - £Nil).

### **Financial risk management objectives and policies**

The company uses financial instruments such as cash, borrowings, receivables and payables in order to raise finance for the company's operations. The existence of these instruments exposes the company to financial risks which are detailed below.

#### **Liquidity risk**

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by overdraft facilities of £500,000.

#### **Interest risk**

The company is exposed to interest rate fluctuations on its borrowings. The company reviews its hedging policy quarterly in line with its bank covenants.

# **Claranet Limited**

## **Report of the directors for the year ended 30 June 2011 (*continued*)**

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### **Financial risk management objectives and policies (*continued*)**

#### **Credit risk**

The principal credit risk for the company arises from its trade receivables. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the Credit Controller on a regular basis in conjunction with debt ageing and collection history.

As at 30 June 2011, there were no material credit risk balances that were not provided for.

#### **Key performance indicators**

The directors of the company continue to review and manage both financial and non financial KPIs on a regular basis. The non financial KPI's include sales pipeline, order intake, cancellations, work in progress and the total contract value of customer base.

The financial KPI's include

- Gross margin (2011 – 49%, 2010 – 48%)
- EBITDA (2011 - £4,594,000, 2010 -£3,868,000)

#### **Supplier Payment Policy**

Settlement of trade and other payables is in accordance with the Company's terms of trade established with our suppliers. The Company's creditor days at 30 June 2011 were 62 days (2010 – 73 days).

#### **Employee involvement**

Claranet Limited employed 228 people in the UK at 30 September 2011 (the average for 2011 was 218 as compared to 227 for the year ended 30 June 2010). Information is provided to all employees regularly by means of ongoing management communication channels using written material, face-to-face meetings, workshops, regular postings to an intranet and video presentations.

Through regular bi-annual performance appraisals, employees are made aware of their contribution to the company. Additionally, each employee has a Personal Development Plan (PDP) which identifies training and development requirements for current and for future roles.

Claranet has been working with a charity partner, SOS Children's Villages, to support them through a number of team building and fundraising activities. In 2011, Claranet activities raised over £29,000 for SOS Children's Village project in Chipata, Zambia (2010- £23,000). Having completed these projects, the Group has chosen to support The Princes Trust for 2012/13.

# **Claranet Limited**

## **Report of the directors for the year ended 30 June 2011 (*continued*)**

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### **Disabled persons**

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons

### **Directors**

The directors of the company during the year were

C Nasser  
M Robert

### **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 International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in 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 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 requirements of 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.

## Claranet Limited

### Report of the directors for the year ended 30 June 2011 (*continued*)

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#### Auditors

All of the directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting in accordance with section 485 of the Companies Act 2006.

#### On behalf of the Board



M Robert  
Director

Date 31/1/12

# **Claranet Limited**

## **Independent auditor's report**

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### **TO THE MEMBERS OF CLARANET LIMITED**

We have audited the financial statements of Claranet Limited for the year ended 30 June 2011 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 auditors**

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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 30 June 2011 and of the company's profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union,
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters 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.

## Claranet Limited

### Independent auditor's report (*continued*)

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#### 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

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Julian Frost  
For and on behalf of BDO LLP, statutory auditor  
55 Baker Street  
London  
W1U 7EU

31 January 2012

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

# Claranet Limited

## Statement of Comprehensive Income for the year ended 30 June 2011

	Note	2011 £000's	2010 £000's
Revenue		36,946	38,306
Cost of Sales		(18,862)	(19,875)
<b>Gross Profit</b>		<b>18,084</b>	<b>18,431</b>
Administrative Expenses		(15,954)	(16,065)
Exceptional Administrative Expense	5	-	(1,432)
Total Administrative Expenses	4	(15,954)	(17,497)
<b>Operating Profit</b>		<b>2,130</b>	<b>934</b>
Finance Income	8	-	48
Finance Expense	9	(202)	(245)
<b>Profit before Tax</b>		<b>1,928</b>	<b>737</b>
Taxation	10	(579)	93
<b>Profit and Total Comprehensive Income for the year</b>		<b>1,349</b>	<b>830</b>

All amounts relate to continuing activities

The notes on pages 12 to 35 form part of these financial statements

# Claranet Limited

## Statement of Financial Position at 30 June 2011


Company Number 3152737

	Note	2011 £000's	£000's	2010 £000's	£000's
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Property, Plant & Equipment	11	3,580		4,059	
Goodwill	12	11,297		11,297	
Other Receivables	14	14,028		12,411	
Deferred Tax Asset	15	2,969		3,549	
			31,874		31,316
<b>Current Assets</b>					
Trade and Other Receivables	14	5,031		5,223	
Cash & Cash Equivalents	26	654		81	
			5,685		5,304
<b>TOTAL ASSETS</b>			<b>37,559</b>		<b>36,620</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and Other Payables	16	(8,350)		(9,601)	
Provisions	19	-		(51)	
			(8,350)		(9,652)
<b>Non Current Liabilities</b>					
Other Payables	17	(4,478)		(3,819)	
Provisions	19	(230)		-	
			(4,708)		(3,819)
Deferred Revenue		(5,351)		(5,348)	
			(5,351)		(5,348)
<b>TOTAL LIABILITIES</b>			<b>(18,409)</b>		<b>(18,819)</b>
<b>Net Assets</b>			<b>19,150</b>		<b>17,801</b>
<b>CAPITAL AND RESERVES</b>					
Share Capital	20		250		250
Retained Earnings			18,900		17,551
<b>Total Equity</b>			<b>19,150</b>		<b>17,801</b>

