Claranet Group Limited

Report and Financial Statements

Year Ended

30 June 2017

Company Number 04037420

Claranet Group Limited

Report and financial statements for the year ended 30 June 2017

Contents

Directors

C Nasser
M Robert
N Fairhurst
T Grob

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 2017

The Directors present their strategic report on the Group for the year ended 30 June 2017.

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 United Kingdom ("UK"), France, Germany, Spain, the Netherlands, Portugal, Brazil and Italy.

Results and performance

The Group continues to grow through a strategy of organic growth and strategic acquisitions.

During the year, the Group made acquisitions in the UK, France, Portugal, Brazil and the Netherlands as well as starting up an operation in Italy.

Revenue for the year was £216.5m, up from £152.5m in 2016, an increase of £55.3m, at constant currency, as a result of a combination of organic growth and acquisitions, and a favourable effect of £8.7m arising from the strengthening of the euro against sterling. The current annualised revenue for the Group is approximately £310m.

Gross margin for 2017 was 59% (2016: 59%).

Adjusted EBITDA was £38.7m (2016: £29.4m), 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 £7.9m increase, at constant currency, from normal trading and acquisitions and a £1.4m positive effect of the stronger euro against sterling.

Adjusted EBITDA is stated before £4.1m (2016: £2.2m) of restructuring costs for the integration of the acquisitions with existing businesses, the benefits of which will be seen in future years.

The net finance expense for the year was £5.8m higher at £17.0m (2016: £11.2m) 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 and contingent consideration. Additionally, the remaining arrangement fees from the previous loan facilities of £3.1m (2016: £nil) were written off as an exceptional finance expense when the Group refinanced during the year – see Financing section on the next page.

Following this increase in finance expenses, the Group's loss before taxation for the year was £5.2m (2016: £nil), an increase of £5.2m which is explained above and by an increase in amortisation and depreciation. The loss after tax for the year is £6.4m (2016: £0.3m loss).

Acquisitions

During the year, the Group acquired businesses in the UK (Ardenta Limited, Sec-1 Holdings Limited and its subsidiary Sec-1 Limited), in France (Diademys SAS, Hipstech SAS and its subsidiary Oxalide SAS), in the Netherlands (DVBS BV and its subsidiary Rely BV), in Portugal (ITEN Solutions – Systems de Informacao SA) and in Brazil (CredibilIT Tecnologia Ltda). Further details, including the rationale for the acquisitions, are set out in note 27.

The Group's total assets at 30 June 2017 were £361.7m (2016: £201.8m), an increase of £159.9m. The assets acquired through acquisitions made in the year represented £133.9m of this increase.

Financing

During the year the Group successfully completed a refinancing of its debt facilities. The Group fully repaid its existing facilities provided by RBS, Ares and Goldman Sachs, and increased its borrowing facilities with a club of banks comprising ABN AMRO, the Bank of Ireland, HSBC, NATIXIS, Partners Group, RBS, Societe General and Sumitomo Mitsui Banking Corporation (together the "Lenders") to include:

- £60.9m and €60.9m Term Loan Borrowings 1 ("TLB1") senior debt facility; and
- €65.0m Term Loan Borrowings 2 ("TLB2") senior debt facility designated solely for the purchase of Sec-1, Oxalide and ITEN.

Additionally, the Lenders excluding Partners Group provided:

- £15.0m revolving credit facility ("RCF") and overdraft; and
- £80.0m Acquisition and CAPEX facility ("ACF").

The new facilities provided the Group with long term borrowing capacity until 2022 together with a flexible acquisition and CAPEX facility to support the Group's growth strategy.

During the year the Group fully drew down the £60.9m TLB1 facility, the €60.9m TLB1 facility, €49.4m of the TLB2 facility in euros and the remaining £13.5m of the TLB2 facility in sterling. As at 30 June 2017, the acquisition and CAPEX facility had not been drawn. Bank borrowings, including funding loans and net of deferred finance charges, at the year end, were £166.0m (2016: £83.4m).

As part of the refinancing the Group incurred exceptional finance expenses of £3.1m, principally related to the write off of unamortised transaction costs from the previous senior facility and legal expenses.

In parallel to the refinancing, a minority equity stake in Claranet International Limited, a parent undertaking of Claranet Group Limited, was sold to Tikehau Capital SA and Partners Group GmbH.

Capital contributions

During the year, capital contributions of £25.0m (2016: £nil) arose on the waiver of loans and assumption of a liability by a parent company.

Customers

During the financial year to June 2017, the Group secured a number of important new, renewal and extension contracts, including:

- **In the UK:** MAM Software.Ltd, UNISON, AEVI, Missguided Limited, Lush.
- **In France:** France Media Monde, Lagardère active, Norauto, Aramis Auto.
- **In Germany:** Aktion Mensch e.V, Hilti Middle East FZE, ip.labs GmbH, Fujitsu.
- **In Spain:** Aegis Security SL (Spamina), Volotea, Magento.
- **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 2017 and excluding recent acquisitions ITEN and Oxalide, was in excess of £230m (2016: £217.7m). An increase of £7.9m at constant currency in addition to an increase of £4.4m 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:

Network services

- Internet connectivity
- Private network services

Hosting and Application services

- Managed customer-facing applications
- Managed back-office applications
- Database management
- Managed hosting
- Infrastructure as a service ("IaaS")
- Colocation hosting

Other

- Voice services
- E-mail services
- Hosting IP telephony
- Collaboration services
- Security services (penetration testing, vulnerability assessments, compliance and audits, incident response and training)
- Systems integration

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;
- Payment Card Industry Data Security Standard ("PCI/DSS");
- AWS Premier Consulting Partner;
- Google Cloud Partner;
- Microsoft Gold Partner;
- VMware Premier Service Provider;
- Crest;
- CESG Check; and
- Cyber Essentials.

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.

	2017	**2016 retranslated at 2017 exchange rates**	**Increase/ (decrease) at constant currency**	**2016**
Revenue	£216.5m	£161.2m	£55.3m	£152.5m
Adjusted EBITDA	£38.7m	£30.8m	£7.9m	£29.4m
Gross margin	59%	60%	(1%)	59%
Total contract value at year end	£230.0m*	£222.1m	£7.9m	£217.7m

*excludes recent acquisitions ITEN and Oxalide.

In order to separate underlying performance from the effect of changes in the euro/sterling exchange rate, 2016 KPIs have been retranslated at 2017 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.

Principal Risks and Uncertainties

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

The key business risks affecting the group are set out below.

Risk	**Mitigants**
Deflation in the networks market	• Close monitoring of margins to protect returns in brokering networks. • Opportunity to take share from 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	• Secure lower cost data centre space. • Migrate from higher-cost data centres to lower cost facilities as and when possible.
Maintenance of market share	• 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	• 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	• Claranet sees the growth in public cloud 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's decision to leave the EU. The Directors believe that Brexit will not have a significant impact on the Group's ability to conduct business however there may be some slowdown in the broader economies of key markets. This will be mitigated by the fact that Claranet generally provides critical business services which are not discretionary in nature.

On behalf of the Board of Directors

N Fairhurst
Director

20 November 2017

The Directors present their report together with the audited financial statements for the year ended 30 June 2017.

Identification of Information Included in the Group Strategic Report

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

Dividends

The Directors do not recommend the payment of a dividend (2016: £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 Group 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 a gross overdraft facility of £5.0m (£2.8m net), included in the revolving credit facility of £15.0m available to provide working capital.

