
Claranet Group Limited

Report and Financial Statements

Year Ended

30 June 2016

Company Number 04037420

Claranet Group Limited

Report and financial statements
for the year ended 30 June 2016

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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 2016

The Directors present their strategic report on the Group for the year ended 30 June 2016.

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 strategy of organic growth and strategic acquisitions.

During the year, the Group has made acquisitions in the UK, France and Portugal.

Revenue for the year is £152.5m, up from £133.3m in 2015, an increase of £20.5m, at constant currency, as a result of a combination of organic growth and acquisitions, and an adverse effect of £1.3m arising from the weakening of the euro against sterling. The current annualised revenue for the Group is approximately £200m.

Gross margin for 2016 was 59% (2015: 57%). The increase in gross margin was due to the mix of services delivered in the year.

Adjusted EBITDA was £29.4m (2015: £24.0m), 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 £5.6m increase, at constant currency, from normal trading and acquisitions and a £0.2m negative effect of the weaker euro.

Adjusted EBITDA is stated before £2.2m (2015: £1.2m) 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 unwinding of the discount on deferred consideration.

The Group's profit before taxation for the year was £nil (2015: £0.5m loss). The loss after tax for the year is £0.3m (2015: £0.3m loss).

Claranet Group Limited

Group strategic report for the year ended 30 June 2016 (*continued*)

Acquisitions

During the year, the Group acquired businesses in the UK (Techgate PLC, Linux IT Europe Limited and Bashton Ltd), in France (Financiere BCMP SAS and its subsidiary Aspaway SAS, Runiso SAS, and Morea Conseils SAS) and in Portugal (RedeVF, Tecnologias de Informação Lda, Inok Consulting, SA and Lunacloud, Unipessoal, LDA).

Further details are set out in note 27.

Financing

During the year to 30 June 2015, 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:

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

The new facilities provide the Group with long term financing, with the senior debt repayment due in July 2020, and include an additional committed Acquisition and Capital Expenditure facility to allow the Group to invest as necessary to achieve its longer term plans. During the year, the Group drew down £1.8m and €26.1m against the committed Acquisition facility. At June 2016, £29.9m had been drawn against the committed Acquisition facility (2015: £6.5m).

Customers

During the financial year 2016, the Group secured a number of important new, renewal and extension contracts, including:

- **In the UK:** Pets at Home, Lidl, Care UK, Samworth Brothers, River Island, and Harvey Nichols.
- **In France:** Monoprix, Cultura, Legrand.
- **In Germany:** Gruner + Jahr GmbH, MDK, Outletcity Metzingen.
- **In Spain:** Mango, Aegis Security SL (Spamina), Vueling, Volotea.
- **In Portugal:** BPI, Lusitania, Brisa, 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 2016, was in excess of £217.7m (2015: £184.2m). An increase of £24.8m at constant currency in addition to an increase of £8.7m arising from favourable exchange rate movements.

Services provided

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

<i>Application services</i>	<i>Network services</i>	<i>Hosting services</i>	<i>Communication services</i>
<ul style="list-style-type: none">• Managed customer-facing applications• Managed back-office applications• Database management	<ul style="list-style-type: none">• Internet connectivity• Private network services	<ul style="list-style-type: none">• Infrastructure as a service ("IaaS")• Managed hosting• Colocation hosting	<ul style="list-style-type: none">• Voice services• E-mail services• Hosting IP telephony• Collaboration services

Claranet Group Limited

Group strategic report for the year ended 30 June 2016 (*continued*)

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 9001:2015;
- ISO 27001:2013;
- ISO 22301:2012;
- ISO 20000;
- Payment Card Industry Data Security Standard (PCI/DSS);
- AWS Premier Consulting Partner;
- Google Cloud Partner;
- Microsoft Gold Partner; and
- VMware Premier Service Provider.

Key Performance Indicators ("KPIs")

The directors 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.

	2016	2015 retranslated at 2016 exchange rates	Increase at constant currency	2015
Revenue	£152.5m	£132.0m	£20.5m	£133.3m
Adjusted EBITDA	£29.4m	£23.8m	£5.6m	£24.0m
Gross margin	59%	57%	2%	57%
Total contract value at year end	£217.7m	£192.9m	£24.8m	£184.2m

In order to separate underlying performance from the effect of changes in the euro/sterling exchange rate, 2015 KPIs have been retranslated at 2016 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 addition, the Group will continue to foster close collaboration amongst country operations to share operational best practice, align processes and systems, and product innovation.

Claranet Group Limited

Group strategic report
for the year ended 30 June 2016 (*continued*)

Principal Risks and Uncertainties

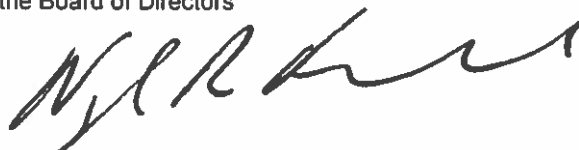
The management of the business and execution of the Group's strategy are subject to a number of commercial risks. The Board reviews risks and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would 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	<ul style="list-style-type: none">• Close monitoring of margins to protect returns in brokering networks.• Opportunity to take share from other network providers.• 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	<ul style="list-style-type: none">• Secure lower cost data centre space.• Migrate from higher-cost data centres to lower cost facilities as and when possible.
Maintenance of market share	<ul style="list-style-type: none">• Claranet continually invests in its service offerings in order to ensure that it remains competitive and relevant to existing and new customers.• Use acquisitions to fill and enhance service and capability gaps.
Lack of acquisition targets	<ul style="list-style-type: none">• Claranet is continually reviewing the individual markets where it operates to ensure it has visibility and relationships to support the acquisition strategy.• Local teams drive the acquisition development process and can therefore scale more effectively than a central team. As a result, they can move more quickly when there is an acquisition opportunity.
Third-party cloud providers	<ul style="list-style-type: none">• Claranet sees the growth in hyper-scale Infrastructure as a Service ("IaaS") providers as an opportunity to provide services to existing and new customers. It is working closely with AWS, Google and Azure

The Group is monitoring developments following the UK referendum on 23 June to leave the EU. The directors believe that the outcome of the referendum will not have a significant impact on the Group's ability to conduct business.

On behalf of the Board of Directors

N Fairhurst
Director



4 November 2016

Claranet Group Limited

Directors' report for the year ended 30 June 2016

The directors present their report together with the audited financial statements for the year ended 30 June 2016.

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 (2015: £nil).

Financial Risk Management Objectives and Policies

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

Liquidity risk

The Group 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.

Last year the Group completed a refinancing of its senior debt facility. At the year end the amount drawn on the senior debt facility included £44.0m and €39.0m (including amounts drawn on the Acquisition facility) together with £4.0m and €7.0m (£5.8m) drawn of our £10m revolving credit facility.

Interest risk

The Group is exposed to interest rate fluctuations on its borrowings. 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 2016, 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, intranet postings 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 reviews.

Claranet Group Limited

Directors' report
for the year ended 30 June 2016 (*continued*)

Disabled Persons

It is the policy of the Group 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.

Claranet conducts annual market research in order to better understand market conditions and forecasts in the six European countries in which it operates. This research is used internally and shared with customer, prospects and analysts.