The financial statements were approved by the Board of Directors and authorised for issue on 31/12/2012

Signed on behalf of the Board of Directors

M Robert  
Director



The notes on pages 12 to 35 form part of these financial statements

# Claranet Limited

## Statement of Cash Flows for the year ended 30 June 2011

	Note	2011 £000's	2010 £000's	2010 £000's
<b>Cash flows from Operating Activities</b>				
Profit for the Year		1,349	830	
Adjustments for				
Depreciation	11	2,464	2,934	
Loss on sale of Plant, Property and Equipment	11	68	881	
Finance Income	8	-	(48)	
Finance Expense	9	202	245	
Taxation		579	(93)	
		<b>4,662</b>	<b>4,749</b>	
Increase in Trade & Other Receivables		(1,425)	(3,866)	
Increase/(decrease) in Trade & Other Payables		314	(314)	
Increase/ (decrease) in Provisions		179	(179)	
<b>Net Cash Flows from Operating Activities</b>			<b>3,730</b>	<b>390</b>
<b>Cash flows from Investing Activities</b>				
Purchase of Property, Plant & Equipment		(229)	-	
Interest Received	8	-	48	
<b>Net Cash used in Investing Activities</b>			<b>(229)</b>	<b>48</b>
<b>Cash flows from Financing Activities</b>				
Interest Paid	9	(202)	(245)	
Payment to Finance Lease Creditor		(2,344)	(2,515)	
<b>Net Cash Used in Financing Activities</b>			<b>(2,546)</b>	<b>(2,760)</b>
<b>Net Increase/ (decrease) in Cash &amp; Cash Equivalents</b>			<b>955</b>	<b>(2,322)</b>
<b>Cash &amp; Cash Equivalents at beginning of year</b>			<b>(301)</b>	<b>2021</b>
<b>Cash &amp; Cash Equivalents at end of year</b>	26		<b>654</b>	<b>(301)</b>

The notes on pages 12 to 35 form part of these financial statements

## Claranet Limited

### Statement of Changes in Equity for the year ended 30 June 2011

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	Share Capital	Retained Earnings	Total Equity
	£000's	£000's	£000's
Balance as at 1 July 2009	250	16,721	16,971
Total Comprehensive Income for the year	-	830	830
<b>Balance as at 30 June 2010</b>	<b>250</b>	<b>17,551</b>	<b>17,801</b>
Balance as at 1 July 2010	250	17,551	17,801
Total Comprehensive Income in the year	-	1,349	1,349
<b>Balance as at 30 June 2011</b>	<b>250</b>	<b>18,900</b>	<b>19,150</b>

The nature of each reserve is disclosed in note 21

The notes on pages 12 to 35 form part of these financial statements

# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011

### 1 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, and in preparing an opening IFRS Statement of Financial Position as at 1 July 2009.

#### ***Basis of Preparation***

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

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in Note 2.

#### ***Changes in Accounting Policies***

##### ***Standards and interpretations issued but not yet effective***

The following standards, interpretations and amendments, which have not been adopted in these financial statements, have been issued but are not yet effective and may have a material impact on the Company's future financial statements:

- IFRS 9 Financial Instruments (issued 12 November 2009, not applicable until January 2013 and is available for early adoption) - this standard replaces IAS 39 and specifies how an entity should classify and measure financial assets, and as such may affect the Company's accounting for its financial assets. However, the Company is yet to assess its full impact.
- IFRS 13 Fair Value Measurement (Issued 12 May 2011, applicable from January 2013 and is available for early adoption)- this standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies, except in some specified cases (e.g. share-based payments) when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. The Company will review its current valuation procedures and assess the impact, if any.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - this amendment is effective from 1 July 2012 and clarifies that an entity will present an analysis of Other Comprehensive Income for each component of equity, either in the Statement of Changes in Equity or in the Notes to the Financial Statements. The Company is yet to assess its full impact.

None of the other new standards, interpretations and amendments which are effective for periods beginning after 1 July 2010, and which have not been adopted early, are expected to have a material impact on the financial statements.

# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

### 1 Accounting policies (*continued*)

#### **Revenue**

Revenue, which is stated net of value added tax, represents sales from products and services provided to third parties. Revenue for products recognised when the significant risks and rewards of ownership have transferred to the buyer and it is probable that the Company will receive consideration. Service revenue is recognised when the sale has been provided and accepted by third parties. Revenue from support agreements is recognised on a time apportionment basis.

The element of invoices relating to future periods is deferred and released to the statement of comprehensive income over the relevant period.

The revenue and profit before tax are attributable to the one principal activity of the company and are derived entirely from UK operations.

#### **Goodwill**

Goodwill arising on acquisition of subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. The carrying value of the goodwill is tested for impairment annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

#### **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost.

Depreciation is applied to all items of property, plant and equipment so as to write down the cost less estimated residual value by equal annual instalments over their expected useful lives. The rates generally applicable are:

Network and computer equipment	- 20% - 33% straight line
Fixtures and fittings	- 33% straight line
Motor vehicles	- 20% straight line

#### **Impairment of Assets**

For the purpose of impairment testing, goodwill is allocated to cash generating units (CGUs). The recoverable amount of the CGU to which the goodwill relates is tested annually for impairment, or when an event or change in circumstance may indicate impairment. The carrying value of property, plant and equipment and intangible assets, other than goodwill, are reviewed for impairment only when events indicate that the carrying value may be impaired.

