Claranet Group Limited

Report and Financial Statements

Year Ended

30 June 2015

Company Number 04037420

Claranet Group Limited

Report and financial statements
for the year ended 30 June 2015

Contents

Page:

Directors

C Nasser
M Robert
N Fairhurst
N Massard

Secretary and registered office

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

Company number

04037420

Auditors

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

Claranet Group Limited

Group strategic report
for the year ended 30 June 2015

The Directors present their strategic report on the group for the year ended 30 June 2015.

Review of the business

Principal activities

Claranet is a managed services provider, offering integrated hosting, network and communication services to businesses. Claranet Group Limited and its subsidiaries (the "Group") comprises operations in the UK, France, Germany, Spain, the Netherlands, and Portugal.

Results and performance

The Group continues to deliver growth through a combination of organic growth and a strategy of acquisitions.

During the year, the Group has made acquisitions in Portugal, Spain, and the UK, with further acquisitions after the year end in Portugal and the UK.

The Group was restructured during 2015 to bring Clara.net Portugal Telecomunicações SA and its subsidiary undertakings, which operate in Portugal, within the Group. As described in the Accounting Policies (Note 1), this restructuring has been accounted for as a merger with the results of the Group presented in these financial statements on the basis that the new Group had always been in existence.

Revenue for the year is £133.3m, up from £125.9m in 2014, due to an increase of £11.0m, at constant currency, as a result of organic growth and acquisitions, and the adverse effect of £3.4m arising from the weakening of the euro.

Gross margin for 2015 was 57% (2014: 58%). The decrease in gross margin was due to the mix of services and products delivered in the year.

Adjusted EBITDA was £24.0m (2014: £23.0m), where "Adjusted EBITDA" is defined as Earnings Before Interest, Tax, Depreciation and Amortisation adjusted to exclude:

- foreign exchange gains and losses;
- profit or loss on disposal of property, plant and equipment;
- write off of intangible assets; and
- exceptional items.

This increase in Adjusted EBITDA comprises a £1.4m increase, at constant currency, from the growth within the overall business, and a £0.4m negative effect of the weaker euro.

Adjusted EBITDA is stated before £1.2m (2014: £1.4m) of restructuring costs for the integration of the acquisitions with existing businesses, the benefits of which will be seen in future years.

The finance expense for the year is higher as a result of the increase in borrowings that were used to fund the acquisitions, the amortisation of certain arrangement fees and the write off of remaining arrangement fees from our previous loan facilities when the Group refinanced during the year – see Refinancing section below.

The Group's loss before taxation for the year was £0.4m (2014: £0.8m profit). The loss after tax for the year is £0.3m (2014: £0.1m profit).

Acquisitions

On 24 October 2014, the Group acquired 100% of the voting equity instruments of Flesk Telecom Lda ("Flesk"). Flesk is a provider of hosting services in Portugal, focused on Soho and mid-sized businesses. Consideration with a fair value of £0.7m will be satisfied in cash.

On 19 November 2014, the group acquired 100% of the voting equity instruments of Celingest SL ("Celingest"). Celingest is a leading provider of managed cloud-based Amazon Web Services (AWS) and Microsoft Azure services in Spain. Consideration with a fair value of £0.7m will be satisfied in cash.

On 2 July 2014, the group acquired 100% of the voting equity instruments of Free UK Internet Limited ("Free UK"). Free UK is an Internet Service Provider servicing the UK. Consideration of £2 was paid.

Refinancing

During the year, the Group refinanced the senior debt facilities held with Royal Bank of Scotland ("RBS") and Ares Management Limited ("Ares"). As a result of this refinancing the Group increased its borrowings to include:

- a £5m of overdraft, £10m of revolving credit facility and £10m bank term loan all provided by RBS; and
- £32.2m and €12.9m of senior debt provided by Ares and our new lender, Goldman Sachs.

The new facilities provides the Group with long term financing, with the senior debt due July 2020, and includes an additional committed Acquisition and CAPEX facility to allow the Group to invest as necessary to achieve our longer term plans. At June 2015, £6.5m had been drawn against the committed Acquisition facility. As part of the refinancing the Group incurred exceptional finance expenses of £1.5m, principally related to the write off of unamortised transaction costs from the previous senior facility and legal expenses.

Customers

During financial year 2015, the Group secured a number of important new, renewal and extension contracts, including:

- **In the UK:** Signet Trading Limited, Axispoint Solution Ltd, Advanced 365 and Care (UK) Plc.
- **In France:** Printemps.com, Voluntis and Privantis
- **In Germany:** Leica Camera AG.
- **In Spain:** Mango.Aegis Security SL (Spamina), Expereo International, Salvador Escoda.
- **In Portugal:** BPI, Lusitania and Pestana

Some of our major customers have requested to remain anonymous, but the Group continues to gain significant clients and has succeeded in building on already strong relationships.

Total contracted future revenue of the Group, as of 30 June 2015, was in excess of £184.2m (2014: £185.7m). An increase of £5.1m offset by £6.6m due to adverse exchange rate movements.

Services provided

The Group provides integrated managed services to ensure application availability, performance and security for its customers. These services include:

Application services

- Managed website applications
- Managed email application
- Database management

Network services

- Internet connectivity
- Private network services

Hosting services

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

Communication services

- Voice services
- Hosting IP telephony
- Collaboration services

Accreditations

Claranet continues to invest in the continual improvement of its people, processes and systems and holds a number of international and local accreditations including:

- ISO 9001:2008;
- ISO 27001:2005;
- ISO 20000;
- Payment Card Industry Data Security Standard (PCI/DSS);
- Microsoft Gold Partner; and
- VMware Premier Service Provider.

Key performance indicators ("KPIs")

The directors of the Company continue to review and manage both financial and non-financial KPIs on a regular basis. These KPIs include Revenue, Adjusted EBITDA, gross margin and the total contract value of the customer base as set out in the table below.

	2015	2014 retranslated at 2015 exchange rates	Increase/ (decrease) at constant currency	2014
Revenue	£133.3m	£122.5m	£11.0m	£125.9m
Adjusted EBITDA	£24.0m	£22.6m	£1.4m	£23.0m
Gross margin	57%	58%	(1%)	58%
Total contract value at year end	£184.2m	£179.1m	£5.1m	£185.7m

In order to separate underlying performance from the effect of changes in the euro/sterling exchange rate, 2014 KPIs have been retranslated at 2015 exchange rates in the table above.

Future developments

The Group will continue with its strategy of targeting growth both organically and through the acquisition of complementary businesses in existing geographical territories. In addition, the Group will continue to foster close collaboration amongst country operations to share operational best practice, align processes and systems, and product innovation.

Principal Risks and Uncertainties

The management of the business and execution of the Group's strategy are subject to a number of commercial risks. The Board reviews risks and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group. The key business risks affecting the group are set out below.

Risk	Mitigants
Deflation in the networks market	• Close monitoring of margins to protect returns in brokering networks • Opportunity to take share from incumbent carriers who are unable to compete with intermediaries on price and service • Continue to upsell solutions that require greater network complexity/volume to ensure networks revenue remains stable e.g. online backup, voice over IP, resilience options and security
Deflation in data centre pricing	• Devoting more resources to data centre procurement to exploit potential opportunities from diversifying supply • Adding new facilities and working on detailed plans to move from existing facilities if major cost reductions become possible
Maintenance of market share	• Claranet continually invests in its product offering (eg DDoS, Web acceleration and managed hosting) and has further expanded its product management, sales and marketing resources. The benefits of this are already being felt in the sales closed and sales pipelines
Convergence of IT and voice	• Being able to offer a bundled hosting and voice service to existing network service customers, as well as new customers, will be an area of positive differentiation for customers
European data centre market	• As buyers may increasingly demand a European data hosting capability from potential suppliers, Claranet should emphasise its European capabilities to customer base as an alternative hosting offering

On behalf of the Board of Directors

M Robert
Director

21 October 2015

The directors present their report together with the audited financial statements for the year ended 30 June 2015.

Identification of information included in the Strategic Report

An indication of likely future developments in the business is set out in the Strategic Report.

Dividends

The directors do not recommend the payment of a dividend (2014: £nil).