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 6 July 2016, the Group acquired 100% of voting equity instruments in Diademys SAS, a managed services provider in France for consideration of £8.2m. Diademys is especially known for its expertise in the hosting and management of business-critical applications for mid-sized organisations.

On 15 July 2016, the Group acquired 100% of voting equity instruments of Ardentia Limited, a UK based specialist hosting company, for consideration of £8.7m. The company focusses on supporting their customers' high-availability websites, specifically in the e-gaming and retail sectors.

The Group has drawn a further £8.5m and €8.4m against the committed Acquisition facility following the year end.

Directors

The directors of the Company during the year were:

C Nasser
M Robert
N Fairhurst
N Massard

Claranet Group Limited

Directors' report for the year ended 30 June 2016 (*continued*)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") 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 IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 Group 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

N Fairhurst
Director



4 November 2016

Claranet Group Limited

Independent auditor's report

TO THE MEMBERS OF CLARANET GROUP LIMITED

We have audited the financial statements of Claranet Group Limited for the year ended 30 June 2016 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 2016 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.

Claranet Group Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- 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.

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

4 November 2016

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 2016

£million	Note	2016	2015
Revenue	4	152.5	133.3
Cost of sales		(61.9)	(57.5)
Gross profit		90.6	75.8
Administrative expenses		(79.4)	(65.2)
Operating profit		11.2	10.6
<i>Analysed as:</i>			
Adjusted EBITDA		29.4	24.0
Depreciation		(11.9)	(10.1)
Amortisation		(3.8)	(2.4)
Loss on disposal of property, plant and equipment and write off of intangible assets		(0.1)	-
Foreign exchange (loss)/gain		(0.2)	0.3
Operating profit before exceptional items		13.4	11.8
Exceptional items	6	(2.2)	(1.2)
Operating Profit		11.2	10.6
Finance expense	11	(11.2)	(9.6)
Exceptional finance expense	6	-	(1.5)
Loss before tax		-	(0.5)
Income tax (expense)/credit	12	(0.3)	0.2
Loss for the year from continuing operations		(0.3)	(0.3)

The notes on pages 15 to 43 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Comprehensive Income for the year ended 30 June 2016

£million	Note	2016	2015
Loss for the year		(0.3)	(0.3)
Other comprehensive income			
Actuarial loss on defined benefit pension scheme	9	-	(0.1)
Exchange differences		(0.3)	(0.4)
Total other comprehensive loss		(0.3)	(0.5)
Total comprehensive loss for the year		(0.6)	(0.8)

The notes on pages 15 to 43 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Financial Position at 30 June 2016

Company Number 04037420			
Emillion	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	13	26.6	21.3
Intangible assets	14	115.4	75.1
Other receivables	16	6.0	13.1
Deferred tax asset	20	4.1	4.2
Total non-current assets		152.1	113.7
Current assets			
Inventory	15	-	0.4
Trade and other receivables	16	27.8	17.4
Cash and cash equivalents	26	21.9	16.4
Total current assets		49.7	34.2
Total assets		201.8	147.9
LIABILITIES			
Current liabilities			
Trade and other payables	17	(40.8)	(26.0)
Loans and borrowings	17	(10.7)	(7.9)
Total current liabilities		(51.5)	(33.9)
Non-current liabilities (excluding funding loans)			
Other liabilities	17	(30.9)	(29.0)
Loans and borrowings (excluding funding loans)	17	(20.3)	(15.0)
Deferred tax liability	20	(4.7)	(3.3)
Provisions	19	(0.7)	(0.4)
Total non-current liabilities (excluding funding loans)		(56.6)	(47.7)
Deferred revenue		(11.8)	(9.5)
Total liabilities (excluding funding loans)		(119.9)	(91.1)
Net assets (excluding funding loans)		81.9	56.8
FUNDED BY			
Non-current liabilities (funding loans)			
Bank loans	17	72.9	47.2
Loan owed to parent undertaking	17	16.4	16.4
		89.3	63.6
Equity			
Share capital	22	0.3	0.3
Retained deficit		(5.1)	(4.8)
Foreign currency translation reserve		(2.6)	(2.3)
		(7.4)	(6.8)
		81.9	56.8

The financial statements were approved by the Board of Directors and authorised for issue on 4 November 2016.

Signed on behalf of the Board of Directors

N Fairhurst
Director



The notes on pages 15 to 43 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Cash Flows for the year ended 30 June 2016

£million	Note	2016	2015
Cash flows from operating activities			
Loss for the year		(0.3)	(0.3)
Adjustments for:			
Depreciation and amortisation		15.7	12.5
Finance expense	11	11.2	9.6
Exceptional finance expense	6	-	1.5
Taxation	12	0.3	(0.2)
Loss on sale of property, plant and equipment and write off of intangible assets		0.1	-
		27.0	23.1
Decrease/(increase) in inventories		0.4	(0.4)
(Increase)/decrease in trade and other receivables		(0.4)	0.9
Decrease in trade and other payables		(3.1)	(2.0)
Increase/(decrease) in provisions		0.1	(0.1)
Cash generated from operations		24.0	21.5
Taxation paid		(0.7)	-
Net cash generated from operating activities		23.3	21.5
Cash flows from investing activities			
Purchase of property, plant and equipment		(2.8)	(2.8)
Purchase of intangible assets		(3.8)	(2.1)
Proceeds on disposal of property, plant and equipment		0.1	0.5
Cash outflow on acquisition of subsidiaries (net of cash acquired)	27	(15.2)	(0.6)
Deferred consideration paid		(0.6)	-
Net cash used in investing activities		(22.3)	(5.0)
Cash flows from financing activities			
Repayment of long term borrowings		(4.7)	(70.4)
Drawdown of long term borrowings		26.3	75.4
Interest paid		(9.5)	(6.8)
Payment of finance lease liabilities		(7.0)	(6.8)
Proceeds from/ (repayment of) other loans		0.1	(9.5)
Proceeds from/ (repayment to) parent undertakings		2.2	(0.4)
(Repayment to)/ proceeds from fellow subsidiary undertakings		(3.4)	9.7
Net cash used in financing activities		4.0	(8.8)
Net increase in cash and cash equivalents		5.0	7.7
Cash and cash equivalents at beginning of year		16.4	8.8
Effect of exchange rate changes		0.5	(0.1)
Cash and cash equivalents at end of year	26	21.9	16.4

The notes on pages 15 to 43 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

£million	Share capital	Retained deficit	Foreign currency translation reserve	Total equity
At 1 July 2014	0.3	(4.4)	(1.9)	(6.0)
Loss for the year	-	(0.3)	-	(0.3)
Other comprehensive loss	-	(0.1)	(0.4)	(0.5)
Total comprehensive loss	-	(0.4)	(0.4)	(0.8)
At 30 June 2015	0.3	(4.8)	(2.3)	(6.8)
At 1 July 2015	0.3	(4.8)	(2.3)	(6.8)
Loss for the year	-	(0.3)	-	(0.3)
Other comprehensive loss	-	-	(0.3)	(0.3)
Total comprehensive loss	-	(0.3)	(0.3)	(0.6)
At 30 June 2016	0.3	(5.1)	(2.6)	(7.4)

The nature of each reserve is disclosed in note 23.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016

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 consolidated financial statements as at and for the year ended 30 June 2016 are those of Claranet Group Limited (the "Company") and its subsidiary undertakings (together, the "Group").