The impairment test will estimate the recoverable amount of the CGU to determine the extent of any impairment loss, if any. The recoverable amount is the higher of the fair value (less costs to sell) and the value in use. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

The value in use of the CGU is calculated using estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the CGU (which have not already been included in the cash flow estimate).

# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

### 1 Accounting policies (*continued*)

#### **Financial Instruments**

Financial assets and liabilities are recognised on the Statement of Financial Position when the Company becomes party to the contractual terms of the financial instrument

##### *Financial Assets - Loans and Receivables*

###### *Cash and Cash Equivalents*

Cash and cash equivalents includes cash at the bank Bank overdrafts are shown within current liabilities on the Statement of Financial Position

###### *Trade and Other Receivables*

Trade and other receivables do not carry interest and are stated at fair value on initial recognition, and then subsequently at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts When there is objective evidence that the Company will be unable to collect all of the amounts due an impairment provision will be recognised

###### *Financial Liabilities - held at amortised cost*

###### *Trade and Other Payables*

Trade and other payables are not interest bearing and are stated at their fair value on initial recognition, and then subsequently at amortised cost

###### *Share Capital*

Financial instruments issued by the Company are treated as equity if the holders have only a residual interest in the assets of the Group after the deduction of all liabilities The Company's ordinary shares are classified as equity instruments The Company considers its capital to comprise of its ordinary share capital and accumulated retained earnings

#### **Leased Assets**

Assets held under finance leases are capitalised at their fair value at inception of the lease and depreciated over the shorter of the period of the lease and the estimated life of the assets The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the income statement

Operating lease rentals are charged to the income statement in equal amounts over the term of the lease

#### **Provisions**

The Company provides for costs to return the leasehold premises to the original state in the event that Claranet Limited vacates its offices The obligation, being of uncertain timing or amount at the Statement of Financial Position date, is provided for on a best-estimate basis and is discounted to present value where the effect is material

#### **Deferred taxation**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method If it is probable that taxable profits will be available against which deductible temporary differences can be utilised, a deferred tax asset will be recognised

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

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# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 *(continued)*

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### 1 Accounting policies *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period where the liability is settled or the asset is realised. Deferred tax is charged or credited to the Statement of Comprehensive Income, unless it related to items charged or credited directly to equity, in which case the deferred tax is also charged or credited to equity.

#### ***Retirement benefits schemes***

The Company contributes to defined contribution pensions plans of some employees at rates agreed between the Company and the employees. Contributions are recognised as they become payable.

#### ***Research and development***

An internally generated intangible asset arising from the Company's development is recognised only if all of the following conditions are met:

- An asset is created that can be identified
- It is probable that the asset created will generate future economic benefits
- The development cost of the asset can be measured reliably

Internally generated intangible assets are amortised on a straight line basis over their useful lives. The amortisation charge is shown within Administration Expenses in the Statement of Comprehensive Income.

Where one of the above conditions are not met, the intangible asset is not recognised and development expenditure is recognised as an expense in the period in which it is incurred in the Statement of Comprehensive Income.

#### ***Foreign currency***

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Statement of Comprehensive Income.

### 2 Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 discussed below.

# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

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### 2 Critical accounting estimates and judgements (*continued*)

#### *Impairment of goodwill*

The Company tests annually whether goodwill has suffered impairment. The recoverable amounts of the cash generating units are determined based on value in use calculations. These calculations use estimates and assumptions based on historical evidence and reasonable expectations of future events. A risk arises that the actual carrying amount may differ from those estimates previously accounted for (see note 12 for review performed).

#### *Deferred Tax*

Recognition of a deferred tax asset in respect of trading losses and accelerated capital allowances is based on the assessment of future profits around which there is always a degree of uncertainty.

#### *Property, Plant and Equipment*

Property, plant and equipment is depreciated over its useful life. The useful life is based on management estimates of the period that the asset will generate revenue, and is periodically reviewed for appropriateness.

### 3 Financial Instruments

The Company is exposed to the following financial risks:

- Credit risk
- Interest risk
- Liquidity risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

#### *Principal financial instruments*

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Loans and borrowings

# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

### 3 Financial Instruments (*continued*)

#### *Fair value of financial instruments*

All of the Company's financial instruments are carried at amortised cost

There is no material difference between the book and fair value of its financial instruments, in the current or prior year, due to the instruments bearing interest at floating rates or being of short term nature

#### *General objectives, policies and procedures*

The Group has overall responsibility of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies, to the key management personnel

The overall objective of the Group is to set policies that seek to reduce risk as far as possible, without unduly affecting the Company's competitiveness and flexibility

#### a) Credit risk

Credit risk refers to the possibility that a financial loss will occur as a result of a customers' liability to meet its financial obligations. This arises principally from the Company's trade and other receivables. Potential customers are subjected to credit verification procedures before credit terms are granted. The quality of existing debt which has not been provided for is considered to be collectable, and procedures are in place to monitor trade receivables on an ongoing basis to minimize exposure to bad debts. Trade receivables are only written off once all methods of collection have been exhausted.

The maximum exposure to credit risk is the trade receivable balance at year end. The Company has no significant exposures to large or key customers.