Financial risk management objectives and policies

The Group uses financial instruments such as cash, borrowings, receivables and payables in order to raise finance for the Group'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 cash balances together with overdraft facilities of £5.0m and a revolving credit facility to provide working capital of £10.0m.

During the year the Group completed a refinancing of its senior debt facility. At year end the amount drawn on the new senior debt facility included £42.2m and €12.9m together with £6.8m drawn of our £10m revolving credit facility.

Interest risk

The Company is exposed to interest rate fluctuations on its borrowings. At year end the amount drawn on the Group's new senior debt facility included £6.8m on the revolving credit facility, £10m on the term loan and £32.2m and €12.9m on the senior debt facility. On 18 June 2015 the Group purchased a 2% LIBOR interest rate cap on £30m of borrowings and a 0.75% EURIBOR interest rate cap on €12.9m of borrowings, for the period from September 2015 to March 2018, to reduce the impact on the Group should interest rates increase.

Net senior debt leverage for the Group remains within agreed bank limits throughout the period and Management do not consider either availability of future debt nor probable interest rate movements to be a significant risk to the business.

Credit risk

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

As at 30 June 2015, there were no material credit risk balances that were not provided for.

Employee involvement

Information is provided to all employees regularly by means of on-going management communication channels using written material, face-to-face meetings, regular postings to an intranet and video presentations.

Regular face-to-face communications with employees take place and employees are made aware of their contribution through individual bi-annual performance appraisals.

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.

Research and Development

The Group continually invests in the improvement and development of new services to address customer requirements. The expanded Product Management Team works closely with customers, technology partners, industry analysts and staff to set the services strategy and prioritise the product roadmap.

Internal systems development is aligned to support the operational and new service requirements for the Group. This work is managed by a central technology function, Claranet Technology Group (CTG), for the benefit of the Claranet Group.

Post Balance Sheet Events

On 1 July 2015, the Group acquired 100% of voting equity instruments of Visual Fusion (also known as RedeVF), a web hosting company in Portugal, which will be integrated into our Claranet Soho PT unit, for consideration of £0.1m

On 3 July 2015, the Group acquired 100% of voting equity instruments of Linux IT Europe Limited, an expert in Linux-based technologies, for consideration of £2.2m.

On 7 July 2015, the Group acquired 100% of voting equity instruments of Techgate PLC, a business continuity and disaster recovery specialist, for consideration of £7.6m.

Directors

The directors of the Company during the year were:

C Nasser
M Robert
N Fairhurst (Appointed 12 November 2014)
N Massard

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 Group and Company and of the profit or loss of the Group 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's as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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 of Directors

M Robert
Director

21 October 2015

TO THE MEMBERS OF CLARANET GROUP LIMITED

We have audited the financial statements of Claranet Group Limited for the year ended 30 June 2015 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company 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 (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 (FRC'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 FRC'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 Group's and the parent Company's affairs as at 30 June 2015 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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
- 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.

BDO LLP.

Anthony Perkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

21 October 2015

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

Claranet Group Limited

Consolidated Income Statement
for the year ended 30 June 2015

	Note	2015 £000's	2014 £000's
Revenue	4	**133,336**	125,901
Cost of sales		**(57,543)**	(52,796)
Gross profit		**75,793**	73,105
Administrative expenses	5	**(65,227)**	(63,323)
Operating profit		**10,566**	9,782
Analysed as:			
Operating profit before exceptional items		**11,773**	11,231
Exceptional items	6	**(1,207)**	(1,449)
Finance income	11	**44**	229
Finance expense	12	**(9,554)**	(9,204)
Exceptional finance expense	6	**(1,499)**	-
(Loss)/profit before tax		**(443)**	807
Income tax income/(expense)	13	**166**	(725)
(Loss)/profit for the year from continuing operations		**(277)**	82

The notes on pages 19 to 52 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2015

	Note	2015 £000's	2014 £000's
(Loss)/profit for the year		(277)	82
Other comprehensive income			
Actuarial loss on defined benefit pension scheme	9	(132)	(92)
Exchange differences		(350)	(138)
Total other comprehensive loss		(482)	(230)
Total comprehensive loss for the year		(759)	(148)

The notes on pages 19 to 52 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Financial Position
at 30 June 2015

Company Number 04037420	Note	2015 £000's	2014 £000's
ASSETS			
Non-current assets			
Property, plant and equipment	14	**21,251**	20,382
Intangible assets	15	**75,069**	75,037
Investments		**21**	21
Other receivables	18	**13,091**	7,751
Deferred tax asset	22	**4,228**	4,056
Total non-current assets		**113,660**	107,247
Current assets			
Inventory	17	**465**	-
Trade and other receivables	18	**17,421**	19,168
Cash and cash equivalents	28	**16,355**	8,826
Total current assets		**34,241**	27,994
Total assets		**147,901**	135,241
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(25,959)**	(26,322)
Loans and borrowings	19	**(7,955)**	(7,559)
Total current liabilities		**(33,914)**	(33,881)
Non-current liabilities			
Other liabilities	19	**(45,432)**	(29,074)
Loans and borrowings	19	**(62,185)**	(63,727)
Deferred tax liability	22	**(3,292)**	(3,625)
Provisions	21	**(405)**	(502)
Total non-current liabilities		**(111,314)**	(96,928)
Deferred revenue		**(9,489)**	(10,489)
Total liabilities		**(154,717)**	(141,298)
Net liabilities		**(6,816)**	(6,057)
Capital and reserves			
Share capital	24	**250**	250
Retained deficit		**(4,790)**	(4,381)
Foreign currency translation reserve		**(2,276)**	(1,926)
Total deficit		**(6,816)**	(6,057)

The financial statements were approved by the Board of Directors and authorised for issue on 21 October 2015.

Signed on behalf of the Board of Directors

M Robert
Director

The notes on pages 19 to 52 form part of these financial statements.

Claranet Group Limited

Company Statement of Financial Position
at 30 June 2015

Company Number 04037420	Note	2015 £000's	2014 £000's
ASSETS			
Non-current assets			
Intangible assets	15	93	-
Investments	16	4,718	1,870
Other receivables	18	45,093	33,645
Deferred tax asset		12	12
Total non-current assets		49,916	35,527
Current assets			
Trade and other receivables	18	292	121
Cash and cash equivalents		7,188	4,081
Total current assets		7,480	4,202
Total assets		57,396	39,729
LIABILITIES			
Current liabilities			
Trade and other payables	19	(3,418)	(812)
Total current liabilities		(3,418)	(812)
Non-current liabilities			
Other liabilities	19	(42,275)	(22,599)
Loans and borrowings	19	(53,928)	(46,613)
Total non-current liabilities		(96,203)	(69,212)
Total liabilities		(99,621)	(70,024)
Net liabilities		(42,225)	(30,295)
Capital and reserves			
Share capital	24	250	250
Retained deficit		(42,475)	(30,545)
Total deficit		(42,225)	(30,295)

The financial statements were approved by the Board of Directors and authorised for issue on 21 October 2015.

Signed on behalf of the Board of Directors

M Robert
Director

The notes on pages 19 to 52 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Cash Flows
for the year ended 30 June 2015

	Note	2015 £000's	2014 £000's
Cash flows from operating activities			
(Loss)\profit for the year		(277)	82
Adjustments for:			
Depreciation and amortisation		12,518	11,620
Finance income	11	(44)	(229)
Finance expense	12	9,554	9,204
Exceptional finance expense	6	1,499	-
Taxation	13	(166)	725
Loss on sale of property, plant and equipment and write off of intangible assets		4	17
		23,088	21,419
Increase in inventories		(454)	-
Decrease/(increase) in trade and other receivables		907	(2,448)
(Decrease)/increase in trade and other payables		(1,938)	1,375
Decrease in provisions		(97)	(141)
Cash generated from operations		21,506	20,205
Taxation paid		(18)	(201)
Net cash generated from operating activities		21,488	20,004
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,809)	(4,173)
Purchase of intangible assets		(2,030)	(1,191)
Proceeds on disposal of property, plant and equipment		416	206
Proceeds on disposal of Intangible assets		15	-
Cash outflow on acquisition of subsidiaries (net of cash acquired)	29	(591)	(3,994)
Deferred consideration paid		-	(975)
Interest received		44	-
Net cash used in investing activities		(4,955)	(10,127)
Cash flows from financing activities			
Repayment of long term borrowings		(70,424)	-
Drawdown of long term borrowings		75,401	11,696
Interest paid		(6,801)	(9,018)
Payment of finance lease liabilities		(6,801)	(5,864)
Repayment of other loans		(9,500)	(218)
Proceeds from/ (repayment to) parent undertakings		9,332	(3,735)
Net cash used in financing activities		(8,793)	(7,139)
Net increase in cash and cash equivalents		7,740	2,738
Cash and cash equivalents at beginning of year		8,820	5,602
Effect of exchange rate changes		(205)	480
Cash and cash equivalents at end of year	28	16,355	8,820

The notes on pages 19 to 52 form part of these financial statements.