At the year end, the drawn amounts under the new debt financing facilities were £60.9m on the TLB1 sterling facility, €60.9m on the TLB1 euro facility, and €49.4m drawn in euros and £13.5m drawn in sterling on the TLB2 facility. Neither the RCF nor ACF were drawn down at 30 June 2017.

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 £30.0m 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. On 22 August 2017, the Group purchased:

- A 1% LIBOR interest rate cap on £10.0m of borrowings and a 0.75% Euribor interest rate cap on €63.0m of borrowings until January 2018; and
- A 1% LIBOR interest rate cap on £60.0m of borrowings from January 2018 to July 2019 and a 0.75% Euribor interest rate cap on €80.0m of borrowings from January 2018 to July 2020.

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 2017, 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.

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 market research in order to better understand market conditions and forecasts in the 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

No significant post balance sheet events affecting the Group have taken place since the year end.

Directors

The Directors of the Company during the year were:

C Nasser
M Robert
N Fairhurst
N Massard (resigned 24 May 2017)
T Grob (appointed 24 May 2017)

Directors' responsibilities

The Directors are responsible for preparing the Group strategic report, 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

20 November 2017

TO THE MEMBERS OF CLARANET GROUP LIMITED

Opinion

We have audited the financial statements of Claranet Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 June 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Cash Flows, Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 member 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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

BDO LLP

Anthony Perkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
20 November 2017

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 2017

£million	Note	2017	2016
Revenue	4	**216.5**	152.5
Cost of sales		**(89.6)**	(61.9)
Gross profit		**126.9**	90.6
Administrative expenses		**(115.1)**	(79.4)
Operating profit		**11.8**	11.2
Analysed as:			
Adjusted EBITDA		**38.7**	29.4
Depreciation		**(15.9)**	(11.9)
Amortisation		**(6.4)**	(3.8)
Gain/(loss) on disposal of property, plant and equipment and write off of intangible assets	5	**0.1**	(0.1)
Foreign exchange loss		**(0.6)**	(0.2)
Operating profit before exceptional items		**15.9**	13.4
Exceptional items	6	**(4.1)**	(2.2)
Operating profit		**11.8**	11.2
Finance income	11	**0.3**	-
Finance expense	11	**(14.2)**	(11.2)
Exceptional finance expense	6	**(3.1)**	-
Finance expense - net		**(17.0)**	(11.2)
Loss before tax		**(5.2)**	-
Income tax expense	12	**(1.2)**	(0.3)
Loss for the year from continuing operations		**(6.4)**	(0.3)

Claranet Group Limited

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2017

£million	2017	2016
Loss for the year	**(6.4)**	(0.3)
Other comprehensive income		
Exchange differences	**(0.3)**	(0.3)
Total other comprehensive loss	**(0.3)**	(0.3)
Total comprehensive loss for the year	**(6.7)**	(0.6)

The notes on pages 15 to 44 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Financial Position
at 30 June 2017

Company Number 04037420

£million	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	13	**35.7**	26.6
Intangible assets	14	**194.3**	115.4
Investments		**0.5**	-
Other receivables	16	**12.0**	6.0
Deferred tax asset	20	**4.6**	4.1
Total non-current assets		**247.1**	152.1
Current assets			
Inventory	15	**2.0**	-
Trade and other receivables	16	**73.4**	27.8
Cash and cash equivalents	26	**39.2**	21.9
Total current assets		**114.6**	49.7
Total assets		**361.7**	201.8
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(81.8)**	(40.8)
Loans and borrowings	17	**(14.6)**	(10.7)
Total current liabilities		**(96.4)**	(51.5)
Non-current liabilities (excluding funding loans)			
Other liabilities	17	**(30.5)**	(30.9)
Loans and borrowings (excluding funding loans)	17	**(12.9)**	(20.3)
Deferred tax liability	20	**(11.6)**	(4.7)
Provisions	19	**(0.4)**	(0.7)
Total non-current liabilities (excluding funding loans)		**(55.4)**	(56.6)
Deferred revenue		**(14.9)**	(11.8)
Total liabilities (excluding funding loans)		**(166.7)**	(119.9)
Net assets (excluding funding loans)		**195.0**	81.9
FUNDED BY			
Non-current liabilities (funding loans)			
Bank loans	17	**164.6**	72.9
Loan from parent undertaking	17	**19.5**	16.4
		184.1	89.3
Equity			
Share capital	22	**0.3**	0.3
Retained earnings/(deficit)		**13.5**	(5.1)
Foreign currency translation reserve		**(2.9)**	(2.6)
		10.9	(7.4)
		195.0	81.9

The financial statements were approved by the Board of Directors and authorised for issue on 20 November 2017.

Signed on behalf of the Board of Directors

N Fairhurst
Director

The notes on pages 15 to 44 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Cash Flows
for the year ended 30 June 2017

£million	Note	2017	2016
Cash flows from operating activities			
Loss for the year		**(6.4)**	(0.3)
Adjustments for:			
Depreciation and amortisation		**22.3**	15.7
Finance income	11	**(0.3)**	-
Finance expense	11	**14.2**	11.2
Exceptional finance expense	6	**3.1**	-
Taxation	12	**1.2**	0.3
(Profit)/loss on sale of property, plant and equipment	5	**(0.1)**	0.1
Other non-cash items		**(1.3)**	-
		32.7	27.0
Decrease in inventories		**0.4**	0.4
Increase in trade and other receivables		**(10.0)**	(0.4)
Increase/(decrease) in trade and other payables		**11.3**	(3.1)
(Decrease)/increase in provisions		**(0.3)**	0.1
Cash generated from operations		**34.1**	24.0
Taxation paid		**(2.4)**	(0.7)
Net cash generated from operating activities		**31.7**	23.3
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4.6)**	(2.8)
Purchase of intangible assets		**(4.1)**	(3.8)
Proceeds on disposal of property, plant and equipment		**0.4**	0.1
Cash outflow on acquisition of subsidiaries (net of cash acquired)	27	**(60.8)**	(15.2)
Deferred and contingent consideration paid		**(9.1)**	(0.6)
Interest received		**0.1**	-
Net cash used in investing activities		**(78.1)**	(22.3)
Cash flows from financing activities			
Repayment of long term borrowings		**(115.7)**	(4.7)
Drawdown of long term borrowings		**188.9**	26.3
Interest paid		**(11.9)**	(9.5)
Payment of finance lease liabilities		**(11.3)**	(7.0)
(Repayment of)/ proceeds from other loans		**(0.4)**	0.1
Loan from parent undertakings		**18.3**	2.2
Payments to fellow subsidiary undertakings		**(4.8)**	(3.4)
Net cash generated from financing activities		**63.1**	4.0
Net increase in cash and cash equivalents		**16.7**	5.0
Cash and cash equivalents at beginning of year		**21.9**	16.4
Effect of exchange rate changes		**0.6**	0.5
Cash and cash equivalents at end of year	26	**39.2**	21.9

The notes on pages 15 to 44 form part of these financial statements.

Claranet Group Limited

Consolidated Statement of Changes in Equity
for the year ended 30 June 2017

£million	Share capital	Retained (deficit)/ earnings	Foreign currency translation reserve	Total equity
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)**
At 1 July 2016	**0.3**	**(5.1)**	**(2.6)**	**(7.4)**
Loss for the year	-	(6.4)	-	(6.4)
Other comprehensive loss	-	-	(0.3)	(0.3)
Total comprehensive loss	-	(6.4)	(0.3)	(6.7)
Capital contribution arising on waiver of loans and assumption of a liability by a parent company	-	25.0	-	25.0
At 30 June 2017	**0.3**	**13.5**	**(2.9)**	**10.9**

The nature of each reserve is disclosed in note 23.

