

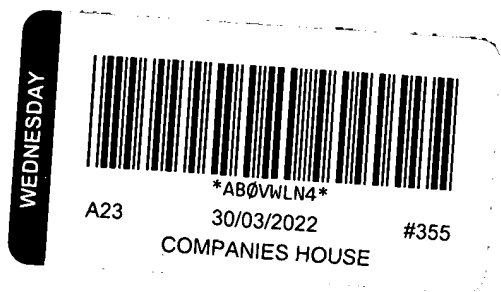
Claranet Limited

Report and Financial Statements

Year Ended

30 June 2021

Company Number 03152737



Claranet Limited

**Report and financial statements
for the year ended 30 June 2021**

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Directors

C Nasser
N Fairhurst

Registered office

110 High Holborn, London WC1V 6JS

Company number

03152737

Auditor

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

Claranet Limited

UK Group strategic report for the year ended 30 June 2021

The Directors present their strategic report on Claranet Limited and its subsidiaries (the "UK Group") for the year ended 30 June 2021 ("FY21").

Review of the business

Principal activities

Claranet is a managed services provider, offering hybrid cloud, network and other IT services (including security testing and training, communications and consultancy). The UK Group comprises operations in the UK.

Results and performance

FY21 performance was better than expected and the UK Group showed impressive resilience to the impact of Covid-19 and gained some exciting customer wins.

The Contract Book (undiscounted value of non-cancellable revenue which will be billed in the future) was £115.9m, down from £133.8m in the prior year.

Revenue for the year was £121.8 m, which is an increase of £6.3m from £115.5m in 2020.

The UK Group has a strong sales pipeline at the year end, resulting from a focus on customer segmentation, ensuring the needs of its diverse customer base, and new customers, can be met.

Gross margin for FY21 was 48.7% (2020: 50.3%). The reduction in gross margin was mainly due to the mix of services and products delivered in the year and an increase in usage-based revenues and product re-sales which tend to be at a lower margin but support the recurring revenue base.

Adjusted EBITDA was £23.8m (2020: £22.6m), 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; and
- exceptional items.

Adjusted EBITDA is stated before £1.2m (2020: £1.1m) of exceptional costs, which includes restructuring costs related to the rationalisation of the data centre estate, the relocation of the London head office and the integration of the acquisitions within existing businesses, to achieve long term synergies.

The UK Group's profit before taxation for the year was £6.7m (2020: £5.5m). The profit after tax for the year was £6.1m (2020: £5.5m).

Assets, liabilities and cashflow

The UK Group's total assets at 30 June 2021 were £135.4m (2020: £135.1m).

Included within short and long term other liabilities are amounts due for deferred and contingent consideration of £1.8m (2020: £1.3m). The movement of £0.5m included earnouts charged to the Consolidated Statement of Total Comprehensive Income and unwinding of discounts.

At the balance sheet date, cash was £5.3m (2020: £1.7m), an increase of £3.6m compared to the prior year. The increase in cash is largely related to an reduction in repayments to the parent company.

Claranet Limited

UK Group strategic report for the year ended 30 June 2021 (continued)

Customers

During the financial year to 30 June 2021, the UK Group secured a number of important new, renewal and extension contracts in the UK, including Kier, OCS Group and Swapcard.

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

Services provided

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

Public and Private Cloud Services	Networks and Communication Services	Cybersecurity and Other IT Services
Cloud strategy and consulting	Network Strategy and Consulting	Penetration Testing
Cloud migrations	Managed Networks	Continuous Security Testing (CST)
Cloud management	Network Security	AWS Managed Security Services
Managed cloud security	Telephony	Managed Detection and Response (MDR)
Cloud platforms	Microsoft 365	Licence and hardware reselling
Data security	Voice and Data Connectivity	Systems Integration
	Unified communications	Response (EDR)

Accreditations

Claranet continues to invest in the improvement of its people, processes and systems and holds a number of international (ISO) and local technical accreditations including ISO 9001, ISO 22301, ISO 27001 with ISO 27017, ISO 27018, ISO 14001, Cyber Essential Plus, PCIDSS and Crest. Claranet has invested in developing and maintaining partner status with many of its key suppliers, including AWS, Google Cloud, Microsoft and VMWare and has premium partner status with AWS and Azure.

By aligning our policies and procedures against industry and internationally recognised quality standards, our employees, customers and stakeholders can be assured of the resilience and security of our services.

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.

	2021	2020
Revenue	£121.8m	£115.5m
Adjusted EBITDA	£23.8m	£22.6m
Gross margin	48.7%	50.3%
Total contract value at year end	£115.9m	£133.8m

COVID-19 Impact Assessment

To date the overall impact of COVID-19 on our revenues has been minimal and the UK Group has maintained a provision for bad debts to cover companies failing, especially through the withdrawal of government support. The UK Group is somewhat protected by the critical nature of the majority of services, the range of those services and the range of customers.

The Directors have no reason to believe that customer revenues and receipts will decline to the point that the UK Group no longer has sufficient resources to fund its operations.

In the long term, we expect the impact of the pandemic to increase the demand for outsourced IT services which improve the flexibility, resilience and efficiency of organisations.

Future developments

In FY22, the UK Group expects to see further organic growth and more cross border collaboration, especially in Cloud and Cybersecurity. The common themes for growth in the UK Group include improvement of the customer experience, development of the best hybrid working environment and a desire to do more acquisitions to scale.

Principal Risks and Uncertainties

The management of the business and execution of the UK 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 significant event occurs, the cumulative effect could compound the possible adverse consequences on the UK Group.

The key business risks affecting the UK Group are set out below.

Risk	Mitigants
COVID-19	<ul style="list-style-type: none">- Claranet has a diverse customer base which mitigates the potential impact on collections due to liquidity risk of customers in higher risk verticals.- Staff are able to work and support customers remotely, which assures continuity of operations.- Claranet has moved training events on-line- There has been an increase in client demand for cloud services, which will mitigate reduction in the networks business.
Deflation in the networks market	<ul style="list-style-type: none">- Close monitoring of margins to protect returns in brokering networks.- Opportunity to take share from other network providers.- Continue to upsell solutions that require greater network complexity/volume to ensure networks revenue remains stable e.g. online backup, voice over IP, resilience options and security.- Cross-selling solutions to increase the combined value we add to our customers.
Deflation in data centre pricing	<ul style="list-style-type: none">- Continually evaluate and renegotiate costs of data centres.- Consolidate data centre facilities where appropriate and avoid very long term leases to maintain flexibility.- As Claranet moves more to the management of applications and providing cloud transformation services, these costs become a smaller component of the overall service
Maintenance of market share	<ul style="list-style-type: none">- Claranet continually invests in its service offerings in order to ensure that it remains competitive and relevant to existing and new customers.- Use acquisitions to fill and enhance service and capability gaps.
Competition from third party cloud providers	<ul style="list-style-type: none">- 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 Microsoft Azure.
Cyber Security, regulation and resilience	<ul style="list-style-type: none">- Claranet has teams, systems and processes designed to mitigate cyber threats and technology/site losses to internal and customer information and services.- Policies put in place to ensure effective data management and processing of customer data, in accordance with GDPR, including monitoring of changes in the business through integration and acquisition.- A trained UK Group information security team is responsible for overseeing compliance and security functions.

Claranet Limited

UK Group strategic report
for the year ended 30 June 2021 (continued)

Section 172 statement

From 1 January 2019 legislation was introduced requiring companies to include a statement pursuant to section 172 of the Companies Act 2006.

The Board recognises the importance of the UK Group's wider stakeholder when performing their duties under Section 172(1) of the Companies Act and their duties to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputations for high standards of business conduct; and
- the need to act fairly between members of the company.

The Board considers that all their decisions are taken with the long-term in mind, understanding that these decisions need to regard the interests of the company's employees, its relationships with suppliers, customers, the communities and the environment in which it operates.

For the purpose of this statement, detailed descriptions of the decisions taken are limited to those of strategic importance.

As expected, Brexit has not had a significant impact on the UK Group's ability to conduct business, however the UK Group continues to monitor developments following the UK's decision to leave the EU.

