

Claranet Limited

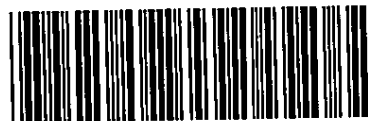
Report and Financial Statements

Year Ended

30 June 2013

Company Number 3152737

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Claranet Limited

Report and financial statements for the year ended 30 June 2013

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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



Claranet Limited

Report of the directors for the year ended 30 June 2013

The directors present their report together with the audited financial statements for the year ended 30 June 2013

Principal activity and business review

On 22 November 2012, Claranet Limited, part of the Claranet Group, acquired the entire share capital of STH Limited and its operating entity Star Technology Services Limited ("Star") The total consideration paid was £50.5m satisfied by a combination of cash and vendor loan notes

Star was founded in 1995 and has grown largely organically to a team of over 240 with £50m in revenues The acquisition of Star delivers three key benefits to our customers increased service portfolio, greater scale and capabilities and greater commercial strength

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 the equivalent of 691 full-time staff and has revenue of approximately £103 million (2012 - £70 million)

The managed services provided by the Company are

Application services

- Managed website applications
- Managed email applications
- Database management

Hosting services

- Infrastructure as a service (IaaS)
- Managed hosting
- Colocation hosting

Network services

- Private network services
- Internet connectivity

Communication services

- Voice services
- Hosting IP telephony
- Collaboration services

During financial year 2013, the Company secured a number of important new, renewal and/or extension contracts, including River Island Clothing Co, Action for Children, Foxtons and De Vere Venues

The Company 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% (2012 less than 10%) of revenue

There has been continued focus on securing long-term contracts with customers and, as a result, the total contracted revenue for Claranet Ltd as at 30 June 2013 was in excess of £58 million an increase of 9% over 2012 (2012- £53m)

Claranet continues to invest in the continual improvement of its people, processes and systems and has the following accreditations ISO 9001 2008, ISO 27001 2005, ISO 20000 the Payment Card Industry Data Security Standard (PCI/DSS), Microsoft Gold Partner and is 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 offerings which combine network, hosting, application management and communication services

Claranet Limited

Report of the directors for the year ended 30 June 2013

In addition, over the past several years, the Claranet Group has been working to evolve its processes and systems to improve service quality and operate more efficiently. A key priority is to fully integrate Star operations with Claranet's in a timely manner.

Results and dividends

Revenue for the year was £36.4m (2012- £36.8m). The difference coming primarily from the renewal of network services at lower revenue balanced by additional hosting revenues. Gross margin for the year increased to 50.3% as compared to 47.9% in year ended 30 June 2012. The increase in Gross Margin was achieved by focusing on profitability of renewals and leveraging our vendor relationships to agree revised pricing on a number of key contracts following the acquisition of Star. In addition there was a change in accounting treatment for leased assets that improved the Gross Margin in the year (see note 9).

The Statement of Comprehensive Income, as presented on page 7, shows operating profit of £0.5m for the year ended 30 June 2013 (2012 - £1.1m). Restructuring costs of £300k were incurred in the year following the acquisition of Star.

There was a profit for the year before tax of £0.5m (2012 - £1.0m) and profit after taxation of £1.3m (2012 - £0.4m). The reduction in profit is attributed to restructuring and legal costs incurred as a result of the acquisition of STH Limited.

The carrying value of 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 £21.0m (2012 - £19.7m).

The directors do not recommend the payment of a dividend (2012 - £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 £2.0m.

Interest risk

The Company does not have any material risk to movements in interest rates as it has no external loan finance apart from overdraft.

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 Control team on a regular basis in conjunction with debt ageing and collection history.

Claranet Limited

Report of the directors for the year ended 30 June 2013 (continued)

As at 30 June 2013, 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 (2013 – 50.3%, 2012 – 47.9%)
- EBITDA (2013 - £3m, 2012 - £3.3m)

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 2013 were 61 days (2012 as restated - 98 days).

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of the Company's exposure to risk are described above.

The financial statements are prepared on a going concern basis. The Company continues to make significant investments in progressing its strategy. The directors believe that future cash flows are sufficient to complete those investments that are required to generate the required returns such that it is appropriate to prepare the financial statements on this basis.