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 2015*

No new standards, amendments to published standards or interpretations of existing standards effective from 1 July 2015 had a material impact on the financial statements.

b) *Standards and interpretations issued but not yet effective*

IFRS 15 - Revenue from Contracts with Customers (Issued 28 May 2014, applicable from January 2018)

The standard specifies how and when to recognise revenue as well as requiring relevant disclosures. The standard requires an entity recognises revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, with associated disclosures.

IFRS 16 - Leasing (Issued 13 January 2016, applicable from January 2019 subject to adoption by the EU)

The standard provides a single lessee accounting model to be applied to all leases. Lessees recognise a right-of-use asset and a lease liability on the commencement of a lease.

The Group is in the process of assessing the impact of both standards but expects it to be material to the financial statements.

A number of other new standards, amendments and interpretations are effective for periods beginning on or after 1 January 2016 and have not yet been applied in preparing these Financial Statements or the Group. The directors do not believe they will have a material impact on the Group.

Basis of Consolidation

The consolidated financial statements incorporate the results of Claranet Group Limited and its subsidiary undertakings as at 30 June 2016 using the acquisition method of accounting.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

1 Accounting policies (continued)

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 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.

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 2016/17.
- The Group had a positive cash balance of £21.9m as at 30 June 2016 (2015: £16.4m) and is forecasting positive operating cash flow for 2016/17.
- The current banking facilities were renewed in March 2015 – £80.7m and €12.9m funding for 6 years. During the year, the group drew down £1.8m and €26.1m against a committed acquisition facility. In addition, the Group was provided with £16.3m funding from its parent during 2013 with the term extended to July 2021 during the prior year.
- The Group has future contracted revenues of £217.7m.

The directors continue to monitor the Group's funding strategy and have prepared detailed forecasts for future years to 2019. 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 2015 and 2016.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

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 internal projects 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 Group 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 and other

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 and other	-	20% - 33½%
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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%

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

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 applicable are:

Network and computer equipment	-	20% - 33½%
Fixtures and fittings	-	33½%
Leasehold improvements	-	Over the period of the lease
Other	-	20%

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 in 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 in 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 Group 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.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

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.

Funding loans

The senior debt, term loan and acquisition facility together with a loan provided by a parent undertaking have been identified as Funding Loans and disclosed separately in the Statement of Financial Position.

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

Any tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

1 Accounting policies (continued)

Taxation (continued)

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, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. 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.

Retirement benefits

The Group operates defined contribution schemes and a defined benefit scheme which is closed to new members and future accrual.

Retirement benefits: Defined contribution schemes

The Group companies contribute to defined contribution pension plans of some employees at rates agreed between the companies and the employees. Contributions to defined contribution pension schemes are charged to the Income Statement in the year to which they relate and recognised as they become payable.

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.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

1 Accounting policies (continued)

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: £88.6m

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 14 for review performed).

Deferred Tax Asset: £4.1m

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 20).

Property, Plant and Equipment: £26.6m

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: £4.7m

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.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (*continued*)

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 directors have 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 has no significant exposure to any individual large or key customer.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

3 Financial instruments (continued)

Trade receivables are summarised as follows:

£million	2016	2015
Up to 30 days	15.6	9.6
Past due:		
30 to 90 days	2.3	1.6
More than 90 days	2.3	2.3
Gross	20.2	13.5
Less allowance for impairment	(1.6)	(1.5)
	18.6	12.0

Allowance for impairment movement in the year:

£million	2016	2015
As at 1 July	(1.5)	(1.7)
Business acquired	(0.7)	(0.1)
Provided in the year	(0.6)	-
Written off during the year	1.1	0.2
Unused amounts reversed	0.2	-
Foreign exchange	(0.1)	0.1
As at 30 June	(1.6)	(1.5)

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 2016 of 0.5% would reduce profit by £0.4m. An increase of 100 basis points in Euribor above the rate at June 2016 of (0.3%) would have no effect on profits as the rate would be below the minimum Euribor rate.

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

The Group is exposed to transactional and translation foreign exchange risk. Transactional foreign exchange risk arises from sales or purchases by a Group company in a currency other than that company's functional currency. Translation foreign exchange risk arises on the translation of profits earned in euros into sterling and the translation of net assets denominated in euros into sterling, the Group's functional currency.

Each of the companies in the Group trades almost exclusively in its functional currency, minimising transactional foreign exchange risk.

The Group has borrowed in euros to fund euro denominated assets significantly hedging the impact of exchange rate fluctuations on the translation of net assets denominated in euros into sterling.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

3 Financial instruments (continued)

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

£million	Sterling	Euro	Other currencies	Total
At 30 June 2016				
Trade and other receivables	7.1	15.4	-	22.5
Amounts owed by parent undertakings	0.5	-	-	0.5
Amounts owed by fellow subsidiary undertakings	4.6	-	-	4.6
Cash and cash equivalents	16.3	5.5	0.1	21.9
Trade and other payables	(21.2)	(27.8)	(0.1)	(49.1)
Loans and borrowings	(54.5)	(49.5)	-	(104.0)
Amounts owed to parent undertakings	(22.8)	-	-	(22.8)
Amounts owed to fellow subsidiary undertakings	(10.9)	-	-	(10.9)
Total	(80.9)	(56.4)	-	(137.3)
At 30 June 2015				
Trade and other receivables	7.1	7.0	-	14.1
Amounts owed by parent undertakings	11.0	-	-	11.0
Amounts owed by fellow subsidiary undertakings	1.1	-	-	1.1
Cash and cash equivalents	12.5	3.9	-	16.4
Trade and other payables	(16.1)	(9.5)	-	(25.6)
Loans and borrowings	(50.5)	(19.6)	-	(70.1)
Amounts owed to parent undertakings	(31.0)	-	-	(31.0)
Amounts owed to fellow subsidiary undertakings	(10.9)	-	-	(10.9)
Total	(76.8)	(18.2)	-	(95.0)

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

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 analyse the Group'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.

£million	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
At 30 June 2016					
Trade and other receivables	19.2	2.3	1.0	-	22.5
Amounts owed by parent undertakings	-	-	0.5	-	0.5
Amounts owed by fellow subsidiary undertakings	0.1	-	4.5	-	4.6
Cash and cash equivalents	21.9	-	-	-	21.9
Trade and other payables	(31.0)	(4.7)	(12.5)	(0.9)	(49.1)
Loans and borrowings	(3.5)	(7.6)	(90.7)	(2.8)	(104.6)
Amounts owed to parent undertakings	-	-	(22.8)	-	(22.8)
Amounts owed to fellow subsidiary undertakings	-	-	(10.9)	-	(10.9)
Total	6.7	(10.0)	(130.9)	(3.7)	(137.9)
At 30 June 2015					
Trade and other receivables	12.6	0.5	1.0	-	14.1
Amounts owed by parent undertakings	-	-	11.0	-	11.0
Amounts owed by fellow subsidiary undertakings	-	-	1.1	-	1.1
Cash and cash equivalents	16.4	-	-	-	16.4
Trade and other payables	(21.3)	(0.7)	(3.4)	(0.2)	(25.6)
Loans and borrowings	(2.7)	(5.6)	(62.2)	(0.1)	(70.6)
Amounts owed to parent undertakings	-	-	(31.0)	-	(31.0)
Amounts owed to fellow subsidiary undertakings	-	-	(10.9)	-	(10.9)
Total	5.0	(5.8)	(94.4)	(0.3)	(95.5)