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 2017 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 2016

No new standards, amendments to published standards or interpretations of existing standards effective from 1 July 2016 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.

IFRS 9 – Financial instruments (Issued July 2014, applicable from January 2018)

The standard is applicable to financial assets and financial liabilities and covers the classification, measurement, impairment and de-recognition of financial assets and liabilities together with a new hedge accounting model.

The Group expects the impact with regard to IFRS 16 to be material to the financial statements. The Group is in the process of assessing the impact of IFRS 15 and IFRS 9. The requirements of IFRS 9 and their implications to the Group financial statements will be assessed both individually and alongside our assessment of any changes that may be identified in regard to IFRS 15. Beyond this it is not currently practical to provide a reasonable financial estimate of the effect of these standards until the assessments have been concluded. Management expects to disclose the financial effect of these standards within the Group's financial statements for the year ended 30 June 2018 and will also continue to monitor the practical interpretation of these new standards within the industry prior to full implementation.

A number of other new standards, amendments and interpretations are effective for periods beginning on or after 1 January 2017 and have not yet been applied in preparing these Financial Statements of the Group. The Directors do not believe they will have a material impact on the Group.

1 Accounting policies *(continued)*

Business Combinations

The consolidated financial statements incorporate the results of Claranet Group Limited and its subsidiary undertakings as at 30 June 2017 using the acquisition method of accounting.

Business combinations falling within the scope of IFRS 3 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.

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 the Consolidated Income Statement.

Capital contributions

Capital contributions arising on the waiver of loans to the Group, or assumption of liabilities of the Group, by a parent undertaking are recorded as a movement on retained earnings/(losses) in the Consolidated Statement of Changes in Equity.

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 2017/18.
- The Group had a positive cash balance of £39.2m as at 30 June 2017 (2016: £21.9m) and is forecasting positive operating cash flow for 2017/18.
- The current banking facilities were renewed in May 2017 with funding available until 2022. Prior to March 2017, the Group drew down £21.9m to finance the acquisitions of Ardenta, Diademys, Rely and CredibilIT, together with paying the deferred consideration on a number of prior year acquisitions. On the 24 May 2017, the Group drew down £60.9m on the TLB1 sterling facility and €60.9m on the TLB1 euro facility to repay its RBS, Ares and Goldman Sachs senior debt in full, and drew a further €49.4m and £13.5m on the TLB2 facility to fund acquisitions. All amounts drawn on the TLB1 and TLB2 facilities remained due as at 30 June 2017.
  In addition, the Group Eurobond facility of £16.3m together with accrued interest of £3.4m was released by Claranet Europe Limited, and recognised as a capital contribution to reserves by the Group, and a new Eurobond loan of £19.5m was provided from a parent entity (Claranet International Limited) with a term to July 2022.
- The Group has future contracted revenues of £230.0m excluding recent acquisitions ITEN and Oxalide.

The Directors continue to monitor the Group's funding strategy and have prepared detailed forecasts for future years to 2022. 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.

1 Accounting policies *(continued)*

Revenue

Revenue, which is stated net of value added tax, represents sales from products and services provided to third parties. Revenue is recognised when it is probable that economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated costs can be measured reliably. The recognition criteria for different streams of revenue in the Group are set out below:

- Revenue for contracted services is recognised when the service has been provided and, if required by the contract, accepted by third parties;
- Revenue for support agreements is recognised on a time apportionment basis evenly over the term of the agreement;
- Revenue for products is recognised when the significant risks and rewards of ownership have transferred to the buyer;
- Revenue related to charges for usage is recognised in the period to which it relates; and
- Revenue from professional services, including fixed price contracts is recognised based on the percentage of completion. This relies on estimates of total expected contract revenue and costs, as well as the reliable measurement of the progress made towards completion.

The element of invoicing related to future periods is deferred and released to the Consolidated 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 revenue of the consolidated Group in both 2016 and 2017.

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 Consolidated 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 Consolidated 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% - 33⅓%

1 Accounting policies *(continued)*

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%

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% - 33⅓%
Fixtures and fittings	-	33⅓%
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.

1 Accounting policies *(continued)*

Financial Instruments *(continued)*

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.

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 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 Consolidated Income Statement.

Operating lease rentals are charged to the Consolidated 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.

1 Accounting policies *(continued)*

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 Consolidated 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.

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 Consolidated 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 Consolidated 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.

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: £139.4m

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: £4.6m

Recognition of a deferred tax asset in respect of trading losses and accelerated capital allowances is based on an estimate of future profits around which there is always a degree of uncertainty. The total potential deferred tax asset, together with the recognised and unrecognised amounts are set out in note 20. An increase or decrease in the estimate of future taxable profits would increase or decrease the recognised deferred tax asset at the tax rate of the applicable jurisdiction set out in note 20.

Property, Plant and Equipment: £35.7m

Property, plant and equipment is depreciated over its useful life at the rates set out in the property, plant and equipment section of the Accounting Policies. The useful life is based on management estimates of the period that the asset will generate revenue, and is periodically reviewed for appropriateness. There have been no changes to the estimates of the useful life of assets during the period.

Development Costs: £6.0m

Development costs are capitalised based on a judgement by management on whether they meet the criteria laid down in IAS 38 for capitalisation.

Capitalised development costs are amortised over their useful life at the rates set out in the intangible assets and goodwill section of the Accounting Policies. The useful life is based on management estimates of the period that the asset will generate revenue, and is periodically reviewed for appropriateness. There have been no changes to the estimates of the useful life of assets during the period.

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, they have 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.

3 Financial instruments *(continued)*

a) Credit risk (continued)

Trade receivables are summarised as follows:

£million	2017	2016
Up to 30 days	**39.4**	15.6
Past due:		-
30 to 90 days	**3.5**	2.3
More than 90 days	**2.4**	2.3
Gross	**45.3**	20.2
Less allowance for impairment	**(1.8)**	(1.6)
	43.5	18.6

Allowance for impairment movement in the year:

£million	2017	2016
As at 1 July	**(1.6)**	(1.5)
Provided in the year	**(0.3)**	(0.6)
Written off during the year	**0.8**	1.1
Unused amounts reversed	**0.1**	0.2
Business acquired	**(0.7)**	(0.7)
Foreign exchange	**(0.1)**	(0.1)
As at 30 June	**(1.8)**	(1.6)

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 and Euribor plus an agreed margin, subject to a minimum LIBOR and Euribor rates of 0.0%.

To reduce the impact on profit should interest rates increase, the Group has purchased:

- a 2% LIBOR interest rate cap on £30m of borrowings until March 2018;
- a 1% LIBOR interest rate cap on £10m of borrowings from October 2017 to January 2018;
- a 1% LIBOR interest rate cap on £60m of borrowings from January 2018 to July 2019;
- a 0.75% Euribor interest rate cap on €12.9m of borrowings until March 2018;
- a 0.75% Euribor interest rate cap on €63m of borrowings from October 2017 to January 2018; and
- a 0.75% Euribor interest rate cap on €80m of borrowings from January 2018 to July 2020.

An increase in LIBOR of 0.1% would increase the finance expense by £0.1m. An increase in Euribor of 0.1% would increase the finance expense by £0.1m

3 Financial instruments *(continued)*

b) Market risk (continued)

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.