On behalf of the Board of Directors



N Fairhurst
Director

21 December 2021

Claranet Limited

**Directors' report
for the year ended 30 June 2021**

The Directors present their report together with the audited financial statements for the year ended 30 June 2021.

Identification of information included in the Strategic Report

An indication of likely future developments in the business, and an update on results and performance, is set out in the UK Group Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend (2020: £nil).

Going Concern

In consideration of the UK Group's current resources and review of financial forecasts and projections, the Board of directors has a reasonable expectation that the UK Group has adequate resources to continue in operational existence for at least 12 months from the approval of the Annual Report. Various sensitivity analyses, including Reverse Stress Testing, have been performed to reflect possible downside scenarios and support the going concern conclusion.

The Board of directors believes that the business is able to navigate through the impact of Covid-19 due to:

- the critical and contracted nature of its services,,
- the strength of its diversified customer base,
- its consolidated financial position and net cash position.

However, there is a risk that the business will be impacted by customers in some sectors failing, especially as government subsidies / support comes to an end. The UK Group has maintained its provision for bad debts to mitigate this. In addition, customers may defer or cancel future projects which over time will lead to reduced revenues. If sales are not in line with cash flow forecasts, the Board of directors will have the time to mitigate the decline in revenue through further cost savings. The Consolidated financial statements do not include the adjustments that would be required if the UK Group was unable to continue as a going concern.

Refer to note 1 for further detail.

Financial risk management objectives and policies

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

Liquidity risk

The UK 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 the retention of cash balances together with a revolving cash facility of £15.0m available to provide working capital.

Interest risk

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

Credit risk

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

Because of the heightened risk from COVID-19, the UK Group is anticipating that some customers may face liquidity issues and has worked extensively to ensure that there is enough coverage over trade debtors at 30 June 2021. As at 30 June 2021, there were no material credit risk balances that were not provided for.

Claranet Limited

Directors' report for the year ended 30 June 2021 (continued)

Risk Management and Internal Controls

The Board:

- recognises the importance of a sound system of internal controls to safeguard the UK Group's assets and manage risk;
- determines the risk profiles and oversees the formulation, implementation and monitoring of internal controls;
- reviews the UK Group's Risk register on a periodic basis;
- ensures that the system of risk management and internal controls is effective in addressing the material risks in its current business environment including financial, operational, compliance and information technology risks.

Corporate Social responsibility and Environmental Sustainability

The UK Group has a long-standing commitment to driving environmental progress. The UK Group's products and services target positive environment and social outcomes through environmental and social objectives led by the Senior Management Teams. CSR issues are discussed at senior management meetings. Policies have been implemented to reduce: energy consumption, water consumption and waste production and consumption of main outputs.

Gender and Racial Diversity

The UK Group believes that having an inclusive culture is important for its business and provides equal opportunities for all employees without discrimination, regardless of gender, ethnicity, religion or age. The policy is designed to promote good practice and to ensure compliance with the Equality Act 2010.

Employee Matters

The UK Group's policy of providing employees with information about the Company and the UK Group has continued and regular meetings are held between management and employees to allow exchanges of information and ideas. Regular communications with employees take place and employees are made aware of their contribution through individual performance reviews.

It is the policy of the UK 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.

Employee Wellbeing during COVID-19

The UK Group has a policy on Employee Wellbeing during COVID-19 which addresses how to support employees with their mental health and anxieties about their physical health. It advocates keeping in regular contact between employees and provides information and access to external support services.

Research and Development

The UK Group continually invests in the improvement and development of new services to address customer requirements. The service development teams work 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 UK. This research is used internally and shared with customers, prospects and analysts.

Internal systems development is aligned to support operational and new service requirements for the UK Group. This work is managed across two functions, Group Engineering and Group Information Systems for the benefit of the UK Group and wider Claranet Group.

Claranet Limited

Directors' report for the year ended 30 June 2021 (continued)

Streamlined Energy and Carbon Reporting ("SECR")

With effect from this year, the Claranet Group is required to report on energy consumption and Greenhouse Gas ("GHG") emissions and energy consumed by Claranet UK, under the Streamlined Energy and Carbon Reporting regulations.

UK and offshore kWh and CO₂e Scope 1 emissions (direct)

The following Scope 1 emissions are from activities owned or controlled by Claranet UK that release emissions into the atmosphere.

For the year ended	Energy type	Definition	2021		2020	
			Total volume (kWh)	Calculated emissions (tonnes of CO ₂ e)	Total volume (kWh)	Calculated emissions (tonnes of CO ₂ e)
	Gas	Emissions from combustion of gas	47,657	9.0	87,838	16.0
	Transport	Emissions from combustion of fuel for transport purposes	111,437	27.0	84,802	20.0
		Total Scope 1 Emissions		<u>36.0</u>		<u>36.0</u>

Scope 2 emissions (indirect)

The following Scope 2 emissions are associated with the consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of activities that are not owned or controlled by Claranet UK.

For the year ended	Energy type	Definition	2021		2020	
			Total volume (kWh)	Calculated emissions (tonnes of CO ₂ e)	Total volume (kWh)	Calculated emissions (tonnes of CO ₂ e)
	Electricity	Emissions from purchased electricity	8,854,397	2,064.0	4,090,575	954.0
		Total Scope 2 Emissions		<u>2,064.0</u>		<u>954.0</u>

Quantification and reporting methodology

Energy usage information (gas and electricity) has been obtained directly from energy suppliers and estimation techniques have been used where the data has been incomplete to calculate the annual consumption.

The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard has been followed as the methodology to calculate the energy and carbon reporting and where needed the UK Government GHG Conversion Factors for Company Reporting 2020 have been used for emission factor conversions. Energy totals are reported in kilowatt-hours (kWh) and GHG totals are reported in tonnes of carbon dioxide equivalent (tCO₂e). The chosen intensity measurement ratio is tCO₂e per total £m sales revenue.

Energy efficiency action

During the year ended 30 June 2021, Claranet UK implemented a number of energy saving measures which include:

- Upgrading of older hardware to more efficient devices
- Replacement of lighting with low energy alternatives
- Replacement of older windows to reduce heat loss
- Replacement of a gas boiler to a more efficient model
- Incentives for staff travel to move to public transport and cycling
- Increasing flexible working options to reduce commuting and office size
- Installing of movement activated lighting and timed heating/air conditioning systems

Intensity ratio

Claranet UK has chosen to use tonnes of CO₂ e (Scope 1 and 2) per £m Turnover for its Intensity Ratio.

Tonnes of CO₂e per total £m sales revenue: 5.31 tonnes of CO₂ e (2020: 2.66 tonnes of CO₂ e).

Claranet Limited

**Directors' report
Liquidity risk**

Post Balance Sheet Events

On 12 November 2021, the UK Group settled one of the outstanding deferred considerations for a total of £1.8m

Directors

The Directors of the Company during the year were:

C Nasser
N Fairhurst

Directors' responsibilities

The Directors are responsible for preparing the 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 ("IFRS's") 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 UK Group and Company and of the profit or loss of the UK Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS's as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the UK 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 enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

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 auditor for the purposes of their audit and to establish that the auditor are aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditor 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

21 December 2021

Claranet Limited

Independent auditor's report to members of Claranet Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the UK Group's and of the Parent Company's affairs as at 30 June 2021 and the UK Group's profit for the year then ended;
- the UK Group financial statements have been properly prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Claranet Limited (the "Parent Company") and its subsidiaries (the "UK Group") for the year ended 30 June 2021 which comprise the Consolidated Statement of Total Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Cash Flows, Consolidated Statement of Changes in Equity, 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 accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the UK 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the UK Group's and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements 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. 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 course of 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 this give rise to a material misstatement in the financial statements themselves. 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.