Trade receivables are summarised as follows:

	2011 £000's	2010 £000's
Up to 30 days	2,641	2,708
Past due but not impaired		
30 to 90 days	899	797
More than 90 days	92	162
Gross	3,632	3,667
Less allowance for impairment	(143)	(136)
<b>Net</b>	<b>3,489</b>	<b>3,531</b>

# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

### 3 Financial Instruments (*continued*)

Allowance for impairment movement in the year

	2011 £000's	2010 £000's
As at 1 July	(136)	(754)
Provided in the year	(124)	(12)
Written off during the year	117	630
<b>As at 30 June</b>	<b>(143)</b>	<b>(136)</b>

#### b) Market risk

Market risk refers to fluctuations in interest rates and exchange rates

##### *Interest rate risk*

The Company does not have any risk to movements in interest rates

##### *Exchange rates*

The Company is exposed to exchange rate fluctuations with fellow Group overseas subsidiaries (which operate principally in Continental Europe) and with overseas trading partners. The Company reviews its exposure on an ongoing basis and to date the Company has not entered into any hedging or other derivative financial instruments relating to foreign currencies. The monetary assets and liabilities of the Company are held predominantly in sterling.

The Company's currency exposures comprise only those exposures that give rise to net currency gains and losses to be recognised in the Statement of Comprehensive Income.

#### c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn.

The Company seeks to manage liquidity risk by ensuring that sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably. At the year end, all banking facilities were held with RBS plc. The Company believes that there will be no immediate call on its liabilities.

# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

### 3 Financial Instruments (continued)

The table below analyses the Company's financial assets and liabilities by remaining contractual maturities, at the year-end date specified, and financial assets which mitigate liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows.

<b>As at 30 June 2011</b>	<b>Up to 3 months £000's</b>	<b>3 to 12 months £000's</b>	<b>Total £000's</b>
Trade and other receivables	3,499	-	3,499
Amounts owed by immediate parent undertaking and fellow subsidiary undertaking	13,219	-	13,219
Cash and cash equivalents	654	-	654
Trade and other payables	(4,353)	(1,486)	(5,839)
Amounts owed to subsidiaries and fellow subsidiary undertakings	(2,943)	-	(2,943)
<b>Total</b>	<b>10,076</b>	<b>(1,486)</b>	<b>8,590</b>

<b>As at 30 June 2010</b>	<b>Up to 3 months £000's</b>	<b>3 to 12 months £000's</b>	<b>Total £000's</b>
Trade and other receivables	3,526	26	3,552
Amounts owed by immediate parent undertaking and fellow subsidiary undertaking	12,095	-	12,095
Cash and cash equivalents	81	-	81
Trade and other payables	(4,700)	(1,716)	(6,416)
Amounts owed to subsidiaries and fellow subsidiary undertakings	(2,066)	-	(2,066)
Loans and borrowings	(382)	-	(382)
<b>Total</b>	<b>8,554</b>	<b>(1,690)</b>	<b>6,864</b>

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (continued)

## 4 Expenses by nature

	2011	2010
	£000's	£000's
Advertising & Marketing	256	212
Staff Costs (Note 6)	10,350	10,496
Other Staff Costs (including Contractor Costs)	666	424
Business Travel & Entertaining	186	155
Premises Costs	1,265	1,160
Other Administration Costs	767	684
Depreciation (Note 11)	2,464	2,934
Exceptional Administrative Expense (Note 5)	-	1,432
<b>Total Administration Expenses</b>	<b>15,954</b>	<b>17,497</b>

Auditors Remuneration consists of

	2011	2010
	£000's	£000's
Audit services	57	56
Taxation services	6	20
<b>Total fees payable</b>	<b>63</b>	<b>76</b>

## 5 Exceptional administrative expenses

	2011	2010
	£000's	£000's
Write off of project system cost	-	1,432

In 2010, the Company embarked on a multi-year plan to improve its processes and supporting systems. As part of this programme, a project was initiated to replace a number of the business systems, including CRM, service desk and finance. Unfortunately, the initial software and integrator did not meet requirements and as a result, part of the programme was cancelled and resulted in a one off charge totalling £1,432,000 in 2010.

No costs were incurred on this project in 2011 (2010 - £556,000)

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)

## 6 Staff Costs

	2011 £000's	2010 £000's
Staff costs consist of		
Wages and salaries	9,060	9,173
Short-term non-monetary benefits	86	105
Social security costs	991	978
Defined contribution pension costs	213	240
<b>Total Staff Costs</b>	<b>10,350</b>	<b>10,496</b>

The average number of employees during the year split by function is shown below

	2011	2010
Administration	32	31
Operations	186	196
	<u>218</u>	<u>227</u>

## 7 Key Management Personnel

The key management personnel, who have authority for planning, directing and controlling the activities of the company are Charles Nasser (Chief Executive Officer), Nigel Fairhurst (CFO) and Michel Robert (Managing Director)

	2011 £000's	2010 £000's
Remuneration consists of		
Wages and salaries	353	302
Defined contribution pension costs	10	9
<b>Total Key Management Personnel Costs</b>	<b>363</b>	<b>311</b>

Two members of the key management were remunerated for their services by Claranet Group Limited and their emoluments are disclosed in the table above in respect to services provided to the Company

The emoluments of the highest paid director were £291,000 (2010 - £240,000), excluding pension contributions

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (continued)

## 8 Finance Income

	2011 £000's	2010 £000's
Bank interest	-	26
Other interest	-	22
<b>Total finance income</b>	<b>-</b>	<b>48</b>