Employee involvement

Claranet Limited employed 199 people in the UK at 30 June 2013 (the average for 2013 was 223 as compared to 228 for the year ended 30 June 2012). 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, The Prince's Trust, and has supported them through a number of team building and fundraising activities. Claranet raised over £15k for The Prince's Trust in 2013.

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

Claranet Limited

Report of the directors for the year ended 30 June 2013 (continued)

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.

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

23 December 2013

Date

Claranet Limited

Independent auditor's report

TO THE MEMBERS OF CLARANET LIMITED

We have audited the financial statements of Claranet Limited for the year ended 30 June 2013 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 Financial Reporting Council'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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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*)

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

Julian Frost

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

Date 23/12/13

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 2013

	Note	2013 £000's	2012 as restated £000's
Revenue		36,351	36,804
Cost of Sales		(18,065)	(19,194)
Gross Profit		18,286	17,610
Administrative Expenses	4	(17,801)	(16,467)
Operating Profit		485	1,143
Finance Income		655	-
Finance Expense	7	(675)	(162)
Profit before Tax		465	981
Taxation	8	(32)	(537)
Profit and Total Comprehensive Income for the Year		433	444

All amounts relate to continuing activities

The notes on pages 11 to 31 form part of these financial statements

Claranet Limited

Statement of Financial Position at 30 June 2013

Company number 3152737

	Note	2013 £000's	2012 as restated £000's	2011 as restated £000's
ASSETS				
Non Current Assets				
Intangibles	10	12,231	12,008	11,297
Property, Plant and Equipment	11	2,495	3,133	3,218
Investments	12	28,007	-	-
Other Receivables	13	92,293	16,355	14,028
Deferred Tax Asset	22	2,602	2,634	3,171
		137,628	34,130	31,714
Current Assets				
Trade and Other Receivables	13	4,765	4,893	5,287
Cash and Cash Equivalents	14	1,707	2,172	654
		6,472	7,065	5,941
TOTAL ASSETS		144,100	41,195	37,655
LIABILITIES				
Current Liabilities				
Trade and Other Payables	15	(8,730)	(9,551)	(8,350)
		(8,730)	(9,551)	(8,350)
Non Current Liabilities				
Other Payables	15	(110,476)	(6,761)	(4,478)
Provisions	16	(261)	(230)	(230)
		(110,737)	(6,991)	(4,708)
Deferred Revenue		(4,510)	(4,963)	(5,351)
		(4,510)	(4,963)	(5,351)
TOTAL LIABILITIES		(123,977)	(21,505)	(18,409)
Net Assets		20,123	19,690	19,246
CAPITAL AND RESERVES				
Share Capital	23	250	250	250
Retained Earnings		19,873	19,440	18,996
Total Equity		20,123	19,690	19,246

The financial statements were approved by the Board of Directors and authorised for issue on 23 December 2013

Signed on behalf of the Board of Directors



M Robert
Director

The notes on pages 11 to 31 form part of these financial statements

Claranet Limited

Statement of Cash Flows for the year ended 30 June 2013

	Note	2013 £000's	2013 £000's	2012 as restated £000's	2012 as restated £000's
Cash Flows from Operating Activities					
Profit for the Year			433		444
Adjustments for					
Depreciation	11	2,154		2,152	
Amortisation	10	294		45	
Loss on disposal of intangibles	10	153		-	
Gain on disposal of tangibles	11	(93)		-	
Loss on disposal of tangibles	11	-		359	
Finance Expense	7	675		162	
Finance Income		(655)		-	
Taxation	8	32		537	
			2,560		3,255
Increase in Trade and Other Receivables		(1,079)		(1,934)	
Increase / (Decrease) in Trade and Other Payables		(768)		2,975	
Increase in Provisions		31		-	
			(1,816)		1,041
Net Cash Flows from Operating Activities			1,177		4,740
Cash flows from Investing Activities					
Purchase of Property, Plant and Equipment	11	(1,568)		(22)	
Purchase of Intangibles	10	(670)		(757)	
Net Cash used in Investing Activities			(2,238)		(779)
Cash flows from Financing Activities					
Interest Paid	7	(157)		(162)	
Payment to Finance Lease Creditor		(613)		(2,281)	
Proceeds Received from Subsidiary Undertakings		1,366		-	
Net Cash Used in Financing Activities			596		(2,443)
Net Increase in Cash and Cash Equivalents			(465)		1,518
Cash and Cash Equivalents at beginning of Year			2,172		654
Cash and Cash Equivalents at end of Year	14		1,707		2,172