Claranet Limited

Independent auditor's report to members of Claranet Limited

Other Companies Act 2006 reporting

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

- the information given in the UK Group Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements; and
- the UK Group Strategic report and the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the UK Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the UK Group Strategic report and the 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 UK 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 UK Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the UK Group and the Parent Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (International Accounting Standards), the Companies Act 2006 and relevant tax compliance legislation;
- We understood how the UK Group and the Parent Company are complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and through reviewing legal correspondence. We corroborated our enquiries through our review of board minutes and discussion with management;
- We assessed the susceptibility of the UK Group's and the Parent Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud;
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. We obtained an understanding of the processes and controls that the Group and the Parent Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes and controls;
- With regards to the fraud risk in management override, our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates which are subject to management's judgement and estimation, and could be subject to potential bias; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Claranet Limited

Independent auditor's report to members of Claranet Limited

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

Use of our report

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

DocuSigned by:

Julian Frost

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JULIAN FROST (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK

21 December 2021

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

Claranet Limited

Consolidated Statement of Total Comprehensive Income
for the year ended 30 June 2021

£million	Note	2021	2020
Revenue	4	121.8	115.5
Cost of sales		(62.5)	(57.4)
Gross profit		59.3	58.1
Administrative expenses		(51.6)	(52.2)
Operating profit	5	7.7	5.9
<i>Analysed as:</i>			
Adjusted EBITDA		23.8	22.6
Depreciation	12	(9.6)	(10.2)
Amortisation	13	(5.1)	(5.3)
Loss on disposal		(0.4)	0.0
Foreign exchange gain/(loss)		0.2	(0.1)
Operating profit before exceptional items		8.9	7.0
Exceptional items	6	(1.2)	(1.1)
Operating Profit		7.7	5.9
Finance expense	10	(1.0)	(0.4)
Profit before tax		6.7	5.5
Income tax credit/(charge)	11	(0.6)	0.0
Profit for the year from continuing operations and total comprehensive income		6.1	5.5

The notes on pages 16 to 37 form part of these financial statements.

Claranet Limited

Consolidated Statement of Financial Position
as at 30 June 2021

Company Number 03152737

£million	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	12	15.3	18.7
Intangible assets	13	85.5	87.2
Other receivables	14	3.5	-
Deferred tax asset	18	1.6	2.2
Total non-current assets		105.9	108.1
Current assets			
Trade and other receivables	14	24.2	25.3
Cash and cash equivalents	24	5.3	1.7
Total current assets		29.5	27.0
Total assets		135.4	135.1
LIABILITIES			
Current liabilities			
Trade and other payables	15	(23.9)	(23.0)
Current tax liabilities		(0.5)	(0.1)
Loans and borrowings	15	(8.5)	(8.6)
Total current liabilities		(32.9)	(31.7)
Non-current liabilities			
Other liabilities	15	-	(3.3)
Loans and borrowings	15	(7.1)	(11.3)
Deferred tax liability	18	(1.9)	(2.3)
Provisions	17	(0.7)	(0.6)
Total non-current liabilities		(9.7)	(17.5)
Deferred revenue		(7.8)	(7.0)
Total liabilities		(50.4)	(56.2)
Net assets		85.0	78.9
FUNDED BY			
Equity			
Share capital	20	0.2	0.2
Retained earnings		84.8	78.7
Total equity		85.0	78.9

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2021.

Signed on behalf of the Board of Directors



N Fairhurst
Director

The notes on pages 16 to 37 form part of these financial statements.

Claranet Limited

Consolidated Statement of Cash Flows
for the year ended 30 June 2021

£million	Note	2021	2020
Cash flows from operating activities			
Profit for the year		6.1	5.5
Adjustments for:			
Depreciation and amortisation		14.7	15.5
Finance income		-	-
Finance expense	10	1.0	0.4
Taxation	11	0.6	-
Loss on sale of property, plant and equipment		0.4	-
Other non cash items		0.5	0.3
		23.3	21.7
Decrease/(Increase) in trade and other receivables		1.1	(5.6)
Increase/(Decrease) in trade and other payables		(1.3)	1.3
Increase in provisions		0.1	-
Cash generated from operations		23.2	17.4
Taxation received/ (paid)		0.1	-
Net cash generated from operating activities		23.3	17.4
Cash flows from investing activities			
Purchase of property, plant and equipment		(0.3)	(0.8)
Purchase of intangible assets	13	(3.4)	(2.7)
Deferred consideration paid		(0.1)	-
Net cash used in investing activities		(3.8)	(3.5)
Cash flows from financing activities			
Interest paid		(0.9)	(1.0)
Payment of finance lease liabilities		(8.7)	(6.5)
Repayment to parent undertakings		(6.3)	(11.6)
Net cash used in financing activities		(15.9)	(19.1)
Net increase /(decrease) in cash and cash equivalents		3.6	(5.2)
Cash and cash equivalents at beginning of year		1.7	6.9
Cash and cash equivalents at end of year	24	5.3	1.7

The notes on pages 16 to 37 form part of these financial statements.

Claranet Limited

Consolidated Statement of Changes in Equity
for the year ended 30 June 2021

£million	Share capital	Retained earnings	Total equity
At 1 July 2019	0.2	73.2	73.4
Profit for the year	-	5.5	5.5
Total comprehensive income	-	5.5	5.5
As at 30 June 2020	0.2	78.7	78.9
At 1 July 2020	0.2	78.7	78.9
Profit for the year	-	6.1	6.1
Total comprehensive income	-	6.1	6.1
At 30 June 2021	0.2	84.8	85.0

The nature of each reserve is disclosed in note 21.

The notes on pages 16 to 37 form part of these financial statements.

1 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented.

General information

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

Basis of preparation

The consolidated financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the UK companies Act 2006 ('the Act'), International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are prepared on a going concern basis.

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 UK 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.

The financial statements are presented in GBP, which is also the Company's functional currency. Amounts are rounded to the nearest million unless otherwise stated.

Impact of standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted. However, the UK Group has not early adopted any new standards, amendments and interpretations that has been issued but is not yet effective. The Directors do not believe they will have a material impact on the UK Group.

Impact of transition to new accounting standards during the year

The UK Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements. Several amendments apply for the first time in FY21, but do not have an impact on the UK Group's consolidated financial statements. These include:

- Definition of a Business (Amendments to IFRS 3),
- COVID-19 Related Rent Concessions (Amendments to IFRS 16).

Business Combinations

The consolidated financial statements incorporate the results of Claranet Limited and its subsidiary undertakings as at 30 June 2021 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 UK Group.

The UK 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 re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the Consolidated Statement of Total Comprehensive Income.

1 Accounting policies (continued)

Capital contributions

Capital contributions arising on the waiver of loans to the UK Group, or assumption of liabilities of the UK Group, by a parent undertaking are recorded as a movement on retained earnings 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 Board believes that the business is able to navigate through the impact of COVID-19 due to the strength of its customer proposition, its balance sheet and net cash position. However, there is a risk that the business will be impacted by customers and prospective customers deferring projects leading to delays in contract negotiations and cancelling of anticipated sales and the cancellation of corporate training and large training events. If sales are not in line with cash flow forecasts, and the directors expect to mitigate the decline in revenue through further cost savings. The financial statements do not include the adjustments that would be required if the UK Group was unable to continue as a going concern.

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

- The UK Group is forecast to be profitable on Adjusted EBITDA level for 2021/22 and 2022/23;
- The UK Group had a positive cash balance of £5.3m as at 30 June 2021 and is forecasting positive operating cash flow for 2021/22;
- The UK Group has future contracted revenues of £115.9m; and
- The UK Group provides critical services to customers and these cannot be easily transferred or terminated without impacting the customers business significantly.

The Directors continue to monitor the UK Group's funding strategy and have prepared detailed forecasts for future years to 2023. These forecasts underpin the going concern basis for the UK Group. At the date of approval of these financial statements the Directors believe that the UK Group will continue to operate successfully for the foreseeable future and be able to meet its liabilities as and when they fall due.

Revenue

On inception of the contract the UK Group identifies a "performance obligation" for each of the distinct goods and services that has been promised to be provided to the customer. The consideration specified in the contract with the customer is allocated to each performance obligation identified based on the relative standalone selling prices, and is recognised as revenue as they are satisfied.

The UK Group recognises revenue based on the relative standalone selling price of each performance obligation. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price, or the price of similar products when sold on a standalone basis by Claranet or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.