Claranet Group Limited

Company Statement of Cash Flows
for the year ended 30 June 2015

	2015 £000's	2014 £000's
Cash flows from operating activities		
Loss for the year	(11,929)	(9,314)
Adjustments for:		
Depreciation and amortisation	-	1
Finance income	-	(206)
Finance expense	10,365	8,703
Taxation	-	(12)
	(1,564)	(828)
(Increase)/decrease in trade and other receivables	(207)	844
Increase in trade and other payables	1,743	83
Cash (used in)/generated from operations	(28)	99
Tax paid	-	-
Net cash (used in)/ generated from operating activities	(28)	99
Cash flows from investing activities		
Purchase of intangible assets	(93)	-
Cash outflow on acquisition of investments	(2,848)	-
Net cash used in investing activities	(2,941)	-
Cash flows from financing activities		
Repayment of long term borrowings	(69,584)	-
Drawdown of long term borrowings	75,360	12,199
Interest paid	(5,672)	(7,131)
Proceeds from parent undertakings	178	2,836
Proceeds from fellow subsidiary undertakings	9,874	-
Repayment to subsidiary undertakings	(4,080)	(4,155)
Net cash generated from financing activities	6,076	3,749
Net increase in cash and cash equivalents	3,107	3,848
Cash and cash equivalents at beginning of year	4,081	233
Cash and cash equivalents at end of year	7,188	4,081

The notes on pages 19 to 52 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Changes in Equity
for the year ended 30 June 2015

	Share capital	Retained deficit	Foreign currency translation reserve	Total equity
	£000's	£000's	£000's	£000's
Balance as at 1 July 2013	250	(4,371)	(1,788)	(5,909)
Profit for the year	-	82	-	82
Other comprehensive loss	-	(92)	(138)	(230)
Total comprehensive loss	-	(10)	(138)	(148)
Balance as at 30 June 2014	**250**	**(4,381)**	**(1,926)**	**(6,057)**
Balance as at 1 July 2014	250	(4,381)	(1,926)	(6,057)
Loss for the year	-	(277)	-	(277)
Other comprehensive loss	-	(132)	(350)	(482)
Total comprehensive loss	-	(409)	(350)	(759)
Balance as at 30 June 2015	**250**	**(4,790)**	**(2,276)**	**(6,816)**

The nature of each reserve is disclosed in note 25.

The notes on pages 19 to 52 form part of these financial statements.

Claranet Group Limited

Company Statement of Changes in Equity
for the year ended 30 June 2015

	Share capital	Retained deficit	Total equity
	£000's	£000's	£000's
Balance as at 1 July 2013	250	(21,231)	(20,981)
Total comprehensive loss for the year	-	(9,314)	(9,314)
Balance as at 30 June 2014	**250**	**(30,545)**	**(30,295)**
Balance as at 1 July 2014	250	(30,545)	(30,295)
Total comprehensive loss in the year	-	(11,930)	(11,930)
Balance as at 30 June 2015	**250**	**(42,475)**	**(42,225)**

The nature of each reserve is disclosed in note 25.

The notes on pages 19 to 52 form part of these financial statements.

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.

General Information

The financial statements as at and for the year ended 30 June 2015 are those of Claranet Group Limited (the "Company") and the consolidated financial statements are of the Company and its subsidiary undertakings (see note 16) (together, the "Group"). The Company is a limited liability company incorporated and domiciled in the United Kingdom.

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 IFRSs").

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 Group and 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

a) New standards, amendments to published standards and interpretations to existing standards effective from 1 July 2014.

No new standards, amendments to published standards or interpretations of existing standards effective from 1 July 2014 had a material impact on the financial statements.

b) Standards and interpretations issued but not yet effective

None of the new standards, interpretations and amendments which are effective for periods beginning after 1 July 2014, and which have not been adopted early, will have a material impact on the financial statements.

Basis of Consolidation

The consolidated financial statements incorporate the results of Claranet Group Limited and its subsidiary undertakings as at 30 June 2015 using the acquisition method of accounting.

Business Combinations

Business combinations falling within the scope of IFRS3 Business Combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interests in the acquiree, plus
- the fair value of the existing equity interest in the acquiree, less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

1 Accounting policies *(continued)*

Merger accounting

The purchase of Clara.net Portugal Telecomunicações SA by Claranet Group Limited in the year to 30 June 2015 and Claranet Benelux BV by Claranet Benelux Holdings BV in the year to 30 June 2014 fall outside the scope of IFRS3 Business Combinations as the businesses were under common control.

Paragraph 10 of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors requires management to use its judgement in developing and applying a policy that is relevant, reliable, represents faithfully the transaction, reflects the economic substance of the transaction, is neutral, is prudent and is complete in all material respects when selecting the appropriate methodology for consolidation accounting.

Paragraph 13 of the Financial Reporting Standard 6 ("FRS6") Acquisitions and Mergers (UK) permits merger accounting as a result of a Group reconstruction.

Management believes that it has met the criteria as defined by paragraph 13 of FRS6 and has treated the purchase of Clara.net Portugal Telecomunicações SA in the year to 30 June 2015 and Claranet Benelux BV in the year to 30 June 2014 as Group reconstructions and has applied the FRS6 merger accounting principles to prepare the consolidated financial statements and treated the reconstructed Group as if it had always been in existence. The difference between the consideration paid and the book value of the net assets acquired has been recorded in equity. Comparative information is provided on the basis that the new Group has always been in existence.

Going Concern

In assessing whether the going concern basis is appropriate, the directors take into account all of the available information about the foreseeable future, which is at least 12 months from the date of signing these financial statements.

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons:

- The Group is forecast to be profitable for 2015/16.
- The Group had a positive cash balance of £16.4m as at 30 June 2015 (£8.8m – 2014) and is forecasting positive operating cash flow forecast for 2015/16.
- The current banking facilities were renewed in March 2015 – £80.7m and €12.9m funding for 6 years. In addition, the Group was provided with £16.3m funding from its parent during 2013 with the term extended to July 2021 during the current year.
- The Group has future contracted revenues of £184.2m.

The directors continue to monitor the Group's funding strategy and have prepared detailed forecasts for future years to 2018. These forecasts underpin the going concern basis for the Group.

At the date of approval of these financial statements the Directors believe that the Group will continue to operate successfully for the foreseeable future and be able to meet its liabilities as and when they fall due.

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 Group will receive consideration. Service revenue is recognised when the service 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 Income Statement over the relevant period.

The revenue is wholly attributable to the principal activity of the Group. The UK business made the largest contribution to the turnover of the consolidated Group in both 2014 and 2015.

1 Accounting policies *(continued)*

Intangible Assets and Goodwill

Goodwill

Goodwill arising on acquisition of subsidiary undertakings 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 Consolidated Income Statement and is not subsequently reversed.

Internally-generated intangible assets - Research and Development

Research expenditure is expensed to the Income Statement 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.

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

Intangible assets acquired separately - Software

Intangible assets that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives at the following rate.

Software	-	20% - 33⅓%

Intangible assets acquired in a business combination - Customer Relationships and Brands

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is recognised on a straight-line basis over their estimated useful lives at the following rates.

Customer relationships	-	5% - 15%
Brands	-	Up to 20%

1 Accounting policies *(continued)*

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 on a straight line basis over their expected useful lives. The rates generally applicable are:

Network and computer equipment	-	20% - 33⅓%
Office equipment	-	20%
Fixtures and fittings	-	33⅓%
Motor vehicles	-	20%
Leasehold improvements	-	Over the period of the lease
Other equipment	-	20%

Investments

Fixed asset investments are shown at cost less provision for impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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).