The notes on pages 11 to 31 form part of these financial statements

Claranet Limited

Statement of Changes in Equity for the year ended 30 June 2013

	Share Capital £000's	Retained Earnings £000's	Total Equity £000's
Balance as at 1 July 2011 (as previously reported)	250	19,102	19,352
Prior Year Adjustment (Note 9)	-	(106)	(106)
Balance as at 1 July 2011 (as restated)	250	18,996	19,246
Total Comprehensive Income in the Year	-	444	444
Balance at 30 June 2012 (as restated)	250	19,440	19,690
Total Comprehensive Income in the Year	-	433	433
Balance as at 30 June 2013	250	19,873	20,123

The notes on pages 11 to 31 form part of these financial statements

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013

1 Accounting policies

The financial statements as at 30 June 2013 are those of Claranet Limited (the "Company"). The Company is a limited liability company incorporated and domiciled in the United Kingdom.

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.

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.

Consolidation

The Company is exempt from preparing group accounts under s400 of the Companies Act 2006. At 30 June 2013, its immediate parent company, Claranet Group Limited, prepares and publishes consolidated accounts which include the results of the Company and its subsidiaries and can be obtained from Companies House. These financial statements present information about the Company as an individual undertaking and not as a group.

Changes in accounting policies

New standards, amendments to published standards and interpretations to existing standards effective from 1 July 2012

No new standards, amendments to published standards or interpretations of existing standards effective from 1 July 2012 had a material impact on the Reporting Entity's Financial Statements.

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, applicable from January 2015 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 directors of the Company do not anticipate that there will be a significant impact on the financial statements.
- IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities (Issued 16 December 2011, applicable from January 2013 and is available for early adoption) - this amendment introduces disclosures

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013

1 Accounting policies (continued)

intended to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are either off-set as a result of the application of the requirements of IAS 32 or that are subject to an enforceable master netting arrangement or similar agreement, which is outside of the scope of that paragraph IAS 32. The directors of the Company do not anticipate that there will be a material impact on the financial statements.

- IAS 32 – Off-setting Financial Assets and Financial Liabilities (Issued 16 December 2011, applicable from January 2014 and is available for early adoption) - This Amendment to IAS 32 seeks to clarify rather than to change the off-setting requirements previously set out in IAS 32. The changes clarify the meaning of 'currently has a legally enforceable right of set-off', and that some gross settlement systems may be considered equivalent to net settlement. The directors of the Company do not anticipate that there will be a material impact on the financial statements.
- IAS 19 Employee Benefits (Issued June 2011, applicable from January 2013) - The main changes introduced by the amendment revolve around the accounting for defined benefit pension schemes, introducing a requirement to fully recognise changes in the net defined benefit liability (asset) including immediate recognition of defined benefit costs, modifications to the accounting of termination benefits and clarification of miscellaneous issues.

None of the other new standards, interpretations and amendments which are effective for periods beginning after 1 July 2012, and which have not been adopted early, are expected to have a material impact on the financial statements.

Revenue

Revenue, which is stated net of value added tax, represents sales from products and services provided to third parties. Revenue for products is 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.

Intangibles

Goodwill

Goodwill arising on acquisition of a 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.

Internally generated intangible assets

Research expenditure is expensed to the Statement of Comprehensive Income in the year in which it is incurred. Expenditure on internally developed products is capitalised if it can be demonstrated that

- it is technically and commercially feasible to develop the asset for future economic benefit,
- adequate resources are available to maintain and complete the development,
- there is the intention to complete and develop the asset for future economic benefit,
- the Company is able to use the asset,
- use of the asset will generate future economic benefit, and
- expenditure on the development of the asset can be measured reliably.

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013

1 Accounting policies (*continued*)

Capitalised development costs are amortised over the periods the Company expects to benefit from using the products developed, being between 3-5 years depending on the future life of the asset. The amortisation expense is included within administrative expenses in the Statement of Comprehensive Income.

Property, plant and equipment

Property, plant and equipment are initially measured at cost, which includes the cost of associated warranties of various length purchased at the time of the asset.

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 the time value of money and risks specific to the CGU (which have not already been included in the cash flow estimate).

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.

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.