The UK Group does not have any material obligations in respect of returns, refunds or warranties. Where the UK Group acts as an agent in a transaction, a commission net of directly attributable costs is recognised. Where the actual and estimated costs to completion of the contract exceed the estimated revenue, a loss is recognised immediately.

Management exercises judgement in assessing whether the initial set-up, transition and transformation phases of long-term contracts are distinct from the other services to be delivered under the contract and therefore represent distinct performance obligations. This determines whether revenue is recognised in the early stages of the contract, or deferred until delivery of the other services promised in the contract begins.

Under certain transformation contracts, the group develop IT platform assets and other solutions for the customer prior to the delivery of managed services. Services for the development and installation of these platform assets are determined to be distinct where the platform asset is developed and hosted on the customer's IT servers or a public cloud platform. In such cases, revenues for development and installation of the platform assets are recognised at a point in time when the asset is fully delivered and being fully utilised in the customer's business. In cases where the platform assets are developed on a Claranet platform, the services are recognised over the period the managed and other services are provided. In the latter type of contract, the customer is assessed as not having control of the asset as the asset would need to be re-built should the customer change their supplier for managed services at a future time.

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 UK Group and the amount of revenue and associated costs can be measured reliably. The recognition criteria for different streams of revenue in the UK Group are provided below:

1 Accounting policies (continued)

Revenue (continued)

Network and Communication services

Revenue from managed network services is recognised over the period of the contract. Revenue from Internet connectivity and Private network services is recognised when the service has been provided and, if required by the contract, accepted by third parties.

Public and Private Cloud Services

Revenue from managed customer-facing applications, managed back-office applications, database management, managed hosting, infrastructure as a services ("IaaS"), public cloud and colocation hosting services is recognised on a time apportionment basis evenly over the term of the agreement. Revenue from hosting consultancy projects is recognised on delivery.

Cybersecurity and Other IT Services

Revenue from security services (penetration testing, vulnerability assessments, compliance and audits and training) and systems integration is recognised at a point in time after the service has been completed.

Revenue from licence and hardware reselling is recognised at a point of time when the significant risks and rewards of ownership have transferred to the buyer.

Revenue related to charges for usage including voice services, e-mail services, hosting IP telephony and collaboration services is recognised in the period to which it relates.

Revenue from systems integration and security services (penetration testing, vulnerability, assessments, compliance and audits and training) is recognised based on the percentage of completion method. 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 Statement of Total Comprehensive Income over the relevant period. The revenue is wholly attributable to the principal activity of the UK Group.

Assessment of performance obligations

When identifying separate performance obligations in the contract(s), the UK Group considers whether the goods or services are "distinct", individual or as a bundle of goods or services.

A distinct performance obligation is one where the customer can benefit from it on its own or with other resources, and it is distinct within the context of the contract. This includes a promise that is separately identifiable from other goods or services. Under the latter, the UK Group considers a performance obligation to be distinct where there is:

- no significant service of integration; or
- no significant modification or customisation; or
- not highly independent on or interrelated with other goods or services.

Where the UK Group concludes that a performance obligation is not distinct, and it is bundled with other performance obligations and no obvious allocation of the transaction price is identified, the latter is allocated accordingly between the performance obligations.

Allocation of the transaction price

The UK Group allocates the transaction price to each separate performance obligation based on the standalone selling price. The standalone selling price is based on a cost-plus basis where the margin is subject of negotiation on a customer by customer basis.

Where an overall discount has been applied to a particular arrangement, then this is allocated across the separate performance obligations proportionally using the relevant standalone selling price.

Revenue is recognised when (or as) a performance obligation(s) is satisfied.

The UK Group recognises the revenue for each separate performance obligation when control has transferred. The UK Group assesses that control has passed over time when one of the following criteria are met:

- the customer is able to receive benefits from the service provided, or another party would not need to re-perform work delivered by the UK Group; or
- an asset is created or enhanced that the customer controls.

Claranet Limited

**Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)**

1 Accounting policies (continued)

Contract assets

In adopting IFRS 15, the UK Group recognises as an asset costs incurred in relation to installing a managed service. The Customer assets are amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of the recognition of the associated revenue.

Contract liabilities

In adopting IFRS 15, the UK Group recognises as a liability in Deferred Revenue the consideration received from the customer related to setting up a managed service. The Customer liability is reduced and managed services revenue is recognised in the Consolidated Statement of Total Comprehensive Income on a straight-line basis over the term of the specific contract it relates to.

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 Statement of Total Comprehensive Income and is not subsequently reversed.

Internally-generated intangible assets - Research and Development

Research expenditure is expensed to the Consolidated Statement of Total Comprehensive Income 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 UK 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 UK Group expects to benefit from using the products developed, being between 2 and 5 years depending on the future life of the asset. The amortisation expense is included within administrative expenses in the Consolidated Statement of Total Comprehensive Income.

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 the estimated useful lives at the following rates:

Software and other	-	20% - 33½%
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Intangible assets acquired in a business combinations - 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 the estimated useful lives at the following rates:

Customer relationships	-	5% - 15%
Brands	-	Up to 50%

1 Accounting policies (continued)

The UK Group recognises in Development Costs staff related costs incurred in relation to installing and set up of IT platform assets. These costs satisfy the key characteristics of an intangible asset according to IAS 38 "Intangible assets" as provided below:

- they are a resource controlled by the entity from which the entity expects to derive future economic benefits;
- they lack physical substance; and
- they are identifiable and are distinguished from goodwill.

Amortisation on these assets is recognised on a straight-line basis over their useful economic lives, which range from 2 to 3 years.

Property, plant and equipment

Property, plant and equipment are initially measured at cost.

Depreciation is applied to all items of property, plant and equipment so as to write down the cost less estimated residual value on a straight-line basis over their expected useful lives. The rates generally applicable are:

Network and computer equipment	-	20% - 33¼%
Fixtures and fittings	-	33¼%
Leasehold improvements	-	Over the remaining period of the lease
Right of use assets	-	Over the remaining period of the lease
Other	-	20%

Impairment of assets

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

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

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

Financial instruments

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

Financial assets

The UK Group classifies its financial assets under the definitions provided in IFRS 9, depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Management considers that the UK Group's financial assets fall under the amortised cost category. These are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. The UK Group's financial assets held at amortised costs arise principally through the provision of goods and services to customers (eg trade receivables), but also incorporate other types of contractual monetary asset. As such they comprise trade receivables, intercompany trading balances (in relation to Company accounts), and cash and cash equivalents. Financial assets do not comprise prepayments.

The UK Group's financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. The exception are trade and receivables balances, which are recorded at their transaction price as they do not contain a significant financing component. The UK Group's financial assets are subsequently measured at amortised cost using the effective interest rate, less provision for impairment.

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

1 Accounting policies (continued)

Impairment provisions for trade receivables, being loss allowances for "expected credit losses" (ECLs) per IFRS 9, are measured on a lifetime basis using the simplified approach set out in that financial reporting standard. The UK Group's method in measuring ECLs reflects:

- unbiased and probability-weighted amounts, determined using a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Large receivable balances are reviewed on a customer by customer basis. Where this is not possible or practical, the UK Group has applied the practical expedient in IFRS 9 of using a provision matrix to calculate ECLs. This requires the use of historical credit loss experience, as revealed for groupings of similar trade receivable assets, to estimate the relevant ECLs. As such, the UK Group has employed the following process in calculating ECLs:

- Grouping - trade receivables are grouped based on the similarity of their customer risk profile, being underlying product type and geographical region;
- Default definition - amounts not collected are defined in accordance with the credit risk management of the UK Group and include qualitative factors, broadly encompassing scenarios where the customer is either unable or unwilling to pay;
- Collection profiles and loss rates - the collection time period (eg within 30 days, 30 - 60 days etc) for sales made in the preceding 12 month period are gathered, amounts not collected assessed and loss rates based on ageing inferred;
- Historical periods - historic losses are reviewed over a 3 year time horizon; and
- Forward looking assessment - the UK Group considers relevant future economic factors affecting each group of trade receivables, giving an expected probability of default for the portfolio.