## 9 Finance Expense

	2011 £000's	2010 £000's
Interest payable on finance leases	188	235
Bank interest payable	14	10
<b>Total finance expense</b>	<b>202</b>	<b>245</b>

## 10 Taxation

<b>Analysis of tax expense</b>	<b>2011 £000's</b>	<b>2010 £000's</b>
Current year tax	-	-
<b>Total current tax expense</b>	<b>-</b>	<b>-</b>

### Deferred tax

Origination and reversal of temporary differences	(588)	4
Adjustment in respect of prior period losses	9	89

<b>Deferred tax expense</b>	<b>(579)</b>	<b>93</b>
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<b>Total tax expense</b>	<b>(579)</b>	<b>93</b>
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<b>Tax Expense Reconciliation</b>	<b>2011 £000's</b>	<b>2010 £000's</b>
Profit before taxation	1,928	737
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 27.5% (2010 - 28%)	530	206
Effect of		
Expenses not deductible for tax purposes	(33)	(130)
Group relief of current year losses	(144)	(79)
Movement in tax rates	235	-
Under provision in prior year	-	(90)
Adjustment in respect of prior period losses	(9)	-
<b>Total tax expense</b>	<b>579</b>	<b>(93)</b>

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 *(continued)*

## 11 Plant, Property & Equipment

	Network & Computer Equipment £000's	Fixtures & Fittings £000's	Motor Vehicles £000's	Total £000's
<b>Cost</b>				
At 1 July 2009	11,067	161	23	11,251
Additions	2,541	16	-	2,557
Disposals	(1,093)	-	-	(1,093)
<b>At 30 June 2010</b>	<b>12,515</b>	<b>177</b>	<b>23</b>	<b>12,715</b>
<b>Depreciation</b>				
At 1 July 2009	5,887	27	20	5,934
Provided for the Year	2,871	61	2	2,934
Depreciation on Disposals	(212)	-	-	(212)
<b>At 30 June 2010</b>	<b>8,546</b>	<b>88</b>	<b>22</b>	<b>8,656</b>
<b>Carrying Value at 30 June 2010</b>	<b>3,969</b>	<b>89</b>	<b>1</b>	<b>4,059</b>

	Network & Computer Equipment £000's	Fixtures & Fittings £000's	Motor Vehicles £000's	Total £000's
<b>Cost</b>				
At 1 July 2010	12,515	177	23	12,715
Additions	1,744	309	-	2,053
Disposals	(72)	-	-	(72)
<b>At 30 June 2011</b>	<b>14,187</b>	<b>486</b>	<b>23</b>	<b>14,696</b>
<b>Depreciation</b>				
At 1 July 2010	8,546	88	22	8,656
Provided for the Year	2,342	121	1	2,464
Depreciation on Disposals	(4)	-	-	(4)
<b>At 30 June 2011</b>	<b>10,884</b>	<b>209</b>	<b>23</b>	<b>11,116</b>
<b>Carrying Value at 30 June 2011</b>	<b>3,303</b>	<b>277</b>	<b>-</b>	<b>3,580</b>

The carrying value of assets held under finance lease, all of which are categorised as network and computer equipment, was £3,119,000 at 30 June 2011 (2010 - £3,536,000) The depreciation charge for the year on these assets was £2,053,000 (2010 - £2,030,000)

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 *(continued)*

## 12 Goodwill

	2011 £000's	2010 £000's
<b>Cost and Carrying Value</b>		
As at 1 July and 30 June	<u>11,297</u>	<u>11,297</u>

### Goodwill Impairment Tests

In November 2007, as part of the reorganisation of the Group, the trades and assets of Netscalibur UK Ltd and U-Net UK Ltd were hived up into the company. The substance of these transactions was merely to rationalise the Group's operations and there was no change in the overall value of the businesses.

Goodwill is allocated to the cash generating units based on the Company's operations and the carrying value of each unit is set out below

	2011 £000's	2010 £000's
Claranet Ltd, excluding Claranet Technology Group (CTG)	11,297	11,297

The smallest identifiable group of assets that generates cash inflows is Claranet Ltd, excluding Claranet Technology Group (CTG). The cashflows of Netscalibur Ltd and U-Net Ltd are not independently monitored by management, as the businesses have been merged with that of Claranet Ltd.

The recoverable amounts of the cash generating units were determined from value in use calculations. Those calculations were based on cash flow projections from the most recent financial budget approved by management, past performance and directors' expectations of future performance which cover a five year period.

It was assumed in these calculations that the discount rate applied to future cash flows was 10% (2010 – 10%).

Management have also applied reasonable sensitivities to the cash flow projections and discount rate and are satisfied that, as a result of these tests, the carrying value of the goodwill shows no indication of possible impairment in either period.

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)

## 13 Investments

Investments  
in subsidiary  
undertakings  
£000's

Cost at 30 June 2011 and 30 June 2010

-

At 30 June 2011 the principal subsidiary undertakings are as follows

Name	Country of Incorporation	Percentage of issued ordinary share capital held	Nature of business
Netscalibur Limited	United Kingdom	100%	Non trading
Netscalibur UK Limited *	United Kingdom	100%	Non trading
Netscalibur International Holdings Limited *	United Kingdom	100%	Non trading
Netscalibur UK Holdings Limited *	United Kingdom	100%	Non trading
U-Net UK Ltd	United Kingdom	100%	Non trading
Netlink Internet Services Limited ^	United Kingdom	100%	Non trading
I-Way Limited ^	United Kingdom	100%	Non trading
I-Way Oxford Limited ^	United Kingdom	100%	Non trading
U-Net Limited ^	United Kingdom	100%	Non trading
Worldwide Web Services Limited ^	United Kingdom	100%	Non trading