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013

1 Accounting policies (*continued*)

For disclosure purposes, the fair values of trade and other receivables are estimated at the present value of future cash flows discounted at the market rate of interest at the reporting date. As trade and other receivables are short term in nature as at reporting date, the carrying value is considered to be a reasonable approximation of fair value.

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.

For disclosure purposes, the fair values of trade and other payables are estimated at the present value of future cash flows discounted at the market rate of interest at the reporting date. As trade and other payables are short term in nature as at reporting date, the carrying value is considered to be a reasonable approximation of fair value.

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.

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.

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.

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.

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013

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.

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 10 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 (see Note 22 for details of the deferred tax asset).

Development costs

Development costs are amortised over their useful life. The useful life is based on management estimates of the period that the asset will generate revenue, and is periodically reviewed for appropriateness (see Note 10 for carrying value of development costs).

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 (see note 11 for carrying value of property, plant and equipment).

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.

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

3 Financial Instruments (continued)

Principal financial instruments

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

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

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 Company 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 Company 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 exposure to large or key customers.

Trade receivables are summarised as follows

	2013 £000's	2012 £000's
Up to 30 days	2,391	2,523
30 to 90 days	929	737
More than 90 days	176	294
	<hr/>	<hr/>
Gross	3,496	3,554
Less allowance for impairment	(390)	(172)
	<hr/>	<hr/>
Net	3,106	3,382

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (*continued*)

3 Financial instruments (*continued*)

Allowance for impairment movement in the year

	2013 £000's	2012 £000's
As at 1 July	(172)	(143)
Provided in the year	(218)	(94)
Written off during the year	-	65
As at 30 June	(390)	(172)

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 2013 (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

As at 30 June 2013	Up to 3 months £000's	3 to 12 months £000's	1 to 5 years £000's	Total £000's
Trade and other receivables	2,866	245	-	3,111
Amounts owed by immediate parent undertaking and fellow subsidiary undertaking	-	-	92,293	92,293
Cash and cash equivalents	1,707	-	-	1,707
Trade and other payables	(5,165)	(1,424)	-	(6,589)
Amounts owed to subsidiaries and fellow subsidiary undertakings	-	-	(99,684)	(99,684)
Total	(592)	(1,179)	(7,391)	(9,162)
As at 30 June 2012	Up to 3 months £000's	3 to 12 months £000's	1 to 5 years £000's	Total £000's
Trade and other receivables	3,309	122	-	3,431
Amounts owed by immediate parent undertaking and fellow subsidiary undertaking	-	-	16,355	16,355
Cash and cash equivalents	2,172	-	-	2,172
Trade and other payables	(5,617)	(1,571)	-	(7,188)
Amounts owed to subsidiaries and fellow subsidiary undertakings	-	-	(5,339)	(5,339)
Total	(136)	(1,449)	11,016	9,431

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

4 Expenses by nature

	2013 £000's	2012 (as restated) £000's
Advertising and marketing	476	349
Staff costs (Note 5)	10,906	10,757
Other staff costs (including Contractor Costs)	575	541
Business travel and entertaining	185	153
Premises costs	1,431	1,389
Other administration costs	1,720	1,076
Amortisation (Note 10)	294	50
Loss on disposal of intangibles (Note 10)	153	-
Depreciation (Note 11)	2,154	2,152
Gain on disposal of tangibles (Note 11)	(93)	-
Total administration expenses	17,801	16,467
Auditors remuneration consists of		
Audit services	58	63
Taxation services	12	12
Other services	65	-
Total fees payable	135	75

5 Staff costs

	2013 £000's	2012 £000's
Staff costs consist of		
Wages and salaries	9,441	9,300
Short-term non-monetary benefits	88	80
Social security costs	1,122	1,137
Defined contribution pension costs	255	240
Total Staff Costs	10,906	10,757

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

	2013 Number	2012 Number
Administration	29	35
Operations	194	193
	223	228

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

6 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) Michel Robert (Managing Director) and since 23rd November 2012 John Leese (Finance Director)

	2013 £000's	2012 £000's
Remuneration consists of		
Short term employee benefits	314	318
Post employment benefits	10	11
Total key management personnel costs	324	329

Two members of the key management were remunerated for their services by Claranet Group Limited and one member by Star Technology Services Limited. Their emoluments are disclosed in the table above in respect to services provided to the Company.

The emoluments of the highest paid director were £312,000 (2012 - £291,000), excluding pension contributions.