The resultant expected loss rates are applied to the ageing profile of grouped trade receivables at the balance sheet date to give the lifetime ECLs for each. This produces the loss allowances to be booked as an impairment adjustment to the carrying value of trade receivables.

Trade receivables are reported net of the resultant loss allowances. The loss is recognised within administrative expenses in the Consolidated Statement of Total Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the assets is written off against the associated provision.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9.

The Parent Company's receivables due from UK Group companies are subject to the requirements of IFRS 9, with specific considerations relating to:

- Whether the loans are within the scope of IFRS 9;
- Whether the loans meet the Solely Payments of Principal and Interest test; and
- Whether the loans are in a "hold to collect" business model.

The Parent Company has followed the considerations required under IFRS 9 on the above and determined the appropriate recognition of the balances receivable from UK Group companies is at "amortised cost" following the General ECL model.

This requires the Parent Company to further consider:

- Whether the loans are credit impaired; and
- Whether the loans have suffered a significant increase in credit risk.

The Parent Company has followed the considerations required under IFRS 9 on the above and noted that neither of the above have occurred during the year ended 30 June 2021, and as such, the appropriate model is the 12 month ECL model. No indication for impairment has been identified.

1 Accounting policies (continued)

Financial liabilities

The UK Group classifies its financial liabilities under the definitions provided in IFRS 9. All financial liabilities are recorded initially at fair value plus or minus directly attributable transaction costs. Except where noted, such liabilities are then measured at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are non 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 UK Group after the deduction of all liabilities. The Company's ordinary shares are classified as equity instruments. The Company considers its capital to comprise of its ordinary share capital and accumulated retained earnings.

Leased assets

The UK Group has applied IFRS 16 using the modified retrospective approach and therefore financial lease contracts prior to the transition data continued to be reported under IAS 17 and IFRIC 4.

The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16. The impact of changes is disclosed separately under note 1 "Impact of transition to new accounting standards during the year".

Policy applicable from 1 July 2019

At inception of a contract, the UK group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the UK Group assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is no identifiable.
- The UK Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the UK Group has the right to direct the use of the asset. The UK Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the UK Group has the right to direct the use of the asset if either:
 - the UK Group has the right to operate the asset; or
 - the UK Group designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the UK Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone process. However, for the leases of land and buildings in which it is a lessee, the UK Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

1 Accounting policies (continued)

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the UK Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the assets if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser has the ability to right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

UK Group as a lessee

The UK Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset to the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the UK groups incremental borrowing rate. Generally, the UK Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the UK Group is reasonable certain to exercise, lease payments in an optional renewal period if the UK Group is reasonably certain to exercise as extension option, and penalties for early termination of a lease unless the UK Group is reasonable certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the UK Group's estimate of the amount expected to be payable under a residual value guarantee, or if the UK Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded as a profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The UK Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the Consolidated Statement of Financial Position.

Short term leases and leases of low-value assets

The UK Group has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The UK Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1 Accounting policies (continued)

Provisions

The UK Group provides for costs to return the leasehold premises to the original state in the event that they are being vacated. The obligation, being of uncertain timing or amount at the balance sheet date, is provided for on a best-estimate basis and is discounted to present value where the effect is material.

Taxation

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

Current tax

Any tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Total Comprehensive Income 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 balance sheet 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 Statement of Total Comprehensive Income, unless it related to items charged or credited directly to equity, in which case the deferred tax is also charged or credited to equity.

Claranet Limited

**Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)**

1 Accounting policies (continued)

Retirement benefits

The UK Group operates a defined contribution scheme.

Retirement benefits: Defined contribution schemes

The UK Group companies contribute to defined contributions 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 Statement of Total Comprehensive Income in the year to which they relate and recognised as they become payable.

Foreign currency

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

Finance costs

Finance costs are charged 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 UK 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: £70.7m

The UK 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 13 for review performed).

Deferred tax asset: £1.6m

Recognition of a deferred tax asset in respect of trading losses and accelerated capital allowances is based on an estimate of future profits for 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 18. An increase or decrease in the estimate future taxable profits would increase or decrease the recognised deferred tax asset at the tax rate set out in note 18.

Property, plant and equipment: £15.3m net book value

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: £5.9m

Development costs are capitalised based on a judgement by management on whether they meet the criteria laid down in IAS38 for capitalisation.

Capitalised development costs are amortised over their useful life at the rates set out in the tangible 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.

The directors have assessed key areas of judgement and estimates in the financial statements and in their opinion, there are no financial statement areas where there is a significant risk of a material adjustment arising in the next 12 months.

3 Financial Instruments

The UK Group is exposed to the following financial risks:

- Credit risk
- Market risk
- Liquidity risk

The UK Group is exposed to risks that arise from its use of financial instruments. This note describes the UK 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 UK 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 UK 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 UK 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 UK Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies, to the key management personnel.

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

a) Credit risk

The UK Group's principal financial assets are cash and cash equivalents and trade and other receivables. Credit risk is the risk of financial loss to the UK Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the UK Group's receivables from customers.

Trade receivables are adjusted for credit risk by applying the impairment methodology set out in IFRS 9 (see note 1). Provisions for loss allowances arising from expected credit losses are booked against the carrying value of trade receivables (see note 14). Once the UK Group has determined that there is no reasonable expectation of recovery, the relevant trade receivable balances are written off against the loss allowance provision. Indicators that recovery cannot reasonably be expected include the conclusion of legal proceedings or 3rd party debt collection without full recovery.

Historically, the cash collection profile has been very strong with low default risk incurred. Debt ageing and collections are monitored on a regular basis and new customers subjected to credit verification procedures before credit terms are granted. Some trade receivables are past due date as at the reporting date. The UK Group bases its provisions on trade receivable balances based on the expected credit loss model (ECL) as required by IFRS. Information on financial assets past due are included in note 14.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The UK Group has no significant concentration of credit risk.

The maximum exposure to credit risk is the trade receivable balance at year end. The UK Group has no significant exposure to any individual large or key customers.

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

3 Financial Instruments (continued)

Trade receivables are summarised as follows:

£million	2021	2020
Up to 30 days	6.0	9.3
Past due:		
30 to 90 days	1.8	1.3
More than 90 days	1.1	1.0
Gross	8.9	11.6
Less allowance for impairment	(1.3)	(0.8)
Net	7.6	10.8

Allowance for impairment movement in the year:

£million	2021	2020
As at 1 July	(0.8)	(0.8)
Provided in the year	(1.0)	-
Written off during the year	0.4	-
Unused amounts reversed	0.1	-
As at 30 June	(1.3)	(0.8)

b) Market risk

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

Foreign currency risk

The UK Group is exposed to transactional risk. Transactional foreign exchange risk arises from sales or purchases by a UK Group company in a currency other than that of the company's functional currency.

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

c) Liquidity risk

Liquidity risk is the risk that the UK 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 UK 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.

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

3 Financial Instruments (continued)

The tables below analyse the UK 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 flows.

£million	Up to 3 months	3 to 12 months	1 to 5 years	Total
At 30 June 2021				
Trade and other receivables	10.7	-	-	10.7
Amounts owed by parent and other undertakings	6.6	-	3.4	10.0
Cash and cash equivalents	5.3	-	-	5.3
Trade and other payables	(18.7)	-	-	(18.7)
Loans and borrowings	(5.1)	(3.7)	(7.1)	(15.9)
Amounts owed to parent and other undertakings	(1.6)	-	-	(1.6)
Total	(2.8)	(3.7)	(3.7)	(10.2)
At 30 June 2020				
Trade and other receivables	12.6	-	-	12.6
Amounts owed by parent and other undertakings	4.4	-	-	4.4
Cash and cash equivalents	1.7	-	-	1.7
Trade and other payables	(17.0)	-	(1.3)	(18.3)
Loans and borrowings	(4.9)	(4.0)	(11.3)	(20.2)
Amounts owed to parent and other undertakings	(0.3)	-	(3.3)	(3.6)
Total	(3.5)	(4.0)	(15.9)	(23.4)

4 Segment information

a) Segment revenue and results

The UK Group derives revenue for transfer of goods and services over time and at a point in time in the following major lines:

£million	At a point in time	Over time	Total
Network and Communications	0.8	42.5	43.3
Public and Private Cloud	12.5	38.5	51.0
Cybersecurity and Other IT services	18.1	9.4	27.5
Total	31.4	90.4	121.8

"Over time", the UK Group recognises revenue from usage based and recurring revenue. "At a point in time" includes recognised revenue from sale of software, hardware and other IT services as well as revenue from professional services.