\* indirect shareholding through Netscalibur Limited

^ indirect shareholding through U- Net UK Ltd

## 14 Trade and Other Receivables

	2011 £000's	2010 £000's
Amounts falling due within one year		
Trade Receivables	3,632	3,667
Bad Debt Provision	(143)	(136)
<b>Trade Receivables</b>	<b>3,489</b>	<b>3,531</b>
Other Receivables	10	21
Prepayments and accrued income	1,532	1,671
<b>Other Receivables</b>	<b>1,542</b>	<b>1,692</b>
<b>Total Trade and Other Receivables due within one year</b>	<b>5,031</b>	<b>5,223</b>

The fair value of trade and other receivables above are the same as the carrying values as credit risk has been addressed as part of impairment provisioning and due to the short nature of the amounts receivable, they are not subject to other ongoing fluctuations in market rates

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)

## 14 Trade and Other Receivables (*continued*)

	2011 £000's	2010 £000's
Amounts falling due in more than one year		
Other Receivables	809	435
Amounts owed by Immediate Parent Undertaking	12,244	11,103
Amounts owed by Fellow Subsidiary Undertakings	975	873
<b>Total Other Receivables due in more than one year</b>	<b>14,028</b>	<b>12,411</b>

## 15 Deferred tax asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 26% (2010 28%)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered

The movement in the deferred tax account is shown below

	2011 £000's	2010 £000's
Opening balance as at 1 July	3,549	3,456
Prior year adjustment	9	90
Current year charge	(335)	3
Movement in prior year balance due to changes in tax rate	(254)	-
<b>Closing balance as at 30 June</b>	<b>2,969</b>	<b>3,549</b>

This asset is represented by

	2011 £000's	2010 £000's
Provided deferred tax		
Accelerated capital allowances	2,684	2,840
Other timing differences	10	12
Trading losses	275	697
<b>Total Deferred Taxation Asset</b>	<b>2,969</b>	<b>3,549</b>

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (continued)

## 16 Trade and Other Payables due within one year

	2011 £000's	2010 £000's
Trade Payables	4,587	5,351
VAT	408	153
Taxation & Social Security	335	665
Other Payables	11	6
Finance Lease Creditor (Note 18)	1,768	1,985
Accruals	1,241	1,059
Bank Overdraft	-	382

<b>Trade and Other Payables due within one year</b>	<b>8,350</b>	<b>9,601</b>
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Settlement of trade and other payables is in accordance with the Company's terms of trade established with our suppliers. The fair value of trade and other payables are the same as the carrying values.

## 17 Non Current Liabilities

	2011 £000's	2010 £000's
Other Payables	461	373
Finance Lease Creditor (Note 18)	1,073	1,380
Amounts owed to Subsidiaries	1,506	1,506
Amounts owed to Fellow Subsidiary Undertakings	1,438	560

<b>Total Other Payables due in more than one year</b>	<b>4,478</b>	<b>3,819</b>
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## 18 Finance Leases

The carrying value and fair value of the finance lease creditor are the same. Future lease payments are due as follows:

	Minimum Lease Payments 2011 £000's	Interest 2011 £000's	Present Value 2011 £000's
Future lease payments are due as follows			
Within one year	1,884	(116)	1,768
Later than one year and not later than five years	1,121	(48)	1,073
<b>Total Repayable</b>	<b>3,005</b>	<b>(164)</b>	<b>2,841</b>

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)

## 18 Finance Leases (*continued*)

	Minimum Lease Payments 2010 £000's	Interest 2010 £000's	Present Value 2010 £000's
Future lease payments are due as follows			
Within one year	2,103	(118)	1,985
Later than one year and not later than five years	1,414	(34)	1,380
<b>Total Repayable</b>	<b>3,517</b>	<b>(152)</b>	<b>3,365</b>

## 19 Provisions

	2011 £000's	2010 £000's
Opening balance as at 1 July	51	230
Increase/ (release) of provision	221	(179)
Utilised during year	(42)	-
<b>Closing balance as at 30 June</b>	<b>230</b>	<b>51</b>

The provision represents dilapidation costs only. It represents costs to return the leasehold premises to the original state in the event that Claranet Limited vacates its offices. The obligation, being of uncertain timing or amount at the Statement of Financial Position date, is provided for on a best-estimate basis. The current lease is held until July 2020, with a break available in July 2015. The cost is recognised as depreciation of Fixtures and Fittings over the remaining term of the lease.

## 20 Share Capital

Allotted, Called Up and Fully Paid

	2011 Number	2010 Number	2011 £000's	2010 £000's
Ordinary shares of £1 each	250,000	250,000	250	250

## 21 Reserves

The retained earnings reserve contains the net gains and losses recognised in the Statement of Comprehensive Income.

# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

### 22 Reconciliation of Comparative Information to Previously Reported Information

The accounting policies were changed on 1 July 2010 to comply with adopted IFRS. In accordance with IFRS 1 'First time adoption of International Financial Reporting Standards', 1 July 2009 has been used as the date of transition to adopted IFRS. The changes in accounting policies as a consequence of this transition have been noted below, along with the effect of these changes to the Income Statement and Statement of Financial Position. The revised accounting policies are described in Note 1 above.