Financial Instruments

Financial assets and liabilities are recognised on the Statement of Financial Position when the Group 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. 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.

1 Accounting policies *(continued)*

Financial Instruments *(continued)*

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 the reporting date, the carrying value is considered to be a reasonable approximation of fair value.

Loans and Borrowings
Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. For disclosure purposes, the fair value of loans and borrowings is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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 the inception of the lease or, if lower, the present value of the minimum lease payments. Leased assets are depreciated on a straight line basis 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 Group provides for costs to return the leasehold premises to the original state in the event that one or more of its offices being vacated. The obligation, being of uncertain timing or amount at the balance sheet 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 Income Statement, unless it related to items charged or credited directly to equity, in which case the deferred tax is also charged or credited to equity.

1 Accounting policies *(continued)*

Retirement benefits schemes

The Group companies contribute to defined contribution pension plans of some employees at rates agreed between the companies and the employees. Contributions are recognised as they become payable.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the Income Statement in the year to which they relate.

Retirement benefits: Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Any difference between the expected return on assets and that actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognised in other comprehensive income in the period in which they arise. Past service costs are recognised directly in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortised on a straight line basis over the vesting period. Group schemes are subject to minimum funding requirements (MFR) that impose contribution obligations on the Group. If the effect of meeting a MFR would result in the scheme showing a net surplus (because the MFR is determined on a more prudent basis than IAS 19 requires) and the Group is not able to benefit from such a surplus in the form of refunds or reductions in future contributions, the defined benefit asset/(liability) recognised is reduced/(increased) accordingly.

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 Consolidated Income Statement.

The Statements of Financial Position of the foreign subsidiaries are translated into sterling at the rate ruling at the year end. The results of the foreign subsidiaries are translated into sterling at the average rate of exchange during the financial year. Exchange differences which arise from the translation of the opening net assets of the foreign subsidiary undertakings are included in the Consolidated Statement of Comprehensive Income.

Finance costs

Finance costs are charges to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

2 Critical accounting estimates and judgements

The Group 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.

Carrying Value of Goodwill: £56,206k

The Group 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 15 for review performed).

Deferred Tax Asset: £4,228k

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 (note 22).

Property, Plant and Equipment: £21,251k

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.

Development Costs: £2,804k

Development costs are capitalised based on an assessment on whether they meet the criteria laid down in IAS38 for capitalisation. Capitalised 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.

3 Financial Instruments

The Group is exposed to the following financial risks:

- Credit risk
- Market risk
- Liquidity risk

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group'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 Group'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

Fair value of financial instruments

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

There is no material difference between the carrying 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 Group'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 Group'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' inability to meet its financial obligations. This arises principally from the Group's trade and other receivables. Potential customers are subjected to credit verification procedures before credit terms are granted. The 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 Group and Company have no significant exposure to any large or key customers.

3 Financial Instruments *(continued)*

Trade receivables are summarised as follows:

Group	2015 £000's	2014 £000's
Up to 30 days	**9,568**	7,130
Past due:		
30 to 90 days	**1,592**	5,450
More than 90 days	**2,292**	2,966
Gross	**13,452**	15,546
Less allowance for impairment	**(1,549)**	(1,756)
	11,903	13,790

Allowance for impairment movement in the year:

Group	2015 £000's	2014 £000's
As at 1 July	**(1,756)**	(1,311)
Business acquired	**(51)**	(140)
Provided in the year	**-**	(372)
Written off during the year	**157**	20
Unused amounts reversed	**23**	14
Foreign exchange	**78**	33
As at 30 June	**(1,549)**	(1,756)

The Company has no trade receivables.

b) Market risk

Market risk refers to fluctuations in interest rates and exchange rates.

Interest rate risk

Interest is payable on the Group's main facility at LIBOR plus an agreed margin subject to a minimum LIBOR rate of 0.75%. An increase of 100 basis points in LIBOR above the rate at June 2015 of 0.5% would reduce profit by £0.4m.

The Group has purchased a 2% LIBOR interest rate cap on £30m of borrowings and a 0.75% Euribor interest rate cap on €12.9m of borrowings from September 2015 until March 2018 to reduce the impact on profit should interest rates increase.

Foreign currency risk

Each of the companies in the Group trades primarily in the functional currency of that entity. Given this, the risk of exchange rate fluctuations is immaterial to the Group.

The Group'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.

3 Financial Instruments *(continued)*

The tables below analyse the Group and Company's financial assets and liabilities by currency, at the year-end date specified.

Group	Sterling £000's	Euro £000's	Other currencies £000's	Total £000's
As at 30 June 2015				
Trade and other receivables	7,026	7,029	17	14,072
Amounts owed by parent undertakings	10,928	-	-	10,928
Amounts owed by fellow subsidiary undertakings	1,136	-	-	1,136
Cash and cash equivalents	12,475	3,860	20	16,355
Trade and other payables	(16,025)	(9,475)	(30)	(25,530)
Loans and borrowings	(50,548)	(19,591)	-	(70,139)
Amounts owed to parent undertakings	(30,948)	-	-	(30,948)
Amounts owed to fellow subsidiary undertakings	(10,947)	-	-	(10,947)
Total	**(76,903)**	**(18,177)**	**7**	**(95,073)**
As at 30 June 2014				
Trade and other receivables	8,634	8,215	20	16,869
Amounts owed by parent undertakings	5,875	-	-	5,875
Amounts owed by fellow subsidiary undertakings	8	445	-	453
Cash and cash equivalents	7,208	1,538	80	8,826
Trade and other payables	(16,925)	(10,156)	(16)	(27,097)
Loans and borrowings	(65,806)	(7,069)	-	(72,875)
Amounts owed to parent undertakings	(22,403)	(1,010)	-	(23,413)
Total	**(83,409)**	**(8,037)**	**84**	**(91,362)**

Company	Sterling £000's	Euro £000's	Other currencies £000's	Total £000's
As at 30 June 2015				
Amounts owed by parent undertakings	10,923	-	-	10,923
Amounts owed by subsidiary undertakings	33,098	-	-	33,098
Amounts owed by fellow subsidiary undertakings	1,072	-	-	1,072
Cash and cash equivalents	6,146	1,036	6	7,188
Trade and other payables	(4,548)	-	-	(4,548)
Loans and borrowings	(41,291)	(12,636)	-	(53,927)
Amounts owed to parent undertakings	(30,191)	-	-	(30,191)
Amounts owed by subsidiary undertakings	(14)	-	-	(14)
Amounts owed by fellow subsidiary undertakings	(10,947)	-	-	(10,947)
Total	**(35,752)**	**(11,600)**	**6**	**(47,346)**
As at 30 June 2014				
Amounts owed by subsidiary undertakings	5,870	-	-	5,870
Amounts owed by fellow subsidiary undertakings	27,710	-	-	27,710
Cash and cash equivalents	65	-	-	65
Trade and other payables	3,978	60	43	4,081
Loans and borrowings	(1,300)	-	-	(1,300)
Amounts owed to parent undertakings	(48,201)	-	-	(48,201)
Amounts owed to subsidiary undertakings	(22,111)	-	-	(22,111)
Total	**(33,989)**	**60**	**43**	**(33,886)**

3 Financial Instruments *(continued)*

c) Liquidity risk

Liquidity risk is the risk that the Group 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 Group 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.

The tables below analyses the Group and 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.