5 Profit for the year from continuing activities

£million	2021	2020
The profit for the year from continuing activities is stated after charging:		
Depreciation and amortisation	14.7	15.5
Net foreign exchange (gains) / losses	(0.2)	0.1
Operating lease expense	-	0.1
	14.5	15.7

During the year, the UK Group capitalised development expenditure of £3.4m (2020: £2.7m)

Claranet Limited

**Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)**

6 Exceptional items

£million	2021	2020
Administration expenses: Restructuring costs incurred integrating acquisitions with the existing operations	1.2	1.1
	1.2	1.1

7 Employees

£million	2021	2020
Staff costs consist of:		
Wages and salaries	27.2	27.2
Social security costs	2.8	2.9
Defined contribution pension costs	1.3	1.3
Total staff costs	31.3	31.4
Capitalised staff costs	(3.4)	(2.7)
Total staff costs (after capitalised staff costs)	27.9	28.7

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

Number	2021	2020
Administration	142	186
Operations	360	320
Total	502	506

8 Key management personnel

The key management personnel, who have authority for planning, directing and controlling the activities of the Company are the Directors of the Company.

£thousands	2021	2020
Remuneration consists of:		
Short term employee benefits	-	133
Post employment benefits	-	14
Total key management personnel costs	-	147

The emoluments of the highest paid Director were £nil (2020 - £147,000). There were no Directors in the UK Group's defined contributions scheme (2020: 1). N Fairhurst and C Nasser are remunerated by Claranet UK Group Limited

9 Auditor's remuneration

£million	2021	2020
UK Group and company audit	0.2	0.2
Total fees	0.2	0.2

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

10 Finance expense	2021	2020
£million		
Finance income		
Unwinding of discount	-	0.6
Total finance income	-	0.6
Interest expense for financial liabilities measured at amortised cost:		
Interest expense on finance leases	0.9	1.0
Unwinding of discount	0.1	-
Total finance expense	1.0	1.0
Net finance expense	(1.0)	(0.4)
11 Taxation		
£million	2021	2020
Analysis of tax expense		
Current tax		
Current year tax expense	0.7	0.3
Adjustment in respect of prior periods	(0.3)	(0.1)
Total current tax expense	0.4	0.2
Deferred tax		
Current year	(0.1)	(0.2)
Adjustment in respect of prior periods	0.3	-
Deferred tax credit	0.2	(0.2)
Total tax expense	0.6	-
Tax expense reconciliation		
Profit before taxation	6.7	5.5
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (2020 - 19%)	1.3	1.0
Effect of:		
Expenses not deductible for tax purposes	0.3	(0.1)
UK Group relief not paid for	(0.8)	(0.9)
Adjustment to tax in respect of prior periods	-	(0.1)
Other adjustments	(0.2)	-
Prior year losses utilised	-	0.1
Total tax expense	0.6	-

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

12 Property, plant and equipment

£million	Leased property	Network and computer equipment	Fixtures and fittings	Total
Cost				
At 1 July 2019	0.2	64.0	7.1	71.3
Additions	13.3	4.9	-	18.2
Disposals	-	(0.1)	-	(0.1)
At 30 June 2020	13.5	68.8	7.1	89.4
Depreciation				
At 1 July 2019	0.2	54.4	6.0	60.6
Provided during the year	3.8	6.0	0.4	10.2
Disposals	-	(0.1)	-	(0.1)
At 30 June 2020	4.0	60.3	6.4	70.7
Net book value				
At 30 June 2020	9.5	8.5	0.7	18.7
Cost				
At 1 July 2020	13.5	68.8	7.1	89.4
Additions	0.8	5.5	0.3	6.6
Disposals	(1.9)	(6.5)	(0.8)	(9.2)
At 30 June 2021	12.4	67.8	6.6	86.8
Depreciation				
At 1 July 2020	4.0	60.3	6.4	70.7
Provided during the year	3.9	5.4	0.3	9.6
Disposals	(1.9)	(6.1)	(0.8)	(8.8)
At 30 June 2021	6.0	59.6	5.9	71.5
Net book value				
At 30 June 2021	6.4	8.2	0.7	15.3

The net carrying value of assets held under finance lease, all of which are categorised as network and computer equipment, was £6.8m (2020 - £7.2m). The depreciation charge for the year on these assets was £5.0m (2020 - £5.0m). Leasehold property additions represents the amounts recognised on leased properties under the IFRS 16 adjustment.

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

13 Intangible assets	Other Intangibles	Goodwill	Development costs	Total
£million				
Cost				
At 1 July 2019	26.6	70.7	13.2	110.5
Additions	-	-	2.8	2.8
At 30 June 2020	26.6	70.7	16.0	113.3
Amortisation and impairment				
At 1 July 2019	12.1	-	8.8	20.9
Provided for the year	2.9	-	2.4	5.3
At 30 June 2020	15.0	-	11.2	26.2
Carrying value				
At 30 June 2020	11.6	70.7	4.8	87.2
Cost				
At 1 July 2020	26.6	70.7	16.0	113.3
Additions	-	-	3.4	3.4
At 30 June 2021	26.6	70.7	19.4	116.7
Amortisation and impairment				
At 1 July 2020	15.0	-	11.2	26.2
Provided for the year	2.8	-	2.3	5.1
At 30 June 2021	17.8	-	13.5	31.3
Carrying value				
At 30 June 2021	8.8	70.7	5.9	85.5

Goodwill impairment tests

The carrying value of goodwill is allocated to cash generating units as follows:

£million	2021	2020
Claranet UK (see below)	70.7	70.7

The smallest identifiable group of assets that generates cash inflows is Claranet UK, being the relevant assets of Claranet Limited and its subsidiaries. The cashflows of the subsidiaries are not independently monitored by management, as the businesses have been merged with that of Claranet Limited for the purposes of management reporting.

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% (2020: 10%). Budgeted revenue has been extrapolated over future periods on a nil growth basis (2020: nil growth).

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

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

14 Trade and other receivables

£million	2021	2020
Amounts falling due within one year:		
Trade receivables	8.9	11.6
Bad debt provision	(1.3)	(0.8)
Trade receivables	7.6	10.8
Other receivables	7.6	4.4
Prepayments and accrued income	9.0	10.1
Other receivables	16.6	14.5
Total trade and other receivables due within one year	24.2	25.3
£million	2021	2020
Amounts falling due in more than one year:		
Amounts owed by parent undertakings	3.5	-
Total other receivables due in more than one year	3.5	-

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

The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment. The movement in the provision for bad debt is shown above.

Trade receivables are recorded and measured in accordance with note 1 above. The UK Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs using a lifetime expected credit loss provision for trade receivables). To measure expected credit losses on a collective basis, trade receivable are grouped based on similar credit risk and ageing.

The Company's group receivables, being amounts due from wholly-owned subsidiaries, are repayable on demand.

The Parent Company has determined that credit risk for receivables from group companies has not increased significantly since their initial recognition.

15 Trade and other payables

£million	2021	2020
Amounts falling due within one year:		
Trade payables	10.9	9.4
VAT	2.9	3.8
Taxation and social security	0.9	0.9
Other payables	1.3	1.8
Accruals	6.1	5.8
Deferred consideration	1.8	1.3
Trade and other payables	23.9	23.0
Finance lease creditor (note 16)	7.4	7.4
Other loans	1.1	1.2
Loans and borrowings	8.5	8.6

Settlement of trade and other payables is in accordance with the UK 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	2021	2020
Amounts due in more than one year		
Amounts owed to parent undertakings	-	3.3
Other liabilities	-	3.3
Finance lease creditor (note 16)	6.7	10.0
Other loans	0.4	1.3
Loans and borrowings	7.1	11.3

Claranet Limited

**Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)**

16 Finance leases

The UK Group entered into finance lease arrangements for certain plant and equipment. The carrying value of assets held under finance leases at 30 June 2021 was £6.8m (2020: £7.2m).