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 2017				
Trade and other receivables	7.9	56.7	0.2	64.8
Amounts owed by parent undertakings	1.3	-	-	1.3
Amounts owed by fellow subsidiary undertakings	9.3	-	-	9.3
Cash and cash equivalents	18.8	19.3	1.1	39.2
Trade and other payables	(20.4)	(63.8)	(3.1)	(87.3)
Loans and borrowings	(78.2)	(114.1)	-	(192.3)
Amounts owed to parent undertakings	(22.4)	-	-	(22.4)
Amounts owed to fellow subsidiary undertakings	(10.9)	-	-	(10.9)
	(94.6)	**(101.9)**	**(1.8)**	**(198.3)**
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)**

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 2017					
Trade and other receivables	61.0	2.4	1.4	-	64.8
Amounts owed by parent undertakings	-	-	1.3	-	1.3
Amounts owed by fellow subsidiary undertakings	-	-	9.3	-	9.3
Cash and cash equivalents	39.2	-	-	-	39.2
Trade and other payables	(68.1)	(2.5)	(16.4)	(0.3)	(87.3)
Loans and borrowings	(6.3)	(9.1)	(177.6)	-	(193.0)
Amounts owed to parent undertakings	-	-	(22.4)	-	(22.4)
Amounts owed to fellow subsidiary undertakings	-	-	(10.9)	-	(10.9)
Total	**25.8**	**(9.2)**	**(215.3)**	**(0.3)**	**(199.0)**
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)**

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 UK, France, Germany, Spain, Portugal, Benelux, Italy and Brazil. Operations in France, Germany, Spain, Portugal, Benelux and Italy 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.

Reporting segment "Rest of the world" aggregates the operation in Brazil. Although this segment does not meet the quantitative thresholds required by IFRS 8 for reportable segments, management has concluded that this segment should be reported, as it is closely monitored as a potential growth region and is expected to materially contribute to group revenue in the future.

b) Segment revenue and results

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

	Segment revenue		**Segment profit**	
£million	**2017**	**2016**	**2017**	**2016**
UK	**101.1**	94.1	**19.2**	19.4
Rest of Europe	**109.7**	58.4	**19.1**	10.0
Rest of the world	**5.7**	-	**0.4**	-
Total	**216.5**	152.5	**38.7**	29.4
Depreciation			**(15.9)**	(11.9)
Amortisation			**(6.4)**	(3.8)
Gain/(loss) on disposal of property, plant and equipment and write off of intangible assets			**0.1**	(0.1)
Foreign exchange loss			**(0.6)**	(0.2)
Operating profit before exceptional items			**15.9**	13.4
Exceptional items			**(4.1)**	(2.2)
Operating profit			**11.8**	11.2
Net finance expense			**(13.9)**	(11.2)
Exceptional finance expense			**(3.1)**	-
Loss before tax			**(5.2)**	-

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 Adjusted EBITDA, the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

4 *Segment information* *(continued)*

c) Segment assets and liabilities

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

	Assets		**Liabilities**	
£million	**2017**	**2016**	**2017**	**2016**
UK	**117.3**	96.1	**(26.1)**	(23.9)
Rest of Europe	**184.3**	74.3	**(71.9)**	(31.2)
Rest of the world	**5.4**	-	**(0.6)**	-
Segment assets/(liabilities)	**307.0**	170.4	**(98.6)**	(55.1)
Unallocated assets and liabilities	**54.7**	31.4	**(68.1)**	(64.8)
Total assets/(liabilities excluding funding loans)	**361.7**	201.8	**(166.7)**	(119.9)
Funding loans	**-**	-	**(184.1)**	(89.3)
Total assets/(liabilities)	**361.7**	201.8	**(350.8)**	(209.2)

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 current and deferred tax liabilities, borrowings, and funding loans.

d) Other segment information

	Depreciation and amortisation		**Additions to non-current assets**	
£million	**2017**	**2016**	**2017**	**2016**
UK	**11.0**	9.8	**9.9**	7.5
Rest of Europe	**11.2**	5.9	**12.0**	8.5
Rest of the world	**0.1**	-	**-**	-
	22.3	15.7	**21.9**	16.0

e) Geographical information

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

	Non-current assets	
£million	**2017**	**2016**
UK	**104.4**	85.6
Rest of Europe	**121.3**	56.4
Rest of the world	**4.8**	-
	230.5	142.0

Non-current assets exclude other receivables and deferred tax.

4 Segment information *(continued)*

f) Revenue from major products and services

£million	2017	2016
Networks	**54.4**	54.2
Hosting	**137.2**	89.2
Other	**24.9**	9.1
Total revenue	**216.5**	152.5

5 Loss for the year from continuing activities

£million	2017	2016
The loss for the year from continuing activities is stated after charging/(crediting):		
Depreciation and amortisation	**22.3**	15.7
Net foreign exchange losses	**0.4**	0.2
(Gain)/loss on disposal of property, plant and equipment, and write off of intangible assets	**(0.1)**	0.1

During the year, the Group capitalised development expenditure of £3.6m (2016: £3.1m).

6 Exceptional items

£million	2017	2016
Administrative expenses: Restructuring costs incurred integrating acquisitions with the existing operations	**4.1**	2.2
Finance expense: Exceptional write off of loan arrangement fees	**3.1**	-
	7.2	2.2

7 Employees

£million	2017	2016
Staff costs consist of:		
Wages and salaries	**59.5**	41.3
Social security costs	**12.8**	7.3
Defined contribution pension costs	**1.2**	1.0
Total staff costs	**73.5**	49.6
Capitalised staff costs	**(3.6)**	(3.1)
	69.9	46.5

7 Employees *(continued)*

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

Number	2017	2016
Operations	**889**	706
Sales and administration	**400**	274
Total	**1,289**	980

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	2017	2016
Remuneration consists of:		
Short term employee benefits	**535**	493
Post-employment benefits	**43**	35
Total key management personnel costs	**578**	528

The emoluments of the highest paid Director were £281,398 (2016: £322,000).

There were 2 Directors in the group's defined contribution scheme (2016: 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	2017	2016
At 1 July	**1.1**	0.9
Interest cost	-	0.1
Exchange rate loss	**0.1**	0.1
At 30 June	**1.2**	1.1
Amounts recognised in the Consolidated Statement of Financial Position:		
Present value of unfunded obligations	**1.2**	1.1
Net liability	**1.2**	1.1
Components of pension expense included in administrative expenses:		
Interest cost	-	0.1
Total pension expense	-	0.1

9 Pensions *(continued)*

£million	2017	2016
Cumulative amount of actuarial loss recognised in Other Comprehensive Income:		
At 1 July	**0.4**	0.4
Actuarial loss	**-**	-
At 30 June	**0.4**	0.4

	2017	2016
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 into account, the following table shows the net deficit of the scheme over the last four years:

£million	2017	2016	2015	2014
Plan assets	**0.4**	0.4	0.3	0.3
Plan liabilities	**(1.2)**	(1.1)	(0.9)	(0.8)
Deficit	**(0.8)**	(0.7)	(0.6)	(0.5)

Contributions: The Group expects to contribute £nil to its pension plan in 2018. However, the Group will continue to monitor the carrying value of the separately held asset.