Group	**Up to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
As at 30 June 2015					
Trade and other receivables	12,596	453	1,023	-	14,072
Amounts owed by parent undertakings	-	-	10,928	-	10,928
Amounts owed by fellow subsidiary undertakings	-	-	1,136	-	1,136
Cash and cash equivalents	16,355	-	-	-	16,355
Trade and other payables	(21,318)	(674)	(3,376)	(162)	(25,530)
Loans and borrowings	(2,687)	(5,564)	(62,316)	(69)	(70,636)
Amounts owed to parent undertakings	-	-	(30,948)	-	(30,948)
Amounts owed to fellow subsidiary undertakings	-	-	(10,947)	-	(10,947)
Total	**4,946**	**(5,785)**	**(94,500)**	**(231)**	**(95,570)**
As at 30 June 2014					
Trade and other receivables	12,831	2,502	1,155	381	16,869
Amounts owed by parent undertakings	-	-	5,875	-	5,875
Amounts owed by fellow subsidiary undertakings	-	-	453	-	453
Cash and cash equivalents	8,826	-	-	-	8,826
Trade and other payables	(20,524)	(1,746)	(3,988)	(838)	(27,096)
Loans and borrowings	(2,422)	(8,677)	(65,605)	-	(76,704)
Amounts owed to parent undertakings	-	-	(23,414)	-	(23,414)
Total	**(1,289)**	**(7,921)**	**(85,524)**	**(457)**	**(95,191)**

3 Financial Instruments *(continued)*

Company	Up to 3months £000's	3 to 12 months £000's	1 to 5 years £000's	Total £000's
As at 30 June 2015				
Amounts owed by parent undertakings	-	-	10,923	10,923
Amounts owed by fellow subsidiary undertakings	-	-	33,098	33,098
Amounts owed by subsidiary undertakings	-	-	1,072	1,072
Cash and cash equivalents	7,188	-	-	7,188
Trade and other payables	(3,425)	-	(1,123)	(4,548)
Loans and borrowings	-	-	(53,927)	(53,927)
Amounts owed to parent undertakings	-	-	(30,191)	(30,191)
Amounts owed by subsidiary undertakings	-	-	(14)	(14)
Amounts owed by fellow subsidiary undertakings	-	-	(10,947)	(10,947)
Total	**3,763**	**-**	**(51,109)**	**(47,346)**
As at 30 June 2014				
Amounts owed by subsidiary undertaking	-	-	5,870	5,870
Amounts owed by fellow subsidiary undertakings	-	-	27,710	27,710
Cash and cash equivalents	-	-	65	65
Trade and other payables	4,081	-	-	4,081
Loans and borrowings	(812)	-	(488)	(1,300)
Amounts owed to parent undertakings	-	(3,625)	(48,201)	(51,826)
Amounts owed to subsidiary undertakings	-	-	(22,111)	(22,111)
Total	**3,269**	**(3,625)**	**(37,155)**	**(37,511)**

4 Segment information

a) Segment information

Information reported to the Chief Operating Decision Maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on the geographic location of operations. Furthermore, the Group manages its operations by region.

The Group has operations in the United Kingdom, France, Germany, Spain, Portugal and Benelux. Operations in France, Germany, Spain, Portugal and Benelux have been aggregated into a single reporting segment "Rest of Europe" as these regions meet the aggregation criteria set out in IFRS 8 including:

- The countries are all member of the EU and use the euro as their currency resulting in similar economic characteristics;
- The same services are provided in each region, namely hosting and networking services; and
- Sales in these territories are predominantly to business customers through similar sales channels.

4 Segment information *(continued)*

b) Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment profit	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
UK	**87,987**	87,597	**18,022**	18,635
Rest of Europe	**45,349**	38,304	**5,972**	4,367
Total	**133,336**	125,901	**23,994**	23,002
Depreciation			**(10,072)**	(9,615)
Amortisation			**(2,446)**	(2,005)
Loss on disposal of property, plant and equipment and write off of intangible assets			**(4)**	(17)
Foreign exchange gain/(loss)			**301**	(134)
Operating profit before exceptional items			**11,773**	11,231
Exceptional items			**(1,207)**	(1,449)
Operating profit			**10,566**	9,782
Net finance costs			**(11,009)**	(8,975)
Net (loss)/profit			**(443)**	807

Segment revenue reported above represents revenue generated from external customers. There were no significant sales between segments in the current or prior year. Revenue was primarily derived from the provision of services.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the earnings before interest, depreciation and amortisation, and excludes exceptional items. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

c) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

	Assets		Liabilities	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
UK	**85,648**	80,637	**(18,346)**	(26,659)
Rest of Europe	**29,267**	35,391	**(11,554)**	(16,313)
Segment assets and liabilities	**114,915**	116,028	**(29,900)**	(42,972)
Unallocated assets and liabilities	**32,986**	19,213	**(124,817)**	(98,326)
Total assets/liabilities	**147,901**	135,241	**(154,717)**	(141,298)

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than current and deferred tax assets, and cash. Goodwill is allocated to reportable segments as described in note 15.
- All liabilities are allocated to reportable segments other than borrowings, and current and deferred tax liabilities.

4 Segmental information *(continued)*

d) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
UK	**8,581**	8,349	**8,902**	8,483
Rest of Europe	**3,937**	3,251	**4,708**	4,728
	12,518	11,600	**13,610**	13,211

e) Geographical information

The following is an analysis of the Group's non-current assets by country.

	Non-current assets	
	2015	2014
	£000's	£000's
UK	**76,000**	75,341
Rest of Europe	**20,341**	20,078
	96,341	95,419

Non-current assets exclude other receivables and deferred tax.

f) Revenue from major products and services

	2015	2014
	£000's	£000's
Networks	**68,237**	61,450
Hosting	**56,313**	51,596
Other	**8,786**	12,855
Total revenue	**133,336**	125,901

5 Expenses by nature

	2015 £000's	2014 £000's
Advertising and marketing	1,435	1,386
Staff compensation costs (Note 7)	38,563	36,987
Other staff costs (including contractor costs)	2,306	1,871
Business travel and entertaining	1,310	1,179
Premises costs	3,900	3,517
Other administration costs	5,492	6,612
Depreciation and amortisation	12,518	11,620
Net foreign exchange (gains)/losses	(301)	134
Loss on disposal of property, plant and equipment and write off of intangible assets	4	17
Total administrative expenses	65,227	63,323

During the year, the Group capitalised development expenditure of £1,856k (2014: £1,110k)

6 Exceptional Items

	2015 £000's	2014 £000's
Restructuring costs incurred integrating acquisitions with the existing operations	1,207	1,449
Exceptional write off of loan arrangement fees	1,499	-
	2,706	1,449

7 Employees

	2015 £000's	2014 £000's
Staff costs consist of:		
Wages and salaries	33,901	31,802
Social security costs	5,644	5,525
Defined contribution pension costs	874	770
Total staff costs	40,419	38,097
Capitalised staff costs	(1,856)	(1,110)
	38,563	36,987

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

	2015 Number	2014 Number
Administration	234	231
Operations	563	487
Total	797	718

8 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), Michel Robert (UK Managing Director), Nicolas Massard (Non-executive Director) and Nigel Fairhurst (Chief Financial Officer).

	2015 £000's	2014 £000's
Remuneration consists of:		
Short term employee benefits	534	588
Post-employment benefits	35	22
Total key management personnel costs	**569**	610

The emoluments of the highest paid director were £393,910 (2014: £292,500), excluding pension contributions.

Total directors' emoluments were £482,129 (2014: £292,500), excluding pension contributions.

9 Pensions

Claranet GmbH operates a wholly unfunded defined benefit pension plan for one of its previous employees. The scheme is closed to new members and future accrual.

Revaluation of plan liabilities:

	2015 £000's	2014 £000's
At 1 July	838	774
Interest cost	22	26
Actuarial loss	132	92
Exchange rate gain	(107)	(54)
At 30 June	**885**	838

	2015 £000's	2014 £000's
Amounts recognised in the consolidated statement of financial position:		
Present value of unfunded obligations	885	838
Net liability	**885**	838

	2015 £000's	2014 £000's
Components of pension expense included in Administration expenses:		
Interest cost	22	26
Total pension expense	**22**	26

9 Pensions *(continued)*

	2015 £000's	2014 £000's
Cumulative amount of actuarial (gain)/loss recognised in Other Comprehensive Income:		
At 1 July	301	209
Actuarial loss	132	92
At 30 June	**433**	**301**

	2015	2014
Principal actuarial assumptions:		
Discount rate on plan liabilities	2%	3%
Expected increase in pensionable salary	0%	0%
Inflation rate	2%	2%
Rate of pension increase	2%	2%

Defined Benefit Obligation Trends

The Group holds equity investments outside of the plan specifically in order to fund the pension. Taking the value of these assets in to account, the following table shows the net deficit of the scheme over the last four years:

	2015 £000's	2014 £000's	2013 £000's	2012 £000's
Plan assets	330	367	383	352
Plan liabilities	(885)	(838)	(774)	(625)
Deficit	**(555)**	(471)	(391)	(273)

Contributions: The Group expects to contribute £Nil to its pension plan in 2016. However the Group will continue to monitor the carrying value of the separately held asset.