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

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.

b) Segment revenue and results

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

£million	Segment revenue		Segment profit	
	2016	2015	2016	2015
UK	94.1	88.0	19.4	18.0
Rest of Europe	58.4	45.3	10.0	6.0
Total	152.5	133.3	29.4	24.0
Depreciation			(11.9)	(10.1)
Amortisation			(3.8)	(2.4)
Loss on disposal of property, plant and equipment and write off of intangible assets			(0.1)	-
Foreign exchange (loss)/gain			(0.2)	0.3
Operating profit before exceptional items			13.4	11.8
Exceptional items			(2.2)	(1.2)
Operating profit			11.2	10.6
Net finance costs			(11.2)	(11.1)
Net profit/(loss) before tax			-	(0.5)

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 1. Segment profit represents the earnings before interest, tax, 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.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

4 Segment information (continued)

c) Segment assets and liabilities

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

£million	Assets		Liabilities	
	2016	2015	2016	2015
UK	96.1	85.6	(23.9)	(18.3)
Rest of Europe	74.3	29.3	(31.2)	(11.6)
Segment assets/(liabilities)	170.4	114.9	(55.1)	(29.9)
Unallocated assets and liabilities	31.4	33.0	(64.8)	(61.2)
Total assets/(liabilities excluding funding loans)	201.8	147.9	(119.9)	(91.1)
Funding loans	-	-	(89.3)	(63.6)
Total assets/(liabilities)	201.8	147.9	(209.2)	(154.7)

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 14.
- All liabilities are allocated to reportable segments other than borrowings, and current and deferred tax liabilities.

d) Other segment information

£million	Depreciation and amortisation		Additions to non-current assets	
	2016	2015	2016	2015
UK	9.8	8.6	7.5	9.0
Rest of Europe	5.9	3.9	8.5	4.7
	15.7	12.5	16.0	13.7

e) Geographical information

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

£million	Non-current assets	
	2016	2015
UK	85.6	76.0
Rest of Europe	56.4	20.4
	142.0	96.4

Non-current assets exclude other receivables and deferred tax.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

4 Segment information (continued)

f) Revenue from major products and services

£million	2016	2015 Restated
Networks	54.2	58.0
Hosting	89.2	65.6
Other	9.1	9.7
Total revenue	152.5	133.3

During the year the Directors reviewed the allocation of our products and services between our main revenue types and following an update to this allocation we have also updated the revenue disclosure for 2015 to provide an accurate comparative to the new 2016 allocations.

5 Loss for the year from continuing activities

£million	2016	2015
The loss for the year from continuing activities is stated after charging/(crediting):		
Depreciation and amortisation	15.7	12.5
Net foreign exchange losses/(gains)	0.2	(0.3)
Loss on disposal of property, plant and equipment and write off of intangible assets	0.1	-

During the year, the Group capitalised development expenditure of £3.1m (2015: £1.9m)

6 Exceptional items

£million	2016	2015
Administration expenses: Restructuring costs incurred integrating acquisitions with the existing operations	2.2	1.2
Finance Expense: Exceptional write off of loan arrangement fees	-	1.5
	2.2	2.7

7 Employees

£million	2016	2015
Staff costs consist of:		
Wages and salaries	41.3	34.0
Social security costs	7.3	5.6
Defined contribution pension costs	1.0	0.9
Total staff costs	49.6	40.5
Capitalised staff costs	(3.1)	(1.9)
	46.5	38.6

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

7 Employees (continued)

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

Number	2016	2015
Operations	706	563
Administration	274	234
Total	980	797

8 Key management personnel

The key management personnel, who have authority for planning, directing and controlling the activities of the Group are the directors of the company.

£thousand	2016	2015
Remuneration consists of:		
Short term employee benefits	493	534
Post-employment benefits	35	35
Total key management personnel costs	528	569

The emoluments of the highest paid director were £322,000 (2015: £413,182).

There were 2 directors in the group's defined contribution scheme (2015: 2).

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:

£million	2016	2015
At 1 July	0.9	0.8
Interest cost	0.1	-
Actuarial loss	-	0.1
Exchange rate loss	0.1	-
At 30 June	1.1	0.9
Amounts recognised in the Consolidated Statement of Financial Position:		
Present value of unfunded obligations	1.1	0.9
Net liability	1.1	0.9
Components of pension expense included in administration expenses:		
Interest cost	0.1	-
Total pension expense	0.1	-

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

9 Pensions (continued)

£million	2016	2015
Cumulative amount of actuarial loss recognised in Other Comprehensive Income:		
At 1 July	0.4	0.3
Actuarial loss	-	0.1
At 30 June	0.4	0.4
Principal actuarial assumptions:		
Discount rate on plan liabilities	2%	2%
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:

£million	2016	2015	2014	2013
Plan assets	0.4	0.3	0.3	0.4
Plan liabilities	(1.1)	(0.9)	(0.8)	(0.8)
Deficit	(0.7)	(0.6)	(0.5)	(0.4)

Contributions: The Group expects to contribute £nil to its pension plan in 2017. However, the Group will continue to monitor the carrying value of the separately held asset.

10 Auditors' remuneration

£million	2016	2015
Group and company audit	0.4	0.3
Tax advisory services	0.1	-
Tax compliance	0.1	0.1
Corporate finance	0.1	0.1
Total fees	0.7	0.5

11 Finance expense

£million	2016	2015
Interest expense for financial liabilities measured at amortised cost:		
Interest payable on finance leases	0.7	0.6
Bank interest payable	4.8	4.3
Amortisation of loan arrangement fee	0.9	0.7
Interest payable to parent company	3.5	3.3
Other interest payable	0.2	0.2
Unwinding of discount	1.1	0.2
Foreign exchange losses	-	0.3
Total finance expense	11.2	9.6

Claranet Group Limited

Notes to the consolidated financial statements
for the year ended 30 June 2016 *(continued)*

12 Taxation

£million	2016	2015
Analysis of tax expense		
Current tax		
Current year	0.5	0.3
Adjustment in respect of prior periods	0.1	(0.1)
Total current tax expense	0.6	0.2
Deferred tax		
Current year	(0.4)	(0.4)
Adjustment in respect of prior periods	0.1	-
Deferred tax credit	(0.3)	(0.4)
Total tax expense/(credit)	0.3	(0.2)
Tax expense reconciliation		
Profit/(loss) before taxation	-	(0.4)
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015: 20.75%)	-	(0.1)
Effect of:		
Expenses not deductible	0.2	0.2
Deferred tax not provided	-	0.1
Group relief not paid for	(0.4)	(0.3)
Research and development credits	-	0.1
Other reconciling items	0.2	(0.1)
Adjustment to tax in respect of prior periods	0.1	(0.1)
Overseas tax rate differences	0.1	-
Deferred tax rate adjustment	0.1	-
Total tax credit/(expense)	0.3	(0.2)