10 Auditors' remuneration

£million	2017	2016
Group and company audit	**0.5**	0.4
Tax advisory services	**0.2**	0.1
Tax compliance	**0.1**	0.1
Corporate finance	**0.2**	0.1
Total fees	**1.0**	0.7

11 Finance income/expense

£million	2017	2016
Finance income		
Other interest receivable	**0.1**	-
Foreign exchange gains	**0.2**	-
Total finance income	**0.3**	-
Finance expense		
Interest expense for financial liabilities measured at amortised cost:		
Interest payable on finance leases	**0.9**	0.7
Bank interest payable	**7.1**	4.8
Amortisation of loan arrangement fee	**1.3**	0.9
Other interest payable	**-**	0.2
Unwinding of discount	**1.6**	1.1
Interest payable to parent undertaking	**3.3**	3.5
Total finance expense	**14.2**	11.2
Net finance expense	**(13.9)**	(11.2)

12 Taxation

£million	**2017**	**2016**
Analysis of tax expense		
Current tax		
Current year	**2.5**	0.5
Adjustment in respect of prior periods	**-**	0.1
Total current tax expense	**2.5**	0.6
Deferred tax		
Current year	**(1.2)**	(0.4)
Adjustment in respect of prior periods	**(0.1)**	0.1
Deferred tax credit	**(1.3)**	(0.3)
Total tax expense	**1.2**	0.3

Tax expense reconciliation

Loss before taxation	**(5.2)**	-
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20%)	**(1.0)**	-
Effect of:		
Expenses not deductible	**0.2**	0.2
Deferred tax not provided	**1.1**	-
Group relief not paid for	**(0.6)**	(0.4)
Research and development credits	**0.1**	-
Other reconciling items	**0.2**	0.2
Adjustment to tax in respect of prior periods	**(0.1)**	0.1
Overseas tax rate differences	**1.2**	0.1
Deferred tax rate adjustment	**0.1**	0.1
Total tax expense	**1.2**	0.3

13 *Property, plant and equipment*

£million	Network and computer equipment	Fixtures and fittings	Leasehold improvements	Other	Total
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**
Cost					
At 1 July 2016	77.4	7.4	0.6	1.7	87.1
Foreign exchange	2.6	0.2	-	0.1	2.9
Additions	17.0	0.6	-	0.2	17.8
Disposals	(2.8)	(0.1)	-	(0.1)	(3.0)
Acquired through business combinations	4.7	0.4	1.0	0.2	6.3
Reclassification	-	(0.1)	0.1	-	-
At 30 June 2017	**98.9**	**8.4**	**1.7**	**2.1**	**111.1**
Depreciation					
At 1 July 2016	54.9	4.2	0.1	1.3	60.5
Foreign exchange	1.5	0.1	-	0.1	1.7
Provided for the year	14.7	1.1	-	0.1	15.9
Depreciation on disposals	(2.5)	(0.1)	-	(0.1)	(2.7)
Reclassification	-	(0.1)	0.1	-	-
At 30 June 2017	**68.6**	**5.2**	**0.2**	**1.4**	**75.4**
Net book value					
At 30 June 2017	**30.3**	**3.2**	**1.5**	**0.7**	**35.7**

14 Intangible assets

£million	Development costs	Software and other	Customer relationships	Brand	Goodwill	Total
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**
Cost						
At 1 July 2016	7.9	1.6	25.0	2.3	88.7	125.5
Foreign exchange	0.1	0.2	1.1	0.3	2.9	4.6
Additions	3.6	0.5	-	-	-	4.1
Disposals	-	(0.2)	-	-	-	(0.2)
Acquired through business combinations	-	0.1	22.3	6.6	47.9	76.9
At 30 June 2017	**11.6**	**2.2**	**48.4**	**9.2**	**139.5**	**210.9**
Amortisation and impairment						
At 1 July 2016	3.2	0.9	5.2	0.7	0.1	10.1
Foreign exchange	-	-	0.1	-	-	0.1
Provided for the year	2.4	0.6	2.8	0.6	-	6.4
At 30 June 2017	**5.6**	**1.5**	**8.1**	**1.3**	**0.1**	**16.6**
Carrying value						
At 30 June 2017	**6.0**	**0.7**	**40.3**	**7.9**	**139.4**	**194.3**

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	2017	2016
UK	**66.1**	53.2
France	**53.1**	26.1
Benelux	**7.1**	4.4
Portugal	**8.3**	4.5
Brazil	**4.3**	-
Spain	**0.5**	0.4
	139.4	88.6

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% (2016: 10%). Budgeted revenue has been extrapolated over future periods on a nil growth basis (2016: nil growth).

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.

15 Inventories

£million	2017	2016
Finished Goods	**2.0**	-

16 Trade and other receivables

£million	2017	2016
Amounts falling due within one year:		
Trade receivables	**45.3**	20.2
Bad debt provision	**(1.8)**	(1.6)
Trade receivables	**43.5**	18.6
Other receivables	**12.3**	0.9
Prepayments and accrued income	**17.6**	8.3
Other receivables	**29.9**	9.2
Total trade and other receivables due within one year	**73.4**	27.8

£million	2017	2016
Amounts falling due in more than one year:		
Other receivables	**1.4**	1.0
Amounts owed by parent undertakings	**1.3**	0.5
Amounts owed by fellow subsidiary undertakings	**9.3**	4.5
Total other receivables due in more than one year	**12.0**	6.0

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.

17 Trade and other payables

£million	2017	2016
Amounts falling due within one year:		
Trade payables	**46.0**	14.9
VAT	**6.5**	2.9
Taxation and social security	**4.8**	2.1
Other payables	**4.9**	2.0
Consideration payable in respect of acquisitions	**5.2**	8.7
Accruals	**14.4**	10.2
Trade and other payables	**81.8**	40.8
Finance lease creditor (Note 18)	**13.1**	10.0
Bank loans and overdraft	**1.4**	0.6
Other loans	**0.1**	0.1
Loans and borrowings	**14.6**	10.7

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	2017	2016
Amounts due in more than one year		
Other payables	**1.2**	2.3
Consideration payable in respect of acquisitions	**15.5**	11.3
Amounts owed to fellow subsidiary undertakings	**10.9**	10.9
Amounts owed to parent undertakings	**2.9**	6.4
Other liabilities	**30.5**	30.9
Finance lease creditor (Note 18)	**12.8**	10.1
Bank loans	**-**	9.9
Other loans	**0.1**	0.3
Loans and borrowings (Excluding funding loans)	**12.9**	20.3
Bank loans	**164.6**	72.9
Loan owed to parent undertaking	**19.5**	16.4
Funding loans	**184.1**	89.3

Bank loans and overdrafts comprise senior debt, a revolving credit facility, and an acquisition facility which were renewed in May 2017 for a period of 5 years. Interest is payable on sterling and euro debt at LIBOR and Euribor respectively plus a variable margin as agreed with the Group's banks. The Group has purchased a series of 2% and 1% LIBOR interest rate caps and 0.75% Euribor interest rate caps to reduce the impact on profit should interest rates increase.

Bank loans are stated net of unamortised loan arrangement fees of £6.7m (2016: £3.4m).

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	2017	2016
Revolving credit facility and bank overdraft (Floating rate)	**15.0**	5.2
Acquisition credit facility	**80.0**	-
Total	**95.0**	5.2

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 2017 was £22.2m (2016: £17.3m).

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
2017			
Future lease payments are due as follows:			
Within one year	**14.0**	**(0.9)**	**13.1**
Later than one year and not later than five years	**13.2**	**(0.4)**	**12.8**
Total repayable	**27.2**	**(1.3)**	**25.9**
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

19 Provisions

£million	Dilapidations
At 1 July 2016	0.7
Utilised during the year	(0.3)
At 30 June 2017	**0.4**

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%, Portugal 21% and Netherlands 25% (2016: UK 18%, France 33%, Germany 30%, Portugal 21% and Netherlands 25%).