10 Auditors' remuneration

	2015 £000's	2014 £000's
Group and company audit	317	313
Tax advisory services	3	82
Tax compliance	48	23
Other non-audit services	13	5
Corporate finance	110	-
Total fees	**491**	**423**

11 Finance income

	2015 £000's	2014 £000's
Foreign exchange gains	-	229
Other interest	44	-
Total finance income	**44**	**229**

12 Finance expense

	2015 £000's	2014 £000's
Interest expense for financial liabilities measured at amortised cost:		
Interest payable on finance leases	613	652
Bank interest payable	4,211	3,669
Amortisation of loan arrangement fee	737	597
Interest payable to parent company	3,279	3,694
Other interest payable	437	592
Foreign exchange losses	277	-
Total finance expense	**9,554**	**9,204**

13 Taxation

Analysis of tax expense	2015 £000's	2014 £000's
Current tax		
Current year	**334**	156
Adjustment in respect of prior periods	**(94)**	8
Total current tax expense	**240**	164
Deferred tax		
Current year	**(438)**	194
Adjustment in respect of prior periods	**32**	367
Deferred tax (credit)/expense	**(406)**	561
Total tax (credit)/expense	**(166)**	725

Tax Expense Reconciliation

(Loss)/profit before taxation	**(443)**	807
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 20.75% (2014: 22.5%)	**(92)**	182
Effect of:		
Foreign exchange differences taken to reserves	**-**	(120)
Disallowed interest	**240**	291
Tax incentives – enhanced research and development	**(22)**	(75)
Deferred tax not provided	**82**	-
Group relief not paid for	**(278)**	-
Research and development credits	**108**	-
Other reconciling items	**(146)**	12
Adjustment to tax in respect of prior periods	**(62)**	375
Overseas tax rate differences	**(21)**	15
Deferred tax rate adjustment	**25**	45
Total tax credit/(expense)	**(166)**	725

14 Property, Plant and Equipment

Group	Network computer equipment £000's	Office equipment £000's	Fixtures and fittings £000's	Motor vehicles £000's	Leasehold improvements £000's	Other equipment £000's	Total £000's
Cost							
At 1 July 2013	35,220	6,875	4,577	21	630	2,263	49,586
Foreign exchange	(1,162)	(30)	(125)	(3)	(63)	(149)	(1,532)
Additions	9,396	1,617	322	4	564	117	12,020
Disposals	(1,012)	(210)	(140)	(6)	(1)	-	(1,369)
Acquired through business combinations	803	48	212	24	-	-	1,087
At 30 June 2014	**43,245**	**8,300**	**4,846**	**40**	**1,130**	**2,231**	**59,792**
Depreciation							
At 1 July 2013	25,413	2,089	2,196	17	318	1,916	31,949
Foreign exchange	(729)	(18)	(103)	(1)	(25)	(127)	(1,003)
Provided for the year	5,521	3,128	685	3	153	125	9,615
Depreciation on disposals	(823)	(185)	(139)	(3)	(1)	-	(1,151)
At 30 June 2014	**29,382**	**5,014**	**2,639**	**16**	**445**	**1,914**	**39,410**
Net book value							
At 30 June 2014	**13,863**	**3,286**	**2,207**	**24**	**685**	**317**	**20,382**
Cost							
At 1 July 2014	43,245	8,300	4,846	40	1,130	2,231	59,792
Foreign exchange	(2,528)	(111)	(224)	(10)	(65)	(7)	(2,945)
Additions	10,261	118	1,137	37	23	4	11,580
Disposals	(1,996)	-	(90)	(4)	-	-	(2,090)
Acquired through business combinations	485	3	18	12	333	-	851
Reclassification	10,521	(7,446)	-	-	(907)	(2,168)	-
At 30 June 2015	**59,988**	**864**	**5,687**	**75**	**514**	**60**	**67,188**
Depreciation							
At 1 July 2014	29,382	5,014	2,639	16	445	1,914	39,410
Foreign exchange	(1,544)	(72)	(235)	(3)	(16)	(5)	(1,875)
Provided for the year	9,086	78	848	16	33	11	10,072
Depreciation on disposals	(1,580)	-	(90)	-	-	-	(1,670)
Reclassification	6,664	(4,461)	-	-	(333)	(1,870)	-
At 30 June 2015	**42,008**	**559**	**3,162**	**29**	**129**	**50**	**45,937**
Net book value							
At 30 June 2015	**17,980**	**305**	**2,525**	**46**	**385**	**10**	**21,251**

15 Intangible Assets

Group	Development costs £000's	Software £000's	Customer relationships £000's	Brand £000's	Other £000's	Goodwill £000's	Total £000's
Cost							
At 1 July 2013	1,671	833	17,914	247	16	49,549	70,230
Foreign exchange	-	(53)	(139)	(2)	(2)	(268)	(464)
Additions	1,110	73	-	-	8	-	1,191
Disposals	-	(165)	-	-	(5)	-	(170)
Acquired through business combinations	-	96	1,021	53	54	6,724	7,948
At 30 June 2014	**2,781**	**784**	**18,796**	**298**	**71**	**56,005**	**78,735**
Amortisation and impairment							
At 1 July 2013	380	512	702	228	3	87	1,912
Foreign exchange	-	(35)	(7)	(2)	1	(11)	(54)
Provided for the year	575	142	1,219	58	11	-	2,005
Disposals	-	(165)	-	-	-	-	(165)
At 30 June 2014	**955**	**454**	**1,914**	**284**	**15**	**76**	**3,698**
Carrying value							
At 30 June 2014	**1,826**	**330**	**16,882**	**14**	**56**	**55,929**	**75,037**
Cost							
At 1 July 2014	2,781	784	18,796	298	71	56,005	78,735
Foreign exchange	(7)	(101)	(311)	(22)	(6)	(1,171)	(1,618)
Additions	1,856	163	-	-	11	-	2,030
Disposals	-	(47)	-	-	(15)	-	(62)
Acquired through business combinations	3	80	317	119	-	1,431	1,950
At 30 June 2015	**4,633**	**879**	**18,802**	**395**	**61**	**56,265**	**81,035**
Amortisation and impairment							
At 1 July 2014	955	454	1,914	284	15	76	3,698
Foreign exchange	(1)	(56)	(36)	(19)	(2)	(17)	(131)
Provided for the year	875	107	1,317	121	26	-	2,446
Disposals	-	(36)	-	-	(11)	-	(47)
At 30 June 2015	**1,829**	**469**	**3,195**	**386**	**28**	**59**	**5,966**
Carrying value							
At 30 June 2015	**2,804**	**410**	**15,607**	**9**	**33**	**56,206**	**75,069**

15 Intangible Assets *(continued)*

Goodwill Impairment Tests

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

	2015 £000's	2014 £000's
Claranet UK	**44,593**	44,418
Claranet France	**3,645**	4,146
Claranet Benelux	**3,964**	4,286
Claranet Portugal	**3,596**	3,079
Claranet Spain	**408**	-
	56,206	55,929

The smallest identifiable groups of assets that generate cash inflows are:

- Claranet UK which comprises Claranet Ltd, excluding Claranet Technology Group (CTG), Star and Free UK Internet Ltd;
- Claranet France which comprises Claranet SAS and Grita SA
- Claranet Benelux which comprises Claranet Benelux BV and NovaData BV; and
- Claranet Portugal which comprises Clara.net Portugal Telecomunicações SA, Echiron SA, and Flesk Telecom, Lda
- Claranet Spain which comprises Claranet S.A. and Celingest, S.L.

The cash flows of the acquired businesses, Netscalibur Ltd and U-Net Ltd, are included in the Claranet Ltd CGU as the businesses have been merged with Claranet Ltd and the cash flows are not independently monitored by management.