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

13 Property, plant and equipment

Emillion	Network and computer equipment	Fixtures and fittings	Leasehold improvements	Other	Total
Cost					
At 1 July 2014	43.3	4.9	1.1	10.5	59.8
Foreign exchange	(2.5)	(0.2)	(0.1)	(0.1)	(2.9)
Additions	10.3	1.2	-	0.1	11.6
Disposals	(2.0)	(0.1)	-	-	(2.1)
Acquired through business combinations	0.5	-	0.3	-	0.8
Reclassification	10.5	-	(0.9)	(9.6)	-
At 30 June 2015	60.1	5.8	0.4	0.9	67.2
Depreciation					
At 1 July 2014	29.5	2.6	0.4	6.9	39.4
Foreign exchange	(1.7)	(0.2)	-	(0.1)	(2.0)
Provided for the year	9.2	0.8	-	0.1	10.1
Depreciation on disposals	(1.5)	(0.1)	-	-	(1.6)
Reclassification	6.7	-	(0.3)	(6.4)	-
At 30 June 2015	42.2	3.1	0.1	0.5	45.9
Net book value					
At 30 June 2015	17.9	2.7	0.3	0.4	21.3
Cost					
At 1 July 2015	60.1	5.8	0.4	0.9	67.2
Foreign exchange	4.5	0.3	0.2	0.4	5.4
Additions	11.2	1.3	-	0.1	12.6
Disposals	(0.5)	(0.1)	-	-	(0.6)
Acquired through business combinations	2.4	0.1	-	-	2.5
Reclassification	(0.3)	-	-	0.3	-
At 30 June 2016	77.4	7.4	0.6	1.7	87.1
Depreciation					
At 1 July 2015	42.2	3.1	0.1	0.5	45.9
Foreign exchange	2.6	0.3	-	0.2	3.1
Provided for the year	10.7	0.9	-	0.3	11.9
Depreciation on disposals	(0.3)	(0.1)	-	-	(0.4)
Reclassification	(0.3)	-	-	0.3	-
At 30 June 2016	54.9	4.2	0.1	1.3	60.5
Net book value					
At 30 June 2016	22.5	3.2	0.5	0.4	26.6

Claranet Group Limited

Notes to the consolidated financial statements
for the year ended 30 June 2016 (continued)

14 Intangible assets

€million	Development costs	Software and other	Customer relationships	Brand	Goodwill	Total
Cost						
At 1 July 2014	2.8	0.9	18.8	0.3	56.0	78.8
Foreign exchange	-	(0.1)	(0.3)	-	(1.2)	(1.6)
Additions	1.9	0.2	-	-	-	2.1
Acquired through business combinations	-	0.1	0.3	0.1	1.4	1.9
At 30 June 2015	4.7	1.1	18.8	0.4	56.2	81.2
Amortisation and impairment						
At 1 July 2014	1.0	0.5	1.9	0.3	0.1	3.8
Foreign exchange	-	(0.1)	-	-	-	(0.1)
Provided for the year	0.9	0.1	1.3	0.1	-	2.4
At 30 June 2015	1.9	0.5	3.2	0.4	0.1	6.1
Carrying value						
At 30 June 2015	2.8	0.6	15.6	-	56.1	75.1
Cost						
At 1 July 2015	4.7	1.1	18.8	0.4	56.2	81.2
Foreign exchange	0.1	0.1	0.9	0.1	3.9	5.1
Additions	3.1	0.3	-	-	-	3.4
Acquired through business combinations	-	0.1	5.3	1.8	28.6	35.8
At 30 June 2016	7.9	1.6	25.0	2.3	88.7	125.5
Amortisation and impairment						
At 1 July 2015	1.9	0.5	3.2	0.4	0.1	6.1
Foreign exchange	-	0.1	0.1	-	-	0.2
Provided for the year	1.3	0.3	1.9	0.3	-	3.8
At 30 June 2016	3.2	0.9	5.2	0.7	0.1	10.1
Carrying value						
At 30 June 2016	4.7	0.7	19.8	1.6	88.6	115.4

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

14 Intangible assets (continued)

Goodwill Impairment Tests

The smallest identifiable groups of assets that generate cash inflows comprises the total of the operating companies incorporated in each of the countries in which Claranet operates. Goodwill is allocated to these cash generating units with the carrying value of each unit is set out below:

£million	2016	2015
UK	53.2	44.6
France	26.1	3.6
Benelux	4.4	3.9
Portugal	4.5	3.6
Spain	0.4	0.4
	88.6	56.1

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% (2015: 10%). Budgeted revenue has been extrapolated over future periods on a nil growth basis (2015: 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.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

15 Inventories

£million	2016	2015
Finished Goods	-	0.4

16 Trade and other receivables

£million	2016	2015
Amounts falling due within one year:		
Trade receivables	20.2	13.5
Bad debt provision	(1.6)	(1.5)
Trade receivables	18.6	12.0
Other receivables	0.9	0.5
Prepayments and accrued income	8.3	4.9
Other receivables	9.2	5.4
Total trade and other receivables due within one year	27.8	17.4

£million	2016	2015
Amounts falling due in more than one year:		
Other receivables	1.0	1.0
Amounts owed by parent undertakings	0.5	11.0
Amounts owed by fellow subsidiary undertakings	4.5	1.1
Total other receivables due in more than one year	6.0	13.1

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.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

17 Trade and other payables

£million	2016	2015
Amounts falling due within one year:		
Trade payables	14.9	10.2
VAT	2.9	2.2
Taxation and social security	2.1	1.7
Other payables	10.7	2.1
Accruals	10.2	9.8
Trade and other payables	40.8	26.0
Finance lease creditor (Note 18)	10.0	7.4
Bank loans and overdraft	0.6	0.5
Other loans	0.1	-
Loans and borrowings	10.7	7.9

Settlement of trade and other payables is in accordance with the Group's terms of trade established with our suppliers. The fair value of trade and other payables are the same as the carrying values.

£million	2016	2015
Amounts due in more than one year		
Other payables	13.6	3.5
Amounts owed to fellow subsidiary undertakings	10.9	10.9
Amounts owed to parent undertakings	6.4	14.6
Other liabilities	30.9	29.0
Finance lease creditor (Note 18)	10.1	7.6
Bank loans	9.9	7.0
Other loans	0.3	0.4
Loans and borrowings (Excluding funding loans)	20.3	15.0
Bank loans	72.9	47.2
Loan owed to parent undertaking	16.4	16.4
Funding loans	89.3	63.6

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.

Other payables includes £20.0m (2015: £1.8m) of consideration payable in respect of acquisitions.

Bank loans are stated net of unamortised loan arrangement fees of £3.4m (2015: £4.3m)

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

17 Trade and other payables (continued)

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

£million	2016	2015
Revolving credit facility (Floating rate, Committed)	0.2	3.2
Bank overdraft (Floating rate, Uncommitted)	5.0	5.0
Total	5.2	8.2

18 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 2016 was £17.3m (2015: £10.6m).