7 Finance expense

	2013 £000's	2012 £000's
Interest payable on finance leases	157	162
Other interest payable	287	-
Total Interest expense for financial liabilities measured at amortised cost	444	162
Foreign currency loss	231	-
Total finance expense	675	162

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

8 Taxation

	2013 £000's	2012 £000's
Analysis of tax expense		
Current year tax expense / (credit)	-	-
Total current tax expense / (credit)	-	-
Deferred tax		
Origination and reversal of temporary differences	36	95
Adjustment in respect of prior period losses	(4)	442
Deferred tax expense / (credit)	32	537
Total tax expense / (credit)	32	537
Tax expense reconciliation		
Profit before taxation	465	981
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 23.75 % (2012 - 25.5%) Effect of	110	250
Expenses not deductible for tax purposes	19	(13)
Group relief of current year losses	339	(258)
Movement in tax rates	115	227
(Over) / Under provision in prior year	(118)	214
Other differences	26	117
Transfer pricing adjustment	(339)	-
Depreciation on assets not eligible for capital allowances	(120)	-
Total tax expense / (credit)	32	537

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

9 Prior year adjustment

The prior year adjustment has arisen for the following reasons

	Total £	2012 £	2011 £
Lombard lease assets	327	221	106
Global Switch 1 contract	216	216	-
Total	543	437	106

The Lombard lease assets represent amounts which were capitalised in prior years in error. These costs have subsequently been written off to the Statement of Comprehensive Income. The result of this is a reduction in fixed assets and an increase in administration expenses.

The Global Switch 1 contract represents a correction due to a contract incentive not being recorded in the books in 2012. These costs have subsequently been written off to the Statement of Comprehensive Income. The result of this is an increase to cost of sales and reduction in retained earnings.

Impact of prior year adjustments on the reported expenses, profit from operations and profit for the year ended 30 June 2012 as summarised as follows

	Costs of sales £	Admin expenses £	Operating profit £	Profit for the year £
As reported	(18,567)	(16,657)	1,580	881
Restatement of accounting errors				
Lombard lease assets	(411)	190	(221)	(221)
Global Switch 1 contract	(216)	-	(216)	(216)
As restated	(19,194)	(16,467)	1,143	444

The impact of the prior year adjustments on the previously reported Company Statement of Financial Position as at 30 June 2011 may be summarised as follows

	As previously reported	Impact of restatements	Restated
Property, plant and equipment	3,580	(362)	3,218
Trade and other receivables	5,031	256	5,287

The impact of the prior year adjustments on the previously reported Company Statement of Financial Position as at 30 June 2012 may be summarised as follows

	As previously reported £	Impact of restatement £	Restated £
Property, plant and equipment	3,664	(531)	3,133
Trade and other receivables	4,689	204	4,893
Trade and other payables	(9,335)	(216)	(9,551)

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

10 Goodwill and intangibles

	Goodwill £000's	Development costs £000's	Total £000's
Cost			
At 1 July 2011	11,297	-	11,297
Additions - internally developed	-	756	756
At 1 July 2012	11,297	756	12,053
Additions	-	670	670
Write-off	-	(171)	(171)
At 30 June 2013	11,297	1,255	12,552
Amortisation			
At 1 July 2012	-	-	-
Provided for the year	-	45	45
At 1 July 2013	-	45	45
Provided for the year	-	294	294
Write-off	-	(18)	(18)
At 30 June 2013	-	321	321
Net book value			
At 30 June 2013	11,297	934	12,231
At 30 June 2012	11,297	711	12,008

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:

	2013 £000's	2012 £000's
Claranet Limited, excluding Claranet Technology Group (CTG)	11,297	11,297

The smallest identifiable group of assets that generates cash inflows is Claranet Limited, 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 Limited.

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% (2012 - 10%) and growth rate of 5% beyond forecast period.

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. The recoverable amount exceeds the carrying amount by £5.7m.