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:

		2017			2016	
£million	Asset	Liability	Net	Asset	Liability	Net
At 1 July	**4.1**	**(4.7)**	**(0.6)**	4.2	(3.3)	0.9
Asset/ acquired through business combinations	-	-	-	0.2	-	0.2
Liability arising on business combination	-	**(7.4)**	**(7.4)**	-	(2.0)	(2.0)
Credit/(charge) for the year	**0.4**	**0.9**	**1.3**	(0.4)	0.7	0.3
Foreign exchange	**0.1**	**(0.4)**	**(0.3)**	0.1	(0.1)	-
At 30 June	**4.6**	**(11.6)**	**(7.0)**	4.1	(4.7)	(0.6)
Represented by:						
Accelerated capital allowances	**4.1**	-	**4.1**	3.5	-	3.5
Liability arising on business combination	-	**(11.6)**	**(11.6)**	-	(4.7)	(4.7)
Intangibles	**0.4**	-	**0.4**	0.5	-	0.5
Other timing differences	**0.1**	-	**0.1**	0.1	-	0.1
Total deferred taxation asset/(liability)	**4.6**	**(11.6)**	**(7.0)**	4.1	(4.7)	(0.6)

The current year deferred tax charge includes £nil (2016: £0.1m) in respect of changes in UK tax rates.

There is a total potential deferred tax asset of £12.4m (2016: £12.0m) of which £4.6m (2016: £4.1m) has been recognised above and £7.8m (2016: £7.9m) that has not been recognised due to the uncertainty concerning the timescale of its recoverability.

21 Capital risk management

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

	2017	2016	2017	2016
	Number	Number	£million	£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 earnings/(deficit) reserve contains the net gains and losses recognised in the Consolidated Statement of Comprehensive Income, dividends and capital contributions by the Group's parent.

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

During the year, capital contributions arose on the waiver of loans and assumption of a liability by a parent company.

24 Operating lease commitments

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

£million	Land and buildings 2017	Other 2017	Land and buildings 2016	Other 2016
Total future minimum payments payable on operating leases which expire:				
Within one year	**10.8**	**5.8**	6.5	0.4
In one to five years	**16.0**	**7.5**	15.5	0.6
After 5 years	**1.1**	**-**	3.3	-
Total operating leases	**27.9**	**13.3**	25.3	1.0

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

The operating lease charge for the year was £17.8m (2016: £6.9m).

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 International Limited are disclosed separately in notes 16 and 17 with movements on the loans disclosed in the Cash Flow Statement.

26 Cash flow

£million	2017	2016
Cash and cash equivalents for purposes of the statement of cash flows comprises:		
Cash available on demand	**39.2**	21.9
Significant non cash transactions are as follows:		
Assets acquired under new finance leases	**13.2**	9.8
Capital contribution arising from the waiver of debt and assumption of a liability by parent company	**25.0**	-

27 Business combinations during the period

The following significant business combinations took place during the year:

- On 6 July 2016, the Group acquired 100% of the voting equity instruments of Diademys SAS, a managed services provider in France especially known for its expertise in the hosting and management of business-critical applications for mid-sized organisations. The company will enhance the range of services offered by Claranet.

- On 15 July 2016, the Group acquired 100% of the voting equity instruments of Ardenta Limited, a UK based specialist hosting company. The company focusses on supporting their customers' high-availability websites, specifically in the e-gaming and retail sectors. This acquisition expands the range of services offered by Claranet.

- On 22 December 2016, the Group acquired 99%, together with an option to acquire the remaining 1%, of the voting equity instruments of CredibilIT Tecnologia Ltda ("CredibilIT"), a premier consulting partner and managed services partner of Amazon Web Services in Brazil. Services provided by CredibilIT include solution design, infrastructure migration design, application migration design, security, 24x7x365 service desk operations and customer support and service level agreements. This acquisition expands the range of services offered by Claranet in Brazil which is an exciting high growth market.

- On 6 February 2017, the Group acquired 100% of the voting equity instruments of DVBS BV and its subsidiary Rely BV (together "Rely"). Rely is a Dutch IT services provider which offers its clients a wide range of IT infrastructure services, including public and private cloud solutions and application management services. The company will enhance the range of services offered by Claranet.

- On 25 May 2017, the Group acquired 100% of the voting equity instruments of Sec-1 Holdings Limited and its subsidiary Sec-1 Limited (together "Sec-1"). Sec-1 is a security solutions provider in the UK. The company provides penetration testing and vulnerability assessments for applications and infrastructure, firewalls and malware protection, and security training services. Sec-1 adds significantly to Claranet's security expertise and will enhance the range of services offered by Claranet.

- On 29 May 2017, the Group acquired 100% of the voting equity instruments of ITEN Solutions – Systems de Informacao SA ("ITEN"). ITEN is a Portuguese company which operates in the IT equipment and software commercialisation sectors and provides technology services and solutions. ITEN was founded in 2013 as a result of a merger between two of the largest companies in the Portuguese ICT sector. The acquisition of ITEN is part of Claranet's strategy of becoming one of the largest IT services providers in Portugal.

- On 30 May 2017, the Group acquired 100% of the voting equity instruments of Hipstech SAS and its subsidiary Oxalide SAS (together "Oxalide"). Oxalide provides consulting, application outsourcing and web hosting services to customers in the technology sector. Oxalide is primarily a consulting and managed services business that designs, deploys and maximises its clients' IT architecture. French DevOps and cloud specialist Oxalide will reinforce Claranet's capacity to deploy and manage critical web applications.

The Diademys, Ardenta, CredibilIT and Rely business combinations are individually immaterial and therefore have been included, in aggregate, as Other in the following disclosures.

27 Business combinations during the period *(continued)*

£million	Sec-1	Oxalide	ITEN	Other	Total
Consideration					
Cash	13.5	30.1	10.7	20.7	75.0
Fair value of deferred consideration	0.3	-	2.4	1.8	4.5
Fair value of contingent consideration	1.0	3.6	2.1	2.2	8.9
	14.8	33.7	15.2	24.7	88.4

The maximum undiscounted contingent consideration for Sec-1, Oxalide, ITEN and Other business combinations is £2.4m, £5.0m, £3.4m and £3.4m respectively. The minimum contingent consideration is £nil. The estimated fair value of the deferred consideration is set out in the table above. All deferred consideration is due in cash.

£million	Sec-1	Oxalide	ITEN	Other	Total
Recognised amounts of identifiable assets acquired and liabilities assumed					
Property, plant and equipment	0.1	2.0	1.6	2.6	6.3
Intangible assets	5.1	10.6	7.6	5.7	29.0
Investments	-	0.5	-	-	0.5
Inventory	-	0.7	1.6	-	2.3
Trade and other receivables	0.8	2.6	22.9	7.4	33.7
Cash	2.4	4.7	2.4	4.7	14.2
Trade and other payables	(1.2)	(2.1)	(21.1)	(5.3)	(29.7)
Current tax assets/(liabilities)	-	0.1	(0.1)	-	-
Finance leases	-	(1.3)	(0.5)	(1.5)	(3.3)
Loans	-	(0.7)	-	(1.0)	(1.7)
Deferred tax	(0.9)	(3.5)	(1.6)	(1.4)	(7.4)
Deferred income	-	(0.1)	(1.1)	(2.2)	(3.4)
Total identifiable net assets	6.3	13.5	11.7	9.0	40.5
Goodwill	8.5	20.2	3.5	15.7	47.9
	14.8	33.7	15.2	24.7	88.4

Intangibles assets for Customer Relationships and Brands were recognised at fair value on acquisition. All other assets and liabilities were recognised at their book value, which is considered to be a fair reflection of fair value. Total identifiable net assets for Other acquisitions includes £4.0m in respect of Diademys.