The presentation and form of the UK GAAP financial statements has been changed to be in compliance with

IAS1 (Presentation of Financial Statements)

IAS 7 (Cash Flow Statements) – the IFRS cash flow statement, prepared under IAS 7, shows cash flows from operating activities, investing activities and financing activities. No cashflow reconciliations are provided as other than reclassifying the cash flows into new disclosure categories, there are no significant differences between UK GAAP and IFRS cash flow presentation.

The transition to adopted IFRS resulted in the following changes in accounting policies:

#### **Goodwill**

Goodwill is not amortised but measured at cost less impairment losses by IFRS 3 'Business Combinations'. Under UK GAAP, goodwill was amortised on a straight line basis through profit and loss over its estimated life. The effect of the change is an increase in equity and profits before tax of £613,000 at 30 June 2010. The change does not affect equity or profit before tax at 1 July 2009 as goodwill has been retained at the carrying value as at the transition date of 1 July 2009.

Goodwill has been reviewed for impairment at each Statement of Financial Position date and no impairments were identified.

#### **Other IFRS adjustments**

As part of the IFRS adoption Claranet has made the following other minor adjustments to the Financial Statements:

- a) The first adjustment estimates a holiday accrual for its employees. Claranet's holiday period is from April to March each year and employees receive 25 days holiday per year. A maximum of 5 days can be carried over the holiday period end, and employees must use their carried forward holiday within 3 months. The accrual has been calculated using the total of holiday owed to an employee at 30 June (i.e. 625 days), less any holiday taken after using any holiday carried over. The effect of this adjustment is to increase trade and other payables and decrease retained earnings by £96,000 as at 1 July 2009.
- b) The second adjustment ensures that intercompany balances agree in all Claranet countries. The effect of this adjustment is to decrease other payables and retained earnings by £60,000 as at 1 July 2009.
- c) The third is to reclassify deferred tax assets of £700,000 from Current Assets to Non Current Assets as at 1 July 2009.
- d) As part of the IFRS transition process, the fixed asset register was reviewed which resulted in writing off assets that were fully depreciated. The impact of this was a reduction in both cost and depreciation of £18,852,000. There was no impact on the Net Book Value of Plant, Property and Equipment as at 1 July 2009.

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (continued)

## 22 Reconciliation of Comparative Information to Previously Reported Information (continued)

### Reconciliation of Statement of Comprehensive Income

	Previously stated under UK GAAP £000's	Effect of goodwill adjustment £000's	Other IFRS adjustments £000's	Restated under IFRS £000's
<b>For the year ended 30 June 2010</b>				
Revenue	38,306	-	-	38,306
Cost of Sales	(19,875)	-	-	(19,875)
<b>Gross Profit</b>	<b>18,431</b>	<b>-</b>	<b>-</b>	<b>18,431</b>
Goodwill amortisation	(613)	613	-	-
Exceptional Administrative Expense	(1,432)	-	-	(1,432)
Administrative Expenses	(16,065)	-	-	(16,065)
Total Administrative Expenses	(18,110)	613	-	(17,497)
<b>Operating Profit</b>	<b>321</b>	<b>613</b>	<b>-</b>	<b>934</b>
Finance Income	48	-	-	48
Finance Expense	(245)	-	-	(245)
<b>Profit before Tax</b>	<b>124</b>	<b>613</b>	<b>-</b>	<b>737</b>
Taxation	93	-	-	93
<b>Profit and Total Comprehensive Income for the year</b>	<b>217</b>	<b>613</b>	<b>-</b>	<b>830</b>

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 *(continued)*

## 22 Reconciliation of Comparative Information to Previously Reported Information (continued)

### Reconciliation of Statement of Financial Position

	Previously stated under UK GAAP	Effect of goodwill adjustment	Other IFRS adjustments	Restated under IFRS
	£000's	£000's	£000's	£000's
<b>As at 30 June 2009</b>				
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Property, Plant & Equipment	5,317	-	-	5,317
Goodwill	11,297	-	-	11,297
Other Receivables	9,005	-	-	9,005
Deferred Tax Asset	2,756	-	700	3,456
	<u>28,375</u>	<u>-</u>	<u>700</u>	<u>29,075</u>
<b>Current Assets</b>				
Trade and Other Receivables	4,823	-	-	4,823
Deferred Tax Asset	700	-	(700)	-
Cash & Cash Equivalents	2,021	-	-	2,021
	<u>7,544</u>	<u>-</u>	<u>(700)</u>	<u>6,844</u>
<b>TOTAL ASSETS</b>	<b>35,919</b>	<b>-</b>	<b>-</b>	<b>35,919</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and Other Payables	(9,437)	-	(96)	(9,533)
Provisions	(230)	-	-	(230)
	<u>(9,667)</u>	<u>-</u>	<u>(96)</u>	<u>(9,763)</u>
<b>Non Current Liabilities</b>				
Other Payables	(3,416)	-	(60)	(3,476)
Deferred Revenue	(5,709)	-	-	(5,709)
<b>TOTAL LIABILITIES</b>	<b>(18,792)</b>	<b>-</b>	<b>(156)</b>	<b>(18,948)</b>
<b>Net Assets</b>	<b>17,127</b>	<b>-</b>	<b>(156)</b>	<b>16,971</b>
<b>CAPITAL AND RESERVES</b>				
Share Capital	250	-	-	250
Retained Earnings	16,877	-	(156)	16,721
<b>Total Equity</b>	<b>17,127</b>	<b>-</b>	<b>(156)</b>	<b>16,971</b>