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

11 Plant, property and equipment

	Network and computer equipment £000's	Fixtures and fittings £000's	Motor vehicles £000's	Total £000's
Cost				
At 1 July 2011 (as previously reported)	14,187	486	23	14,696
Prior year adjustment	(163)	(251)	(19)	(433)
At 1 July 2011 (as restated)	14,024	235	4	14,263
Additions	2,404	22	-	2,426
Prior year adjustment	(359)	-	-	(359)
At 1 July 2012 (as restated)	16,069	257	4	16,330
Additions	1,529	39	-	1,568
Write-off	(491)	-	-	(491)
At 30 June 2013	17,107	296	4	17,407
Depreciation				
At 1 July 2011 (as previously reported)	10,884	209	23	11,116
Prior year adjustment	75	(127)	(19)	(71)
At 1 July 2011 (as restated)	10,959	82	4	11,045
Provided during the year	2,232	110	-	2,342
Prior year adjustment	(190)	-	-	(190)
At 1 July 2012 (as restated)	13,001	192	4	13,197
Provided during the year	2,122	32	-	2,154
Write-off	(439)	-	-	(439)
At 30 June 2013	14,684	224	4	14,912
Net Book Value				
At 30 June 2013	2,423	72	-	2,495
At 30 June 2012 (as restated)	3,068	65	-	3,133

The net carrying value of assets held under finance lease, all of which are categorised as network and computer equipment, was £2.4m at 30 June 2013 (2012 - £3.3m as restated). The depreciation charge for the year on these assets was £2.1m (2012 as restated - £2.1m).

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

12 Investments

Investments
in subsidiary
undertakings
£000's

Cost at 1 July 2011 and 30 June 2012

-

STH Limited acquisition

28,007

Cost at 1 July 2012 and 30 June 2013

28,007

At 30 June 2013 the principal subsidiary undertakings are as follows

Name	Country of incorporation	Percentage issued ordinary share capital held	Nature of business
STH Limited	United Kingdom	100%	Holding company
Star Technology Services Limited	United Kingdom	100%	Managed network and hosting
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

On 22nd November 2012 Claranet Limited purchased 100% of the share capital of STH Limited

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (*continued*)

13 Trade and other receivables

	2013 £000's	2012 as restated £000's
Amounts falling due within one year		
Trade receivables	3,496	3,554
Bad debt provision	(390)	(172)
Trade receivables	3,106	3,382
Other receivables	5	10
Prepayments and accrued income	1,654	1,501
Other receivables	1,659	1,511
Total trade and other receivables due within one year	4,765	4,893

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 on-going fluctuations in market rates

	2013 £000's	2012 £000's
Amounts falling due in more than one year		
Amounts owed by immediate parent undertaking	67,611	12,850
Amounts owed by fellow subsidiary undertakings	24,682	3,505
Total other receivables due in more than one year	92,293	16,355

14 Cash and cash equivalents

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

	2013 £000's	2012 £000's
Cash available on demand	1,707	2,172
Total cash and cash equivalents	1,707	2,172
Significant non cash transactions are as follows		
Assets acquired under finance leases	1,240	2,446

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

15 Trade and other payables due within one year

	2013 £000's	2012 £000's (as restated)
Trade payables	3,006	5,176
VAT	469	255
Taxation and social security	284	307
Other payables	1,216	-
Finance lease creditor (Note 17)	1,388	1,585
Accruals	2,367	2,228
Trade and other payables due within one year	8,730	9,551

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.

Non-current Liabilities

	2013 £000's	2012 £000's
Other payables	10,481	755
Finance lease creditor (Note 17)	1,006	1,422
Amounts owed to subsidiaries	95,445	1,506
Amounts owed to fellow subsidiary undertaking	3,544	3,078
Total other payables due in more than one year	110,476	6,761

16 Provisions

	2013 £000's	2012 £000's
Opening balance as at 1 July	230	230
Increase of provision	31	-
Closing balance as at 30 June	261	230

The provision represents dilapidation costs only. Dilapidation costs represent the costs to return the leasehold premises to the original state in the event that the Company 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.

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

17 Finance leases

The company takes out finance leases for network storage & other computing equipment

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

	Minimum lease payments 2013 £000's	Interest 2013 £000's	Present value 2013 £000's
Within one year	1,487	(99)	1,388
Later than one year and not later than five years	1,049	(43)	1,006
	<hr/>	<hr/>	<hr/>
Total repayable	2,536	(142)	2,394
	<hr/>	<hr/>	<hr/>
	Minimum lease payments 2012 £000's	Interest 2012 £000's	Present value 2012 £000's
Within one year	1,710	(125)	1,585
Later than one year and not later than five years	1,484	(62)	1,422
	<hr/>	<hr/>	<hr/>
Total repayable	3,194	(187)	3,007
	<hr/>	<hr/>	<hr/>