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 which covers a three year period, past performance and directors' expectations of future performance.

It was assumed in these calculations that the discount rate applied to future cash flows for all the Cash Generating Units was 10% (2014: 10%). Budgeted revenue has been extrapolated over future periods by applying a 2% per annum churn rate (2014: 2% churn).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Company	**Software** **£000's**
Cost	
At 1 July 2013 and 30 June 2014	-
Additions	93
At 30 June 2015	93
Amortisation and impairment	
At 1 July 2013 and 30 June 2014	-
Provided for the year	-
At 30 June 2015	-
Carrying value	
At 30 June 2015	93

16 Investments

Investments in subsidiary undertakings

	Total Investment £000's
Cost	
At 1 July 2013	1,470
Additions	400
At 30 June 2014	1,870
Additions	2,848
At 30 June 2015	**4,718**

During the year to 30 June 2015, Claranet Group Limited purchased 100% of the issued share capital of Clara.net Portugal Telecomunicações SA from a parent undertaking.

During the year to 30 June 2014, Claranet Group Limited forgave a loan to a subsidiary undertaking of £400k which has been treated as a capital contribution.

At 30 June 2015 the subsidiary undertakings are as follows:

Name	**Country of incorporation**	**Percentage of issued Ordinary share capital held**	**Nature of business**
Claranet Limited	United Kingdom	100%	Managed network and hosting
Star Technology Services Limited*	United Kingdom	100%	Managed network and hosting
STH Limited*	United Kingdom	100%	Intermediate holding company
Free UK Internet Ltd*	United Kingdom	100%	Internet service provider
Claranet SAS	France	100%	Managed hosting
Grita SA*	France	100%	Managed hosting
Typhon Inc*	USA	100%	Managed hosting
Claranet GmbH	Germany	100%	Managed network and hosting
Claranet Benelux Holdings BV	Netherlands	100%	Intermediate holding company
Claranet Benelux BV*	Netherlands	100%	Managed network and hosting
NovaData BV*	Netherlands	100%	Managed network and hosting
Clara.net Portugal Telecomunicações SA	Portugal	100%	Managed network and hosting
eChiron - Gestão de Aplicações de Software, SA*	Portugal	100%	Managed hosting and professional services
Claranet Soho, SA (formerly Flesk Telecom Lda.)*	Portugal	100%	Managed network and hosting
Cgest SA*	Portugal	100%	Internet service provider
Claranet SA	Spain	100%	Managed network and hosting
Celingest SL*	Spain	100%	Managed cloud based services
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 intermediate subsidiary undertaking

17 Inventories

	2015 £000's	2014 £000's
Finished Goods	**465**	-

18 Trade and Other Receivables

Group

	2015 £000's	2014 £000's
Amounts falling due within one year:		
Trade receivables	**13,452**	15,546
Bad debt provision	**(1,549)**	(1,756)
Trade receivables	**11,903**	13,790
Other receivables	**606**	873
Prepayments and accrued income	**4,912**	4,505
Other receivables	**5,518**	5,378
Total trade and other receivables due within one year	**17,421**	19,168

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 term nature of the amounts receivable, they are not subject to other ongoing fluctuations in market rates.

	2015 £000's	2014 £000's
Amounts falling due in more than one year:		
Other receivables	**1,027**	1,423
Amounts owed by parent undertakings	**10,928**	5,875
Amounts owed by fellow subsidiary undertakings	**1,136**	453
Total other receivables due in more than one year	**13,091**	7,751

Company

Amounts falling due within one year:		
Other receivables	-	36
Prepayments	292	85
Total trade and other receivables due within one year	**292**	121
Amounts falling due in more than one year:		
Amounts owed by parent undertakings	10,923	5,870
Amounts owed by subsidiary undertakings	33,098	27,710
Amounts owed by fellow subsidiary undertakings	1,072	65
Total other receivables due in more than one year	**45,093**	33,645

The fair value of trade and other receivables are the same as the carrying values.

19 Trade and Other Payables

Group

	2015 £000's	2014 £000's
Amounts falling due within one year:		
Trade payables	10,164	10,760
VAT	2,233	2,280
Taxation and social security	1,734	1,952
Other payables	2,065	2,567
Accruals	9,763	8,763
Trade and other payables	25,959	26,322
Finance lease creditor (Note 20)	7,372	6,427
Bank loans and overdraft	544	1,132
Other loans	39	-
Loans and borrowings	7,955	7,559

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.

	2015 £000's	2014 £000's
Amounts due in more than one year		
Other payables	3,537	2,811
Amounts owed to fellow subsidiary undertakings	10,947	-
Amounts owed to parent undertakings	30,948	26,263
Other liabilities	45,432	29,074
Finance lease creditor (Note 20)	7,640	7,129
Bank loans	54,197	47,096
Other loans	348	9,502
Loans and borrowings	62,185	63,727

19 Trade and Other Payables *(continued)*

Company

Amounts falling due within one year:	**2015 £000's**	**2014 £000's**
Accruals	**3,418**	812
Trade and other payables due within one year	**3,418**	812
Amounts due in more than one year:		
Amounts owed to parent undertakings	**30,191**	22,111
Amounts owed to subsidiary undertakings	**14**	-
Amounts owed to fellow subsidiary undertakings	**10,947**	-
Other payables	**1,123**	488
Other liabilities	**42,275**	22,599
Bank loans	**53,928**	46,613
Loans and borrowings	**53,928**	46,613
Total liabilities due in more than one year	**96,203**	69,212

The fair value of trade and other payables are the same as the carrying values.

Bank loans and overdrafts comprise senior debt, a revolving credit facility, a term loan and an acquisition facility which were renewed in March 2015 for a period of 6 years. Interest is payable on sterling and euro debt at LIBOR and Euribor respectively plus a variable margin as agreed with the Group's bank. The Group has purchased a 2% LIBOR interest rate cap on £30.0m of borrowings and a 0.75% Euribor interest rate cap on €12.9m of borrowings from September 2015 until March 2018 to reduce the impact on profit should interest rates increase.

Bank loans are stated net of unamortised loan arrangement fees of £4,232k (2014: £1,588k)

19 Trade and Other Payables *(continued)*

The Group and Company has undrawn borrowing facilities available at 30 June, expiring in more than one year for which all conditions have been met, as follows:

	2015 £000's	2014 £000's
Senior debt facility	-	105
Revolving credit facility (Floating rate, Committed)	3,168	694
Bank overdraft (Floating rate, Uncommitted)	5,000	2,000
Total	**8,168**	**2,799**

20 Finance Leases

The Group entered into finance lease arrangements for certain plant and equipment. The carrying value of assets held under finance leases at 30 June 2015 was £10,588k (2014: £12,318k).

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

	Minimum Lease Payments £000's	Interest £000's	Present Value £000's
2015			
Future lease payments are due as follows:			
Within one year	**7,635**	**(263)**	**7,372**
Later than one year and not later than five years	**7,750**	**(174)**	**7,576**
More than five years	**69**	**(5)**	**64**
Total repayable	**15,454**	**(442)**	**15,012**
2014			
Future lease payments are due as follows:			
Within one year	7,041	(614)	6,427
Later than one year and not later than five years	7,581	(452)	7,129
Total repayable	14,622	(1,066)	13,556

21 Provisions

	Dilapidations £000's
At 1 July 2014	502
Utilised during the year	(97)
Foreign exchange	-
At 30 June 2015	**405**

The provision for dilapidation costs represents costs to return the leasehold premises to the original state in the event offices are vacated. The obligation, being of uncertain timing or amount at the Statement of Financial Position date, is provided for on a best-estimate basis.

22 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of UK 20%, France 33%, Germany 30%, (2014: UK 20%, France 33%, Germany 33%).