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 *(continued)*

## 22 Reconciliation of Comparative Information to Previously Reported Information (continued)

### Reconciliation of Statement of Financial Position

	Previously stated under UK GAAP £000's	Effect of goodwill adjustment £000's	Other IFRS adjustments £000's	Restated under IFRS £000's
<b>As at 30 June 2010</b>				
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Property, Plant & Equipment	4,059	-	-	4,059
Goodwill	10,684	613	-	11,297
Other Receivables	12,411	-	-	12,411
Deferred Tax Asset	3,549	-	-	3,549
	<u>30,703</u>	<u>613</u>	<u>-</u>	<u>31,316</u>
<b>Current Assets</b>				
Trade and Other Receivables	5,223	-	-	5,223
Cash & Cash Equivalents	81	-	-	81
	<u>5,304</u>	<u>-</u>	<u>-</u>	<u>5,304</u>
<b>TOTAL ASSETS</b>	<b>36,007</b>	<b>613</b>	<b>-</b>	<b>36,620</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and Other Payables	(9,505)	-	(96)	(9,601)
Provisions	(51)	-	-	(51)
	<u>(9,556)</u>	<u>-</u>	<u>(96)</u>	<u>(9,652)</u>
<b>Non Current Liabilities</b>				
Other Payables	(3,759)	-	(60)	(3,819)
Deferred Revenue	(5,348)	-	-	(5,348)
<b>TOTAL LIABILITIES</b>	<b>(18,663)</b>	<b>-</b>	<b>(156)</b>	<b>18,819</b>
<b>Net Assets</b>	<b>17,344</b>	<b>613</b>	<b>(156)</b>	<b>17,801</b>
<b>CAPITAL AND RESERVES</b>				
Share Capital	250	-	-	250
Retained Earnings	17,094	613	(156)	17,551
<b>Total Equity</b>	<b>17,344</b>	<b>613</b>	<b>(156)</b>	<b>17,801</b>

# Claranet Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (continued)

## 23 Operating Lease Commitments

At 30 June 2011, the Company had the following operating lease commitments

	Land and Buildings 2011 £000's	Other 2011 £000's	Land and Buildings 2010 £000's	Other 2010 £000's
Within 1 year	600	-	426	38
In 1 to 5 years	1,687	-	2,169	-
<b>Total Operating leases</b>	<b>2,287</b>	<b>-</b>	<b>2,595</b>	<b>38</b>

## 24 Related party transactions

Key management personnel remuneration is disclosed in Note 7

During the year the company provided services to

	2011 £000's	2010 £000's
Claranet Benelux	113	162
Claranet Portugal	136	154
Tagadab Limited	125	53
Claranet Group Limited	1,141	2,501
Claranet France	102	460
<b>Total services provided in year</b>	<b>1,617</b>	<b>3,330</b>

The following balances were receivable balances held with entities that are 100% owned by its ultimate parent, Clara Net Holdings Limited. These balances are included within Other Receivables due in more than one year

	2011 £000's	2010 £000's
Claranet Benelux	275	162
Claranet Portugal	290	154
Tagadab Limited	244	119
Claranet Group Limited	12,244	11,103
Claranet France	975	873
<b>Total amount owed</b>	<b>14,028</b>	<b>12,411</b>

# Claranet Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

### 24 Related party transactions (continued)

During the year the company received services from

	2011 £000's	2010 £000's
Claranet Benelux	(62)	(67)
Claranet Portugal	(26)	(17)
Claranet Germany	(935)	(98)
Tagadab Limited	(10)	(7)
Claranet Spain	(29)	(71)
Claranet USA	-	(86)
<b>Total services received</b>	<b>(1,062)</b>	<b>(346)</b>

The following balances were payable balances held with entities that are 100% owned by its ultimate parent, Clara Net Holdings Limited. These balances are included within Other Payables due in more than one year

	2011 £000's	2010 £000's
Claranet Benelux	(261)	(199)
Claranet Portugal	(200)	(174)
I - Way Limited	(1,445)	(1,445)
U - Net Limited	(5)	(5)
World Wide Web Services	(56)	(56)
Claranet Germany	(1,263)	(328)
Claranet Spain	(175)	(146)
Claranet USA	-	(86)
<b>Total amount owed</b>	<b>(3,405)</b>	<b>(2,439)</b>

### 25 Contingent liabilities

The company has contingent liabilities in the form of cross guarantees in respect of the borrowing of its immediate parent undertaking Claranet Group Limited

### 26 Cash flow

Cash and cash equivalents for purposes of the statement of cash flows comprises

	2011 £000's	2010 £000's
Cash available on demand	654	81
Bank overdraft	-	(382)
<b>Total cash and cash equivalents</b>	<b>654</b>	<b>(301)</b>

Significant non cash transactions are as follows

	2011 £000's	2010 £000's
Assets acquired under finance leases	1,824	2,557

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## **Claranet Limited**

**Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)**

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### **27 Ultimate parent company**

The directors consider Claranet Internet Holdings Limited, a company incorporated in Jersey, to be the ultimate parent undertaking. The Nasser family, by virtue of its interests in the ultimate parent undertaking, has a controlling interest in the company.

The Company's immediate Parent Undertaking is Claranet Group Limited.

The directors consider the parent undertaking of the largest and smallest group, for which group financial statements are produced, to be Claranet Group Limited. This company is included in the consolidated financial statements of Claranet Group Limited, copies of which are available from Companies House.