18 Operating lease commitments

	Land and buildings 2013 £000's	Land and buildings 2012 £000's
Within 1 year	618	600
In 1 to 5 years	894	1,087
	<hr/>	<hr/>
Total operating leases	1,512	1,687
	<hr/>	<hr/>

The operating lease recognised as an expense in the year 30 June 2013 were £546,000 (2012 - £539,000) and were recognised in administration expenses

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

19 Related party transactions

Key management personnel remuneration is disclosed in Note 6

During the year the company provided loans and services to

	2013 £000's	2012 £000's
Claranet Benelux	18	66
Claranet France	323	1,286
Claranet Germany	46	232
Claranet Group Limited	54,761	605
Claranet Portugal	20	3
Claranet Spain	86	379
Tagadab Limited	119	(243)
Star Technology Services Limited	21,299	-
Total services provided in year	76,672	2,328

The following balances were receivable balances held with entities that are 100% owned by its ultimate parent, Claranet Internet Holdings Limited. These balances are included within other receivables due in more than one year

	2013 £000's	2012 £000's
Claranet Benelux	359	341
Claranet France	1,981	2,261
Claranet Germany	278	232
Claranet Group Limited	67,611	12,850
Claranet Portugal	280	292
Claranet Spain	465	378
Tagadab Limited	20	1
Star Technology Services Limited	21,299	-
Total amount owed	92,293	16,355

During the year the company received loans and services from

	2013 £000's	2012 £000's
Claranet Benelux	(48)	(37)
Claranet France	(807)	(1,087)
Claranet Germany	(177)	(155)
Claranet Portugal	(23)	(73)
Claranet Spain	(86)	(398)
Tagadab Limited	-	(185)
Claranet Group Limited	(91,016)	-
Star Technology Services Limited	(2,923)	-
Total services received	(95,080)	(1,935)

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

20 Related party transactions (continued)

The following balances were payable balances held with entities that are 100% owned by its ultimate parent, Claranet Internet Holdings Limited. These balances are included within other payables due in more than one year.

	2013 £000's	2012 £000's
Claranet Benelux	(346)	(298)
Claranet France	(1,290)	(1,087)
Claranet Germany	(1,595)	(1,418)
Claranet Portugal	(265)	(272)
Claranet Spain	(659)	(573)
I - Way Limited	(1,505)	(1,445)
Tagadab	(85)	(185)
U - Net Limited	-	(5)
World Wide Web Services	-	(56)
Claranet Group Limited	(91,016)	-
Star Technology Services Limited	(2,923)	-
Total amount owed	(99,684)	(5,339)

21 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.

22 Deferred tax asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2012 - 24%).

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:

	2013 £000's	2012 £000's
Opening balance as at 1 July 2012	2,634	3,171
Prior year adjustment	118	(214)
Current year (charge)/ credit	(36)	(95)
Movement in prior year balance due to changes in tax rate	(114)	(228)
Closing balance as at 30 June 2013	2,602	2,634

Claranet Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

22 Deferred tax asset (continued)

This asset is represented by

	2013 £000's	2012 £000's
Provided deferred tax		
Accelerated capital allowances	2,475	2,514
Other timing differences	12	19
Trading losses	115	101
	<hr/>	<hr/>
Total deferred taxation asset	2,602	2,634
	<hr/>	<hr/>

23 Share capital

Authorised, allotted, called up and fully paid

	2013 Number	2012 Number	2013 £000's	2012 £000's
Ordinary shares of £1 each	250,000	250,000	250	250
	<hr/>	<hr/>	<hr/>	<hr/>

All ordinary shares on issue are fully paid, carry equal voting rights and share equally in dividends and any surplus on wind up

24 Capital risk management

Claranet Limited considers its equity shareholders' funds as capital. In managing its capital the Company's primary objectives are to safeguard and support the business as a going concern through the business cycle and ensure its continued ability to provide a growing return for its equity shareholders. In order to achieve this objective, the Board seeks to establish and maintain a gearing ratio that balances risk and returns at an acceptable level and also maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs.

Claranet Limited's strategic capital is managed by Claranet Group Limited. Working capital requirements are managed by an overdraft facility by use of cashflow. Short term working capital requirements are managed by utilisation of a credit facility and overdraft.

25 Reserves

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

26 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.