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
2021			
Future lease payments are due as follows:			
Within one year	8.1	(0.7)	7.4
Later than one year and not later than five years	7.2	(0.5)	6.7
Total repayable	15.3	(1.2)	14.1

£million	Minimum Lease Payments	Interest	Present value
2020			
Future lease payments are due as follows:			
Within one year	8.2	(0.7)	7.5
Later than one year and not later than five years	10.4	(0.5)	9.9
Total repayable	18.6	(1.2)	17.4

Finance leases are provided for under direct finance leasing and on a sale and lease back basis.

17 Provisions

£million	Dilapidations
At 1 July 2020	0.6
Increase during the year	0.3
Utilised during the year	(0.2)
At 30 June 2021	0.7

The provision for dilapidation costs represent the costs to return leasehold premises to their original state in the event premises 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.

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

18 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19%.

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:

Emillion	2021			2020		
	Asset	Liability	Net	Asset	Liability	Net
At 1 July	2.2	(2.3)	(0.1)	2.2	(2.5)	(0.3)
Credit/(charge) for the year	-	(0.2)	(0.2)	-	0.2	0.2
Adjustments in respect of prior period	(0.6)	0.6	-	-	-	-
At 30 June	1.6	(1.9)	(0.3)	2.2	(2.3)	(0.1)
Represented by:						
Accelerated capital allowances	2.1	-	2.1	2.7	-	2.7
Liability arising on business combination	-	(1.9)	(1.9)	-	(2.3)	(2.3)
Intangibles	(0.5)	-	(0.5)	(0.5)	-	(0.5)
Other timing differences	-	-	-	-	-	-
Total deferred taxation asset/(liability)	1.6	(1.9)	(0.3)	2.2	(2.3)	(0.1)

19 Capital risk management

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

The UK 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 UK Group sets the amount of capital it requires in proportion to risk. The UK 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 UK Group may return capital to shareholders, issue new shares, or sell assets to reduce debt.

20 Share capital

	2021 Number	2020 Number	2021 Emillion	2020 Emillion
Allotted, Called Up and Fully Paid Ordinary shares of £1 each	250,000	250,000	0.2	0.2

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

21 Reserves

The retained earnings reserve contains the cumulative net gains and losses recognised in the Statement of Total Comprehensive Income, dividends and capital contributions by the UK Group's parent.

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

22 Operating lease commitments

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

£million	Land and buildings 2021	Other 2021	Land and buildings 2020	Other 2020
Within one year	-	-	-	-
In one to five years	-	-	-	-
Total operating leases	-	-	-	-

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

The operating lease charge for the year was £ 0.1m (2020: £0.1m)

23 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 14 and 15 with movements on the loans disclosed in the Consolidated Statement of Cash Flows.

24 Cash flow

£million	2021	2020
Cash and cash equivalents for purposes of the statement of cash flows comprises:		
Cash available on demand	5.3	1.7
Significant non cash transactions are as follows:		
Assets acquired under finance leases (including IFRS 16 adjustments)	6.3	17.4

25 Events occurring after the reporting period

There are no significant events occurring after the reporting period end.

26 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 the 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 the entities established for the benefit of the Nasser family.

Claranet Group Limited is the Company's immediate parent undertaking. This company is included in the consolidated financial statement of Claranet Group Limited, copies of which are available from Companies House.

Claranet Limited

Company Statement of Financial Position
as at 30 June 2021

Company Number 03152737

£million	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	C4	15.1	18.5
Intangible assets	C5	31.5	30.5
Investments	C6	58.3	58.3
Other receivables	C7	29.4	26.3
Deferred tax asset	C11	1.7	2.2
Total non-current assets		136.0	135.8
Current assets			
Trade and other receivables	C7	21.5	21.2
Cash and cash equivalents		5.0	1.5
Total current assets		26.5	22.7
Total assets		162.5	158.5
LIABILITIES			
Current liabilities			
Trade and other payables	C8	(23.3)	(22.4)
Loans and borrowings	C8	(8.5)	(8.5)
Total current liabilities		(31.8)	(30.9)
Non-current liabilities			
Other liabilities	C8	(66.0)	(66.1)
Loans and borrowings	C8	(6.9)	(11.2)
Provisions	C10	(0.7)	(0.6)
Total non-current liabilities		(73.6)	(77.9)
Deferred revenue		(6.5)	(6.0)
Total liabilities		(111.9)	(114.8)
Net assets		50.6	43.7
FUNDED BY			
Equity			
Share capital	C12	0.2	0.2
Retained profit		50.4	43.5
Total equity		50.6	43.7

The profit for the financial year of the parent company, Claranet Limited was £6.9m (2020: £7.6m). 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 21 December 2021

Signed on behalf of the Board of Directors



N Fairhurst
Director

The notes on pages 41 to 46 form part of these financial statements.

Claranet Limited**Company Statement of Cash Flows
for the year ended 30 June 2021**

£million	2021	2020
Cash flows from operating activities		
Profit for the year	6.9	7.6
Adjustments for:		
Depreciation and amortisation	11.6	12.2
Loss on sale of property, plant and equipment	0.4	-
Finance income	(0.4)	(0.5)
Finance expense	1.4	0.1
Taxation	0.9	0.2
	20.8	19.6
Increase in trade and other receivables	(0.3)	(1.5)
Increase in trade and other payables	0.9	2.0
Increase in Provisions	0.1	-
Cash generated from operations	21.5	20.1
Taxation received	0.1	-
Cash generated from operating activities	21.6	20.1
Cash flows from investing activities		
Purchase of property, plant and equipment	(2.2)	(0.2)
Purchase of intangible assets	(3.1)	(2.4)
Deferred consideration paid	(0.1)	-
Net cash used in investing activities	(5.4)	(2.6)
Cash flows from financing activities		
Interest paid	(1.0)	(0.1)
Payment of finance lease liabilities and other loans	(8.3)	(8.3)
Repayment of loans	(1.4)	(1.4)
Payments to parent undertaking	(2.0)	(12.3)
Net cash used in financing activities	(12.7)	(22.1)
Net increase in cash and cash equivalents	3.5	(4.6)
Cash and cash equivalents at beginning of year	1.5	6.1
Cash and cash equivalents at end of year	5.0	1.5

The notes on pages 41 to 46 form part of these financial statements.

Claranet Limited

Company Statement of Changes in Equity
for the year ended 30 June 2021

£million	Share capital	Retained profit	Total equity
Balance as at 1 July 2019	0.2	35.9	36.1
Total comprehensive profit in the year	-	7.6	7.6
Balance as at 30 June 2020	0.2	43.5	43.7
Balance as at 1 July 2020	0.2	43.5	43.7
Total comprehensive profit in the year	-	6.9	6.9
Balance as at 30 June 2021	0.2	50.4	50.6

The nature of each reserve is disclosed in note C13.

The notes on pages 41 to 46 form part of these financial statements.