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

£million	Minimum Lease Payments	Interest	Present Value
2016			
Future lease payments are due as follows:			
Within one year	10.7	(0.7)	10.0
Later than one year and not later than five years	10.3	(0.3)	10.0
More than five years	0.1	-	0.1
Total repayable	21.1	(1.0)	20.1
2015			
Future lease payments are due as follows:			
Within one year	7.7	(0.3)	7.4
Later than one year and not later than five years	7.7	(0.2)	7.5
More than five years	0.1	-	0.1
Total repayable	15.5	(0.5)	15.0

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

19 Provisions

£million	Dilapidations
At 1 July 2015	0.4
Increase in provision	0.3
Utilised during the year	(0.2)
Acquired through business combination	0.2
At 30 June 2016	0.7

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.

20 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of UK 18%, France 33%, Germany 30%, (2015: UK 20%, France 33%, Germany 30%).

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:

£million	2016			2015		
	Asset	Liability	Net	Asset	Liability	Net
At 1 July	4.2	(3.3)	0.9	4.0	(3.6)	0.4
Asset/(liability) acquired through business combinations	0.2	-	0.2	0.1	-	0.1
Liability arising on business combination	-	(2.0)	(2.0)	-	(0.1)	(0.1)
Credit/(charge) for the year	(0.4)	0.7	0.3	0.2	0.2	0.4
Tax of foreign exchange taken to reserves	-	-	-	-	0.2	0.2
Foreign exchange	0.1	(0.1)	-	(0.1)	-	(0.1)
At 30 June	4.1	(4.7)	(0.6)	4.2	(3.3)	0.9
Represented by:						
Accelerated capital allowances	3.5	-	3.5	3.9	-	3.9
Trading losses	-	-	-	0.1	-	0.1
Liability arising on business combination	-	(4.7)	(4.7)	-	(3.3)	(3.3)
Intangibles	0.5	-	0.5	0.1	-	0.1
Other timing differences	0.1	-	0.1	0.1	-	0.1
Total deferred taxation asset/(liability)	4.1	(4.7)	(0.6)	4.2	(3.3)	0.9

The current year deferred tax charge includes £0.1m (2015: £nil) in respect of changes in UK tax rates.

There is a potential deferred tax asset of £7.9m (2015: £6.9m) that has not been recognised due to the uncertainty concerning the timescale as to its recoverability.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

21 Capital risk management

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, retained deficit, 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.

22 Share capital

	2016 Number	2015 Number	2016 £million	2015 £million
Allotted, Called Up and Fully Paid Ordinary shares of £1 each	250,000	250,000	0.3	0.3

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

23 Reserves

The retained deficit 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.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

24 Operating lease commitments

The Group had the following total commitments under non-cancellable operating leases:

£million	Land and buildings 2016	Other 2016	Land and buildings 2015	Other 2015
Within one year	6.5	0.4	5.3	0.3
In one to five years	15.5	0.6	14.1	0.3
After 5 years	3.3	-	2.8	-
Total operating leases	25.3	1.0	22.2	0.6

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

The operating lease charge for the year was £6.9m (2015: £5.6m).

25 Related party transactions

Key management personnel remuneration is disclosed in Note 8.

Balances held with entities that are controlled by its ultimate parent, Claranet Europe Limited are disclosed separately in notes 16 and 17 with movements on the loans disclosed in the Cash Flow Statement.

26 Cash flow

£million	2016	2015
Cash and cash equivalents for purposes of the statement of cash flows comprises:		
Cash available on demand	21.9	16.4
Significant non cash transactions are as follows:		
Assets acquired under finance lease	9.8	8.8

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

27 Business combinations during the period

The following significant business combinations took place during the year:

- On 7 July 2015, the Group acquired 100% of the voting equity instruments of Techgate PLC ("Techgate"), a business continuity and disaster recovery specialist in the UK expanding the range of services offered by Claranet.
- On 13 November 2015, the Group acquired 100% of the voting equity instruments of Financiere BCMP SAS and its subsidiary Aspaway SAS (together "Aspaway"), a company in France recognised for its expertise in managing business critical applications and for its high availability and secure hosting capabilities, enhancing and expanding the range of services offered by Claranet.
- On 6 November 2015, the Group acquired 88.38% and an option to purchase the remaining 11.62% of the voting equity instruments of Runiso SAS ("Runiso"). As the option gives effective control over 100% of the voting equity instruments, a liability has been recognised for the option and no Non-Controlling Interest has been recognised. Runiso, operating in France, offers a range of both public and private cloud services and is recognised for its expert management of sensitive data and business critical applications. The company will enhance the range of services offered by Claranet.
- On 5 April 2016, the Group acquired 100% of the voting equity instruments of Morea Conseils SAS ("Morea"), a pioneer and leading provider of managed services for AWS platforms in France expanding the range of services offered by Claranet.

The following other acquisitions took place during the year:

- On 1 July 2015, the Group acquired 100% of the voting equity instruments of Redevf, Tecnologias de Informação Lda ("RedeVF"), a hosting company in Portugal that will be integrated into the Small Office/ Home Office business in Portugal.
- On 3 July 2015, the Group acquired 100% of the voting equity instruments of Linux IT Europe Limited ("Linux IT"), an IT services company in the UK specialising in professional and managed services for Linux-based applications expanding the range of range of professional and managed Linux services offered by Claranet.
- On 9 December 2015, the Group acquired 100% of the voting equity instruments of Inok Consulting, SA ("Inok"), a provider of advanced managed hosting solutions and managed applications in Portugal that will broaden Claranet's service portfolio and the combined business will benefit from synergies.
- On 22 December 2015, the Group acquired control of 100% of the voting equity instruments of Lunacloud, Unipessoal, LDA ("Lunacloud") a hosting company in Portugal that will be integrated into our existing Small Office/ Home Office business in Portugal.
- On 18 February 2016, the Group acquired 100% of the voting equity instruments of Bashton Ltd ("Bashton"), a UK company focussed on helping customers run mission critical dynamic web applications on AWS. Bashton will enable Claranet to further develop its DevOps capabilities and to better support customers' complicated and diverse applications on public cloud infrastructure.

The Linux IT, Bashton, RedeVF, Inok and Lunacloud business combinations are individually immaterial and therefore have been included, in aggregate, as Other in the following disclosures.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

27 Business combinations during the period (continued)

£million	Aspaway	Runiso	Morea	Techgate	Other	Total
Consideration						
Cash	4.7	3.1	2.4	5.1	3.1	18.4
Fair Value of deferred consideration	2.3	2.3	1.6	2.2	2.2	10.6
Fair value of contingent consideration	-	1.1	3.8	-	1.2	6.1
	7.0	6.5	7.8	7.3	6.5	35.1

The maximum undiscounted contingent consideration for Runiso, Morea and Other business combinations is £2.8m, £4.8m and £3.0m respectively. The minimum contingent consideration is £nil. The estimated fair value of the deferred consideration is set out in the table above. The Morea deferred consideration is payable in the shares of Claranet Europe Limited, all other consideration is due in cash.