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.

27 Business combinations during the period *(continued)*

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

£million	Sec-1	Oxalide	ITEN	Other	Total
Revenue since acquisition	0.7	2.0	8.7	32.6	44.0
Operating profit since acquisition	0.2	-	0.5	0.4	1.1

If the acquisitions had occurred on 1 July 2016, Group revenue would have been £305.6m and the Group's operating profit would have been £15.7m.

Acquisition costs totalling £1.5m (2016: £0.9m) have been recognised within administrative expenses in the Consolidated Income Statement.

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

Net cash outflow on acquisition of subsidiaries

£million	Sec-1	Oxalide	ITEN	Other	Total
Consideration paid in cash	13.5	30.1	10.7	20.7	75.0
Less: cash and cash equivalent balances acquired	(2.4)	(4.7)	(2.4)	(4.7)	(14.2)
Net cash outflow in year	11.1	25.4	8.3	16.0	**60.8**

28 Ultimate parent company

The Directors consider Claranet International Limited, a company incorporated in Jersey, to be the ultimate parent undertaking. Claranet International Limited is controlled by entities established for the benefit of the Nasser family. By virtue of their interests in the ultimate parent undertaking, the Company is therefore considered to be controlled by entities established for the benefit of the Nasser family.

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

Claranet Group Limited

Company Statement of Financial Position
at 30 June 2017

Company Number 04037420

£million	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	C4	**0.1**	0.1
Investments	C5	**16.1**	4.7
Other receivables	C6	**135.4**	53.8
Total non-current assets		**151.6**	58.6
Current assets			
Trade and other receivables	C6	**0.2**	0.1
Cash and cash equivalents		**15.7**	10.2
Total current assets		**15.9**	10.3
Total assets		**167.5**	68.9
LIABILITIES			
Current liabilities			
Trade and other payables	C7	**(2.8)**	(2.5)
Total current liabilities		**(2.8)**	(2.5)
Non-current liabilities			
Other liabilities	C7	**(20.8)**	(18.7)
Loans and borrowings (excluding funding loans)	C7	**-**	(9.8)
Total non-current liabilities		**(20.8)**	(28.5)
Total liabilities (excluding funding loans)		**(23.6)**	(31.0)
Net assets (excluding funding loans)		**143.9**	37.9
FUNDED BY			
Non-current liabilities (funding loans)			
Bank loans	C7	**164.6**	72.9
Loan owed to parent undertaking	C7	**19.5**	16.4
		184.1	89.3
Equity			
Share capital	C8	**0.3**	0.3
Retained deficit		**(40.5)**	(51.7)
		(40.2)	(51.4)
		143.9	37.9

The loss for the financial year of the parent company, Claranet Group Limited was £13.3m (2016: £9.2m). As permitted by section 408 of the Companies Act 2006, no separate Income Statement is presented in respect of the company.

The financial statements were approved by the Board of Directors and authorised for issue on 20 November 2017.

Signed on behalf of the Board of Directors

N Fairhurst
Director

The notes on pages 48 to 54 form part of these financial statements.

Claranet Group Limited

Company Statement of Cash Flows
for the year ended 30 June 2017

£million	2017	2016
Cash flows from operating activities		
Loss for the year	**(13.3)**	(9.2)
Adjustments for:		
Finance income	**-**	(1.4)
Finance expense	**11.4**	9.4
	(1.9)	(1.2)
Increase in trade and other receivables	**0.2**	-
Decrease in trade and other payables	**(0.4)**	(0.5)
Cash used in operations	**(2.1)**	(1.7)
Cash flows from investing activities		
Cash outflow on acquisition of investments	**(4.2)**	-
Interest received	**-**	0.5
Net cash used in investing activities	**(4.2)**	0.5
Cash flows from financing activities		
Repayment of long term borrowings	**(114.8)**	(2.8)
Drawdown of long term borrowings	**188.9**	26.3
Interest paid	**(7.5)**	(8.2)
Proceeds from parent undertakings	**19.3**	2.2
Payments to fellow subsidiary undertakings	**(4.8)**	(3.4)
Payments to subsidiary undertakings	**(69.3)**	(9.9)
Net cash generated from financing activities	**11.8**	4.2
Net increase in cash and cash equivalents	**5.5**	3.0
Cash and cash equivalents at beginning of year	**10.2**	7.2
Cash and cash equivalents at end of year	**15.7**	10.2

The notes on pages 48 to 54 form part of these financial statements.

Claranet Group Limited

Company Statement of Changes in Equity
for the year ended 30 June 2017

£million	Share capital	Retained deficit	Total equity
Balance as at 1 July 2015	0.3	(42.5)	(42.2)
Total comprehensive loss for the year	-	(9.2)	(9.2)
Balance as at 30 June 2016	**0.3**	**(51.7)**	**(51.4)**
Balance as at 1 July 2016	0.3	(51.7)	(51.4)
Total comprehensive loss in the year	-	(13.3)	(13.3)
Capital contribution on waiver of loan & assumption of liability by parent company	-	24.5	24.5
Balance as at 30 June 2017	**0.3**	**(40.5)**	**(40.2)**

The nature of each reserve is disclosed in note C9.

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	Other	Total
As at 30 June 2017				
Amounts owed by parent undertakings	1.3	-	-	1.3
Amounts owed by subsidiary undertakings	25.2	98.6	1.0	124.8
Amounts owed by fellow subsidiary undertakings	9.4	-	-	9.4
Cash and cash equivalents	13.8	1.9	-	15.7
Trade and other payables	(2.8)	-	(2.3)	(5.1)
Loans and borrowings	(67.8)	(96.8)	-	(164.6)
Amounts owed to parent undertakings	(22.4)	-	-	(22.4)
Amounts owed to subsidiary undertakings	(0.1)	(4.6)	-	(4.7)
Amounts owed to fellow subsidiary undertakings	(10.9)	-	-	(10.9)
Total	**(54.3)**	**(0.9)**	**(1.3)**	**(56.5)**
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)**

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 2017			
Amounts owed by parent undertakings	-	1.3	1.3
Amounts owed by subsidiary undertakings	-	124.8	124.8
Amounts owed by fellow subsidiary undertakings	-	9.3	9.3
Cash and cash equivalents	15.7	-	15.7
Trade and other payables	(2.8)	(2.3)	(5.1)
Loans and borrowings	-	(164.6)	(164.6)
Amounts owed to parent undertakings	-	(22.4)	(22.4)
Amounts owed to subsidiary undertakings	-	(4.7)	(4.7)
Amounts owed to fellow subsidiary undertakings	-	(10.9)	(10.9)
Total	**12.9**	**(69.5)**	**(56.6)**
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)**

C3 Employees

£million	2017	2016
Staff costs consist of:		
Wages and salaries	**1.0**	1.0
Social Security costs	**0.1**	0.1
Total staff costs	**1.1**	1.1

The average number of employees during the year was 10 (2016: 10)

C4 Intangible assets

£million	Software
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**
Cost	
At 1 July 2016	0.1
Additions	-
At 30 June 2017	**0.1**
Amortisation and impairment	
At 1 July 2016	-
Provided for the year	-
At 30 June 2017	**-**
Carrying value	
At 30 June 2017	**0.1**