Claranet Limited

**Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)**

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 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	Total
As at 30 June 2021				
Amounts owed by subsidiary undertakings	6.5	-	29.4	35.9
Trade and other receivables	8.5	-	-	8.5
Cash and cash equivalents	5.0	-	-	5.0
Trade and other payables	(17.6)	-	-	(17.6)
Loans and Borrowings	(5.1)	(3.7)	(6.9)	(15.7)
Amounts owed to parent and subsidiary undertakings	(1.5)	-	(66.0)	(67.5)
Total	(4.2)	(3.7)	(43.5)	(51.4)
As at 30 June 2020				
Amounts owed by subsidiary undertakings	4.4	-	26.3	30.7
Trade and other receivables	8.9	-	-	8.9
Cash and cash equivalents	1.5	-	-	1.5
Trade and other payables	(17.6)	-	-	(17.6)
Loans and Borrowings	(4.8)	(4.0)	(11.2)	(20.0)
Amounts owed to parent and subsidiary undertakings	(0.2)	-	(66.1)	(66.3)
Total	(7.8)	(4.0)	(51.0)	(62.8)

C3 Employees

£million	2021	2020
Staff costs consist of:		
Wages and salaries	22.0	22.4
Social security costs	2.3	2.4
Defined contribution pension costs	1.1	1.1
Total staff costs	25.4	25.9
Capitalised staff costs	(3.1)	(2.4)
Total staff costs (after capitalised staff costs)	22.3	23.5

The average number of employees during the year was 417 (2020: 423)

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

C4 Property, plant and equipment

£million	Leasehold property	Network and computer equipment	Fixtures and fittings	Total
Cost				
At 1 July 2019	-	72.6	7.4	80.0
Additions	13.2	4.7	0.1	18.0
Disposals	-	(0.1)	-	(0.1)
At 30 June 2020	13.2	77.2	7.5	97.9
Depreciation				
At 1 July 2019	-	63.3	6.1	69.4
Provided during the year	3.7	6.0	0.4	10.1
Disposals	-	(0.1)	-	(0.1)
At 30 June 2020	3.7	69.2	6.5	79.4
Carrying value				
At 30 June 2020	9.5	8.0	1.0	18.5
Cost				
At 1 July 2019	13.2	77.2	7.5	97.9
Additions	0.8	5.4	0.3	6.5
Disposals	(1.9)	(6.5)	(0.8)	(9.2)
At 30 June 2021	12.1	76.1	7.0	95.2
Depreciation				
At 1 July 2019	3.7	69.2	6.5	79.4
Provided during the year	3.8	5.4	0.3	9.5
Disposals	(1.9)	(6.1)	(0.8)	(8.8)
At 30 June 2021	5.6	68.5	6.0	80.1
Carrying value				
At 30 June 2021	6.5	7.6	1.0	15.1

The net carrying value of assets held under finance lease, all of which are categorised as network and computer equipment, was £6.8m (2020 - £7.2m). The depreciation charge for the year on these assets was £5.0m (2020 - £5.0m).

Ciaranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

C5 Intangible assets				
£million		Goodwill	Development costs	Total
Cost				
At 1 July 2019		25.9	12.8	38.7
Additions		-	2.4	2.4
At 30 June 2020		25.9	15.2	41.1
Amortisation and impairment				
At 1 July 2019		-	8.5	8.5
Provided for the year		-	2.1	2.1
At 30 June 2020		-	10.6	10.6
Carrying value				
At 30 June 2020		25.9	4.6	30.5
Cost				
At 1 July 2019		25.9	15.2	41.1
Additions		-	3.1	3.1
At 30 June 2021		25.9	18.3	44.2
Amortisation and impairment				
At 1 July 2019		-	10.6	10.6
Provided for the year		-	2.1	2.1
At 30 June 2021		-	12.7	12.7
Carrying value				
At 30 June 2021		25.9	5.6	31.5

C6 Investments		
Investments in subsidiary undertakings		
£million		Total Investment
Cost		
At 1 July 2019		58.3
At 30 June 2020		58.3
At 1 July 2019		58.3
At 30 June 2021		58.3

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

C6 Investments (continued)

At 30 June 2021 the principal subsidiary undertakings are as follows:

Name	Registered address	Percentage of issued Ordinary share capital held	Nature of business
STH Limited	1	100%	Intermediate holding company
Star Technology Services Limited	1	100%	Dormant company
Free UK Internet Limited	1	100%	Dormant company
Techgate Limited	1	100%	Dormant company
Linux IT Europe Limited	1	100%	Dormant company
Bashlon Ltd	1	100%	Dormant company
Ardenta Limited	1	100%	Dormant company
SEC-1 Holdings Limited	1	100%	Intermediate holding company
SEC-1 Limited	1	100%	Other information technology service activities
Red Rooster Holdings Ltd	1	100%	Intermediate holding company
Union Solutions Limited	1	100%	Other information technology service activities
Virtual Age Limited	1	100%	Dormant company
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 Netscalibur Limited

^ indirect shareholding through U- Net UK Ltd

At 30 June 2021, the registered addresses of the subsidiary undertakings are as follows:

1. 110 High Holborn, London, WC1V 6JS

C7 Trade and other receivables

£million	2021	2020
Amounts falling due within one year:		
Trade receivables	7.0	8.5
Bad debt provision	(1.3)	(0.7)
Trade receivables	5.7	7.8
Other receivables	1.1	-
Amounts owed by subsidiary undertakings	6.5	4.4
Prepayments	8.2	9.0
Other receivables	15.8	13.4
Total trade and other receivables due within one year	21.5	21.2
Amounts owed by subsidiary undertakings	25.9	25.2
Amounts owed by parent undertakings	3.5	1.1
Total other receivables due in more than one year	29.4	26.3

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

Claranet Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)

C8 Trade and other payables

£million	2021	2020
Amounts falling due within one year:		
Trade payables	9.1	9.4
VAT	2.7	3.4
Taxation and social security	0.9	0.9
Corporation tax	0.5	0.1
Other payables	4.6	3.5
Accruals	5.5	5.1
Trade and other payables due within one year	23.3	22.4
Finance lease creditor	7.4	7.3
Other loans	1.1	1.2
Loans and borrowings	8.5	8.5

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

£million	2021	2020
Amounts falling due in more than one year:		
Amounts owed to parent undertakings	-	5.3
Amounts owed to subsidiary undertakings	66.0	60.8
Other liabilities	66.0	66.1
Finance lease creditor (note C9)	6.5	9.9
Other loans	0.4	1.3
Loans and borrowings (excluding funding loans)	6.9	11.2

C9 Finance leases

The Company entered into finance lease arrangements for certain plant and equipment. The carrying value of assets held under finance leases at 30 June 2021 was £6.8m (2020: £7.2m).

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

£million	Minimum Lease Payments	Interest	Present value
2021			
Future lease payments are due as follows:			
Within one year	8.0	(0.7)	7.3
Later than one year and not later than five years	7.1	(0.5)	6.6
Total repayable	15.1	(1.2)	13.9
2020			
Future lease payments are due as follows:			
Within one year	8.1	(0.7)	7.4
Later than one year and not later than five years	10.4	(0.4)	10.0
Total repayable	18.5	(1.1)	17.4

Finance leases are provided for under direct finance leasing and on a sale and lease back basis.

C10 Provisions

£million	Dilapidations
At 1 July 2019	0.6
Increase in provision	0.3
Utilised during the year	(0.2)
At 30 June 2021	0.7

The provision for dilapidation costs represent the costs to return leasehold premises to their 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. The provision covers the offices in London, Warrington and Gloucester and the data centre in Bristol.

Claranet Limited

**Notes to the consolidated financial statements
for the year ended 30 June 2021 (continued)**

C11 Deferred Tax Asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2020 - 19%).

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

The movement in the deferred tax asset and liability are shown below:

£million	2021	2020
At 1 July	2.2	2.1
Current year charge	(0.5)	0.1
Movement in prior year balance	-	-
At 30 June	1.7	2.2
Represented by:		
Accelerated capital allowances	2.2	2.5
Intangibles	(0.4)	(0.4)
Other timing differences	(0.1)	0.1
Total deferred taxation asset	1.7	2.2

C12 Share capital

	2021 Number	2020 Number	2021 £million	2020 £million
Allotted, Called Up and Fully Paid Ordinary shares of £1 each	250,000	250,000	0.2	0.2

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

C13 Reserves

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

C14 Related party transactions

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

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

£million	Services provided		Services received	
	2021	2020	2021	2020
Company				
Fellow subsidiary undertakings	0.2	0.1	(0.2)	(0.1)

Balances held with entities that are controlled by its ultimate parent, Claranet International Limited are disclosed separately in notes C7 and C8 with movements on the loans disclosed in the Cash Flow Statement.

C15 Cash flow

£million	2021	2020
Cash and cash equivalents for purposes of the statement of cash flows comprises:		
Cash available on demand	5.0	1.5
Significant non cash transactions are as follows:		
Assets acquired under finance leases (including IFRS 16 adjustments)	4.3	4.6