£million	Aspaway	Runiso	Morea	Techgate	Other	Total
Recognised amounts of identifiable assets acquired and liabilities assumed						
Property, plant and equipment	0.7	0.6	0.1	0.9	0.2	2.5
Intangible assets	2.3	1.2	0.8	1.2	1.7	7.2
Deferred tax asset	-	-	-	-	0.2	0.2
Trade and other receivables	3.2	1.9	0.6	1.2	1.2	8.1
Cash	0.8	0.4	0.2	1.2	0.6	3.2
Trade and other payables	(3.5)	(1.1)	(0.3)	(0.6)	(0.9)	(6.4)
Finance leases	(0.2)	(0.6)	-	(0.2)	-	(1.0)
Loans	(2.0)	(0.1)	(0.1)	-	(0.6)	(2.8)
Provisions	-	(0.2)	-	-	-	(0.2)
Deferred tax	(0.7)	(0.4)	(0.2)	(0.2)	(0.5)	(2.0)
Deferred income	(1.2)	(0.1)	(0.2)	(0.3)	(0.5)	(2.3)
Total identifiable net assets/(liabilities)	(0.6)	1.6	0.9	3.2	1.4	6.5
Goodwill	7.8	4.8	6.9	4.1	5.0	28.6
	7.2	6.4	7.8	7.3	6.4	35.1

Goodwill arose on the acquisitions 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.

Claranet Group Limited

Notes to the consolidated financial statements for the year ended 30 June 2016 (continued)

27 Business combinations during the period (continued)

The following table sets out the revenue and operation profit of the acquiree since the acquisition date included in the Income Statement for the reporting period

£million	Aspaway	Runiso	Morea	Techgate	Other	Total
Revenue since acquisition	5.6	4.2	0.7	4.9	3.8	19.2
Operating profit since acquisition	0.6	0.5	0.1	0.6	0.3	2.1

If the acquisitions had occurred on 1 July 2016, Group revenue would have been £160.1m and the Group's operating profit would have been £12.2m.

Acquisition costs totalling £0.9m have been recognised within administrative expenses in the Income Statement of which £0.7m has been recorded in 2016 and £0.2m in 2015.

The goodwill arising on business combination during the reporting period is not deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

£million	Total
Consideration paid in cash	18.4
Less: cash and cash equivalent balances acquired	(3.2)
Net cash outflow in year	15.2

28 Ultimate parent company

The directors consider Claranet Europe 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.

29 Post balance sheet event

On 6 July 2016, the Group acquired 100% of voting equity instruments in Diademys SAS, a managed services provider in France for consideration of £8.2m. Diademys is especially known for its expertise in the hosting and management of business-critical applications for mid-sized organisations.

On 15 July 2016, the Group acquired 100% of voting equity instruments of Ardentia Limited, a UK based specialist hosting company, for consideration of £8.7m. The company focusses on supporting their customers' high-availability websites, specifically in the e-gaming and retail sectors.

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

The Group has drawn £8.5m and €8.4m against its committed Acquisition facility following the year end.

Claranet Group Limited

Company Statement of Financial Position at 30 June 2016

Company Number 04037420				
£million	Note	2016	2015	
ASSETS				
Non-current assets				
Intangible assets	C3	0.1	0.1	
Investments	C4	4.7	4.7	
Other receivables	C5	53.8	45.1	
Total non-current assets		58.6	49.9	
Current assets				
Trade and other receivables	C5	0.1	0.3	
Cash and cash equivalents		10.2	7.2	
Total current assets		10.3	7.5	
Total assets		68.9	57.4	
LIABILITIES				
Current liabilities				
Trade and other payables	C6	(2.5)	(3.4)	
Total current liabilities		(2.5)	(3.4)	
Non-current liabilities				
Other liabilities	C6	(18.7)	(25.9)	
Loans and borrowings (excluding funding loans)	C6	(9.8)	(6.7)	
Total non-current liabilities		(28.5)	(32.6)	
Total liabilities (excluding funding loans)		(31.0)	(36.0)	
Net assets (excluding funding loans)		37.9	21.4	
FUNDED BY				
Non-current liabilities (funding loans)				
Bank loans	C6	72.9	47.2	
Loan owed to parent undertaking	C6	16.4	16.4	
		89.3	63.6	
Equity				
Share capital	C7	0.3	0.3	
Retained deficit		(51.7)	(42.5)	
		(51.4)	(42.2)	
		37.9	21.4	

The financial statements were approved by the Board of Directors and authorised for issue on 4 November 2016.

Signed on behalf of the Board of Directors

N Fairhurst
Director



The notes on pages 47 to 52 form part of these financial statements.

Claranet Group Limited

Company Statement of Cash Flows for the year ended 30 June 2016

Emillion	2016	2015
Cash flows from operating activities		
Loss for the year	(9.2)	(11.9)
Adjustments for:		
Finance income	(1.4)	-
Finance expense	9.4	10.4
	(1.2)	(1.5)
Increase in trade and other receivables	-	(0.2)
(Decrease)/Increase in trade and other payables	(0.5)	1.7
Cash (used in)/generated from operations	(1.7)	-
Cash flows from investing activities		
Purchase of intangible assets	-	(0.1)
Cash outflow on acquisition of investments	-	(2.8)
Interest received	0.5	-
Net cash used in investing activities	0.5	(2.9)
Cash flows from financing activities		
Repayment of long term borrowings	(2.8)	(69.6)
Drawdown of long term borrowings	26.3	75.4
Interest paid	(8.2)	(5.7)
Proceeds from parent undertakings	2.2	0.2
Proceeds from fellow subsidiary undertakings	(3.4)	9.8
Repayment to subsidiary undertakings	(9.9)	(4.1)
Net cash generated from financing activities	4.2	6.0
Net increase in cash and cash equivalents	3.0	3.1
Cash and cash equivalents at beginning of year	7.2	4.1
Cash and cash equivalents at end of year	10.2	7.2

The notes on pages 47 to 52 form part of these financial statements.

Claranet Group Limited

Company Statement of Changes in Equity for the year ended 30 June 2016

Emillion	Share capital	Retained deficit	Total equity
Balance as at 1 July 2014	0.3	(30.6)	(30.3)
Total comprehensive loss for the year	-	(11.9)	(11.9)
Balance as at 30 June 2015	0.3	(42.5)	(42.2)
Balance as at 1 July 2015	0.3	(42.5)	(42.2)
Total comprehensive loss in the year	-	(9.2)	(9.2)
Balance as at 30 June 2016	0.3	(51.7)	(51.4)

The nature of each reserve is disclosed in note C8.

The notes on pages 47 to 52 form part of these financial statements.

Claranet Group Limited

Notes to the company financial statements for the year ended 30 June 2016

C1 Accounting policies

The accounting policies of the Company are consistent with those adopted by the Group.