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 asset and liability are shown below:

		2015			2014	
	Asset £000's	Liability £000's	Net £000's	Asset £000's	Liability £000's	Net £000's
At 1 July	4,056	(3,625)	431	5,035	(3,963)	1,072
Asset/(liability) acquired through business combinations	51	-	51	247	(30)	217
Liability arising on business combination	-	(67)	(67)	-	(252)	(252)
Current year credit/(charge)	223	215	438	(969)	775	(194)
Prior year adjustment	-	(32)	(32)	(205)	(161)	(366)
Tax of foreign exchange taken to reserves	-	185	185	-	-	-
Foreign exchange	(102)	32	(70)	(52)	6	(46)
At 30 June	**4,228**	**(3,292)**	**936**	4,056	(3,625)	431
Represented by:						
Accelerated capital allowances	3,960	-	3,960	2,991	-	2,991
Trading losses	51	-	51	978	-	978
Liability arising on business combination	-	(3,267)	(3,267)	-	(3,595)	(3,595)
Intangibles	61	-	61	-	-	-
Other timing differences	156	(25)	131	87	(30)	57
Total deferred taxation asset/(liability)	**4,228**	**(3,292)**	**936**	4,056	(3,625)	431

The current year deferred tax charge includes £nil (2014: £45k) in respect of changes in UK tax rates.

There is a potential deferred tax asset of £6,860k (2014: £6,655k) that has not been recognised due to the uncertainty concerning the timescale as to its recoverability.

23 Capital risk management

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, retained earnings, and foreign currency translation reserve).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

24 Share capital

	2015 Number	2014 Number	2015 £000's	2014 £000's
Allotted, Called Up and Fully Paid				
Ordinary shares of £1 each	**250,000**	250,000	**250**	250

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

25 Reserves

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

The foreign currency translation reserve contains gains/losses arising on translating the net assets of overseas operations into sterling.

26 Operating Lease Commitments

At 30 June 2015 and 30 June 2014, the Company had no operating lease commitments. The Group had the following commitments under non-cancellable operating lease:

	Land and Buildings 2015 £000's	Other 2015 £000's	Land and Buildings 2014 £000's	Other 2014 £000's
Within one year	**5,319**	**320**	5,376	867
In one to five years	**14,113**	**242**	13,250	776
After 5 years	**2,839**	**33**	3,993	-
Total operating leases	**22,271**	**595**	22,619	1,643

Operating leases predominantly relate to leases of property and certain computer hardware.

The operating lease charge for the year was £5,630k (2014: £3,619k).

27 Related party transactions

Key management personnel remuneration is disclosed in Note 8.

Services between the Company and Group and entities that are controlled by its ultimate parent, Claranet Internet Holdings Limited are set out in the table below.

	Services provided		Services received	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Group				
Fellow subsidiary undertakings	-	109	-	6
Company				
Fellow subsidiary undertakings	384	429	-	-

Balances held with entities that are controlled by its ultimate parent, Claranet Internet Holdings Limited are disclosed separately in notes 18 and 19 with movements on the loans disclosed in the Cash Flow Statement.

28 Cash flow

	2015	2014
	£000's	£000's
Group		
Cash and cash equivalents for purposes of the statement of cash flows comprises:		
Cash available on demand	16,355	8,826
Bank overdraft	-	(6)
Total cash and cash equivalents	16,355	8,820

Significant non cash transactions are as follows:

	2015	2014
Assets acquired under finance lease	8,771	7,847

	2015	2014
	£000's	£000's
Company		
Cash and cash equivalents for purposes of the statement of cash flows comprises:		
Cash available on demand	7,188	4,081

29 Business combinations during the period

On 24 October 2014, the Group acquired 100% or the voting equity instruments of Flesk Telecom Lda ("Flesk"). Flesk is a provider of hosting services in Portugal, focused on Soho and mid-sized businesses.

Initial consideration of £216k was satisfied in cash. Deferred consideration totalling £578k is payable on a series of dates ending on 24 April 2016. The present value of the total consideration is £743k.

The fair values of the identifiable assets and liabilities acquired are as follows:

	Book value at date of acquisition £000's	Fair value adjustments £000's	Fair value at date of acquisition £000's
Assets:			
Property, plant and equipment	841	-	841
Intangible assets	78	163	241
Inventory	19	-	19
Trade and other receivables	155	-	155
Cash	65	-	65
Liabilities:			
Trade and other payables	(187)	-	(187)
Finance leases	(169)	-	(169)
Loans	(554)	-	(554)
Deferred income	(438)	-	(438)
Deferred tax	-	(25)	(25)
	(190)	138	(52)

Fair value of consideration payable	
Cash	216
Fair value of deferred consideration	527
Total consideration	743
Less: Fair value of assets and liabilities acquired	52
Goodwill	795

From the date of acquisition to the year end, Flesk contributed £699k of revenue and an operating loss of £61k to the Group's results.

29 Business combinations during the period *(continued)*

On 19 November 2014, the group acquired 100% of the voting equity instruments of Celingest SL ("Celingest"). Celingest is a leading provider of managed cloud-based Amazon Web Services (AWS) and Microsoft Azure services in Spain.

Initial consideration of £399k was satisfied in cash. Contingent consideration totalling £359k is payable on a series of dates ending on 5 June 2017. A retention applies if specified targets are not met. The present value of the total consideration is £701k.

The fair values of the identifiable assets and liabilities acquired are as follows:

	Book value at date of acquisition	Fair value adjustments	Fair value at date of acquisition
	£000's	£000's	£000's
Assets:			
Property, plant and equipment	10	-	10
Intangible assets	5	103	108
Trade and other receivables	79	-	79
Cash	140	-	140
Liabilities:			
Trade and other payables	(47)	-	(47)
Loans	(29)	-	(29)
Deferred tax liability	-	(21)	(21)
	158	82	240

Fair value of consideration payable	
Cash	399
Fair value of contingent consideration	302
Total consideration	701
Less: Fair value of assets and liabilities acquired	(240)
Goodwill	461

From the date of acquisition to the year end, Cellingest contributed £273k of revenue and an operating loss of £6k to the Group's results.

29 Business combinations during the period *(continued)*

On 2 July 2014, the group acquired 100% of the voting equity instruments of Free UK Internet Limited ("Free UK"). Free UK is an Internet Service Provider servicing the UK that outsources all of its operations to Claranet Limited. Consideration of £2 was paid.

The fair values of the identifiable assets and liabilities acquired are as follows:

	Book value at date of acquisition	Fair value adjustments	Fair value at date of acquisition
	£000's	£000's	£000's
Assets:			
Intangible assets	-	170	170
Deferred tax asset	-	51	51
Trade and other receivables	118	-	118
Cash	7	-	7
Liabilities:			
Loans	(1,035)	535	(500)
Deferred tax liability	-	(21)	(21)
	(910)	735	(175)

Fair value of consideration payable	
Cash	-
Less: Fair value of assets and liabilities acquired	175
Goodwill	175

From the date of acquisition to the year end, Free UK contributed £96k of revenue and an operating profit of £16k to the Group's results.

Goodwill arose on the acquisitions of Flesk, Celingest and Free UK because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Acquisition costs totalling £36k have been recognised within administrative expenses in the 2015 Income Statement.

The goodwill arising on the Flesk, Celingest and Free UK acquisitions is not deductible for tax purposes.

29 Business combinations during the period *(continued)*

Net cash outflow on acquisition of subsidiaries

	Total £000's
Consideration paid in cash	803
Less: cash and cash equivalent balances acquired	(212)
Net cash outflow in year	**591**

If the acquisitions had occurred on 1 July 2014, Group revenue would have been £134,072k and the Group's operating profit would have been £10,352k.

30 Profit/loss attributable to Claranet Group Limited

The loss for the financial year of the parent company, Claranet Group Limited was £11,930k (2014: £9,314k). As permitted by section 408 of the Companies Act 2006, no separate Income Statement is presented in respect of the company.

31 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.

Clara.net Holdings Limited is the Company's immediate parent undertaking.

32 Post balance sheet event

On 1 July 2015, the Group acquired 100% of voting equity instruments of Visual Fusion (also known as RedeVF), a web hosting company in Portugal, that will be integrated into our Claranet Soho PT unit, for consideration of £0.1m

On 3 July 2015, the Group acquired 100% of voting equity instruments of Linux IT Europe Limited, an expert in Linux-based technologies, for consideration of £2.2m.

On 7 July 2015, the Group acquired 100% of voting equity instruments of Techgate PLC, a business continuity and disaster recovery specialist, for consideration of £7.6m.

Due to the timing of the acquisitions, the fair values of the net assets acquired have not been determined and are therefore not presented.