C5 Investments

Investments in subsidiary undertakings

£million	Total Investment
Cost	
At 1 July 2015 & 30 June 2016	4.7
Additions	11.4
30 June 2017	16.1

C5 Investments *(continued)*

At 30 June 2017, the subsidiary undertakings were as follows:

Country of incorporation and company name	Registered address	Percentage of issued Ordinary share capital held	Nature of business
United Kingdom			
Claranet Limited	1	100%	Managed network and hosting
Star Technology Services Limited*	1	100%	Managed network and hosting
Techgate Limited	1	100%	Information technology consultancy services
Linux IT Europe Limited*	1	100%	Managed hosting and professional services
Bashton Ltd*	1	100%	Managed hosting and professional services
STH Limited*	1	100%	Intermediate holding company
Free UK Internet Ltd*	1	100%	Internet service provider
Ardenta Limited	1	100%	Information technology consultancy services
Sec-1 Holdings Limited	1	100%	Intermediate holding company
Sec-1 Limited	1	100%	Other information technology service activities
France			
Claranet Holding SAS	2	100%	Intermediate holding company
Claranet SAS	2	100%	Managed hosting
Morea Conseils SAS	2	100%	Managed hosting and professional services
Diademys SAS	3	100%	Managed hosting and professional services
Claranet Business Application SAS (formerly Financiere BCMP SAS)	3	100%	Managed hosting
Runiso SAS	4	100%	Managed hosting
Hipstech SAS	5	100%	Intermediate holding company
Oxalide SAS	5	100%	Managed hosting
USA			
Typhon Inc*	6	100%	Managed hosting
Germany			
Claranet GmbH	7	100%	Managed network and hosting
Netherlands			
Claranet Benelux Holdings BV	8	100%	Intermediate holding company
Claranet Benelux BV*	8	100%	Managed network and hosting
NovaData BV*	8	100%	Managed network and hosting
Rely BV	10	100%	Managed hosting and information technology consultancy services
DVBS BV	9	100%	Dormant company
Spain			
Claranet SA	14	100%	Managed network and hosting

C5 Investments *(continued)*

Country of incorporation Company name	Registered address	Percentage of issued Ordinary share capital held	Nature of business
Portugal			
Claranet Portugal, SA	11	100%	Managed network and hosting
eChiron - Gestão de Aplicações de Software, SA*	11	100%	Managed hosting and professional services
Inok Consulting, SA	11	100%	Managed hosting and professional services
Lunacloud, Unipessoal, LDA	11	100%	Managed hosting
Claranet Soho, SA *	12	100%	Managed network and hosting
ITEN Solutions – Systems de Informacao SA	13	100%	Systems integrator and value-added reseller
Italy			
Claranet SRL	15	100%	Managed Services
Brazil			
Claranet Brazil, Ltda (formerly CredibilIT Ltda)	16	100%^	Managed hosting and professional services
United Kingdom			
Netscalibur Limited *	1	100%	Dormant company
Netscalibur UK Limited *	1	100%	Dormant company
Netscalibur International Holdings Limited *	1	100%	Dormant company
Netscalibur UK Holdings Limited *	1	100%	Dormant company
U-Net UK Ltd*	1	100%	Dormant company
Netlink Internet Services Limited *	1	100%	Dormant company
I-Way Limited *	1	100%	Dormant company
I-Way Oxford Limited *	1	100%	Dormant company
U-Net Limited *	1	100%	Dormant company
Worldwide Web Services Limited *	1	100%	Dormant company

* Indirect shareholding through intermediate subsidiary undertaking
^ Including option to purchase 1% of the ordinary share capital.

At 30 June 2017, registered addresses of the subsidiary undertakings are as follows:

1. 21 Southampton Row, London, WC1B 5HA, UK
2. 18 Rue Du Faubourg Du Temple, 75011 Paris, France
3. 28 Quai Galliéni, 92150 Suresnes, France
4. 167 Avenue de Bretagne, 59000 Lille, France
5. 25 Boulevard de Strasbourg, 75010 Paris, France
6. 60 Broad street suite 3502, New York, NY 10004, USA
7. Hanauer Landstr. 196 60314 Frankfurt/Main, Germany
8. Science Park Eindhoven 5630 5692 EN Son en Breugel, Netherlands
9. Nijverheidsplein 21G 3771 MR Barneveld, Netherlands
10. Koos Postemalaan 2 1217 NR Hilversum, Netherlands
11. Avenida D. João II, 1.07-2.1, 4.°, 1998-014 Lisboa. Portugal
12. Parque Multiusos, Areal Gordo, Lote 3-A, 8005-409, Faro, Portugal
13. Rua António Nicolau D'Almeida, n.° 45, 4.°, 4100-320 PORTO, Portugal
14. c/Juan Gris, 10-18, Torres Cerda 08014 Barcelona, Spain
15. Corso Magenta 56 20123 Milano Italy
16. Avenida Chedid Jafet, 222 Bloco C cj 31, Vila Olímpia, São Paulo-SP, CEP 04551-065, Brazil

C6 Trade and other receivables

£million	2017	2016
Amounts falling due within one year:		
Prepayments	**0.2**	0.1
Total trade and other receivables due within one year	**0.2**	0.1
Amounts falling due in more than one year:		
Amounts owed by parent undertakings	**1.3**	0.5
Amounts owed by subsidiary undertakings	**124.8**	48.6
Amounts owed by fellow subsidiary undertakings	**9.3**	4.5
Other receivables	**-**	0.2
Total other receivables due in more than one year	**135.4**	53.8

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

C7 Trade and other payables

£million	2017	2016
Amounts falling due within one year:		
Trade payables	**1.2**	0.8
Accruals	**1.6**	1.7
Trade and other payables due within one year	**2.8**	2.5
Amounts due in more than one year:		
Amounts owed to parent undertakings	**2.8**	5.6
Amounts owed to subsidiary undertakings	**4.8**	1.1
Amounts owed to fellow subsidiary undertakings	**10.9**	10.9
Other payables	**2.3**	1.1
Other liabilities	**20.8**	18.7
Bank loans (excluding funding loans)	**-**	9.8
Loans and borrowings (excluding funding loans)	**-**	9.8
Bank loans	**164.6**	72.9
Loan owed to parent undertaking	**19.5**	16.4
Total liabilities due in more than one year (excluding funding loans)	**184.1**	89.3

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

C8 Share capital

	2017 Number	2016 Number	2017 £million	2016 £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.

C9 Reserves

The retained deficit contains the net gains and losses recognised in the Company Statement of Changes in Equity and capital contributions by the Group's parent.

C10 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 are set out in the table below.

	Income		Expense	
£million	**2017**	**2016**	**2017**	**2016**
Services				
Subsidiary undertakings	**0.7**	0.7	-	-

Balances held with entities that are controlled by its ultimate parent are disclosed separately in notes C6 and C7 with movements on the loans disclosed in the Cash Flow Statement.

C11 Cash flow

£million	**2017**	**2016**
Cash and cash equivalents for purposes of the statement of cash flows comprises:		
Cash available on demand	**15.7**	10.2
Significant non cash transactions are as follows:		
Capital contribution arising from the waiver of debt in the Company by a parent undertaking	**19.7**	-
Capital contribution to and by the Company arising from the waiver of debt, and assumption of a liability of a subsidiary undertaking, by a parent undertaking	**4.8**	-