C2 Financial instruments

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

£million	Sterling	Euro	Total
As at 30 June 2016			
Amounts owed by parent undertakings	0.5	-	0.5
Amounts owed by subsidiary undertakings	48.6	-	48.6
Amounts owed by fellow subsidiary undertakings	4.5	-	4.5
Trade and other receivables	0.2	-	0.2
Cash and cash equivalents	10.2	-	10.2
Trade and other payables	(3.9)	-	(3.9)
Loans and borrowings	(44.6)	(38.1)	(82.7)
Amounts owed to parent undertakings	(22.0)	-	(22.0)
Amounts owed to subsidiary undertakings	(1.1)	-	(1.1)
Amounts owed to fellow subsidiary undertakings	(10.9)	-	(10.9)
Total	(18.5)	(38.1)	(56.6)
As at 30 June 2015			
Amounts owed by parent undertakings	10.9	-	10.9
Amounts owed by subsidiary undertakings	33.1	-	33.1
Amounts owed by fellow subsidiary undertakings	1.1	-	1.1
Cash and cash equivalents	6.2	1.0	7.2
Trade and other payables	(4.5)	-	(4.5)
Loans and borrowings	(41.3)	(12.6)	(53.9)
Amounts owed to parent undertakings	(30.2)	-	(30.2)
Amounts owed to fellow subsidiary undertakings	(10.9)	-	(10.9)
Total	(35.6)	(11.6)	(47.2)

Claranet Group Limited

Notes to the company financial statements for the year ended 30 June 2016 (continued)

C2 Financial instruments (continued)

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

£million	Up to 3 months	1 to 5 years	Total
As at 30 June 2016			
Amounts owed by parent undertakings	-	0.5	0.5
Amounts owed by subsidiary undertakings	-	48.6	48.6
Amounts owed by fellow subsidiary undertakings	-	4.5	4.5
Trade and other receivables	-	0.2	0.2
Cash and cash equivalents	10.2	-	10.2
Trade and other payables	(2.5)	(1.1)	(3.6)
Loans and borrowings	-	(82.7)	(82.7)
Amounts owed to parent undertakings	-	(22.0)	(22.0)
Amounts owed to subsidiary undertakings	-	(1.1)	(1.1)
Amounts owed to fellow subsidiary undertakings	-	(10.9)	(10.9)
Total	7.7	(64.0)	(56.3)
As at 30 June 2015			
Amounts owed by parent undertakings	-	10.9	10.9
Amounts owed by fellow subsidiary undertakings	-	1.1	1.1
Amounts owed by subsidiary undertakings	-	33.1	33.1
Cash and cash equivalents	7.2	-	7.2
Trade and other payables	(3.4)	(1.1)	(4.5)
Loans and borrowings	-	(53.9)	(53.9)
Amounts owed to parent undertakings	-	(30.2)	(30.2)
Amounts owed to fellow subsidiary undertakings	-	(10.9)	(10.9)
Total	3.8	(51.0)	(47.2)

Claranet Group Limited

Notes to the company financial statements
for the year ended 30 June 2016 (continued)

C3 Intangible assets

£million	Software
Cost	
At 1 July 2014	-
Additions	0.1
At 30 June 2015	0.1
Amortisation and impairment	
At 1 July 2014	-
Provided for the year	-
At 30 June 2015	-
Carrying value	
At 30 June 2015	0.1
Cost	
At 1 July 2015	0.1
Additions	-
At 30 June 2016	0.1
Amortisation and impairment	
At 1 July 2015	-
Provided for the year	-
At 30 June 2016	-
Carrying value	
At 30 June 2016	0.1

Claranet Group Limited

Notes to the company financial statements for the year ended 30 June 2016 (continued)

C4 Investments

Investments in subsidiary undertakings

£million	Total Investment
Cost	
At 1 July 2014	1.9
Additions	2.8
At 30 June 2015 & 30 June 2016	4.7

At 30 June 2016, 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
Techgate Limited (formerly Techgate plc)*	United Kingdom	100%	Managed network and hosting
Linux IT Europe Limited*	United Kingdom	100%	Managed hosting and professional services
Bashton Ltd*	United Kingdom	100%	Managed hosting and professional services
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
Financiere BCMP SAS	France	100%	Intermediate holding company
Aspaway SAS	France	100%	Managed hosting
Runiso SAS	France	100%^	Managed hosting
Morea Conseils SAS	France	100%	Managed hosting and professional services
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
Claranet Portugal, SA (formerly 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 *	Portugal	100%	Managed network and hosting
Cgest SA*	Portugal	100%	Internet service provider
Inok Consulting, SA	Portugal	100%	Managed hosting and professional services
Lunacloud, Unipessoal, LDA	Portugal	100%	Managed hosting
Claranet SA	Spain	100%	Managed network and hosting
Netscalibur Limited *	United Kingdom	100%	Non-trading
Netscalibur UK Limited *	United Kingdom	100%	Non trading
Netscalibur International Holdings Limited *	United Kingdom	100%	Non trading
Netscalibur UK Holdings Limited *	United Kingdom	100%	Non trading
U-Net UK Ltd*	United Kingdom	100%	Non trading
Netlink Internet Services Limited *	United Kingdom	100%	Non trading
I-Way Limited *	United Kingdom	100%	Non trading
I-Way Oxford Limited *	United Kingdom	100%	Non trading
U-Net Limited *	United Kingdom	100%	Non trading
Worldwide Web Services Limited *	United Kingdom	100%	Non trading

* Indirect shareholding through intermediate subsidiary undertaking

^ Includes option to purchase 11.62% of the ordinary share capital

Claranet Group Limited

Notes to the company financial statements
for the year ended 30 June 2016 (*continued*)

C5 Trade and other receivables

£million	2016	2015
Amounts falling due within one year:		
Prepayments	0.1	0.3
Total trade and other receivables due within one year	0.1	0.3
Amounts falling due in more than one year:		
Amounts owed by parent undertakings	0.5	10.9
Amounts owed by subsidiary undertakings	48.6	33.1
Amounts owed by fellow subsidiary undertakings	4.5	1.1
Other receivables	0.2	-
Total other receivables due in more than one year	53.8	45.1

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

C6 Trade and other payables

£million	2016	2015
Amounts falling due within one year:		
Trade payables	0.8	-
Accruals	1.7	3.4
Trade and other payables due within one year	2.5	3.4
Amounts due in more than one year:		
Amounts owed to parent undertakings	5.6	13.8
Amounts owed to subsidiary undertakings	1.1	-
Amounts owed to fellow subsidiary undertakings	10.9	10.9
Other payables	1.1	1.2
Other liabilities	18.7	25.9
Bank loans (excluding funding loans)	9.8	6.7
Loans and borrowings (excluding funding loans)	9.8	6.7
Bank loans	72.9	47.2
Loan owed to parent undertaking	16.4	16.4
Total liabilities due in more than one year (excluding funding loans)	89.3	63.6

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

Claranet Group Limited

Notes to the company financial statements for the year ended 30 June 2016 (continued)

C7 Share capital

	2016 Number	2015 Number	2016 £million	2015 £million
Allotted, Called Up and Fully Paid Ordinary shares of £1 each	250,000	250,000	0.3	0.3

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

C8 Reserves

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

C9 Related party transactions

Key management personnel remuneration is disclosed in Note 8 to consolidated financial statements.

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

£million	Services provided		Services received	
	2016	2015	2016	2015
Company				
Fellow subsidiary undertakings	0.7	0.4	-	-

Balances held with entities that are controlled by its ultimate parent, Claranet Europe Limited are disclosed separately in notes C5 and C6 with movements on the loans disclosed in the Cash Flow Statement.

C10 Cash flow

£million	2016	2015
Cash and cash equivalents for purposes of the statement of cash flows comprises:		
Cash available on demand	10.2	7.2

C11 Loss attributable to Claranet Group Limited

The loss for the financial year of the parent company, Claranet Group Limited was £9.2m (2015: £11.9m). As permitted by section 408 of the Companies Act 2006, no separate Income Statement is presented in respect of the company.