

**Claranet Limited**

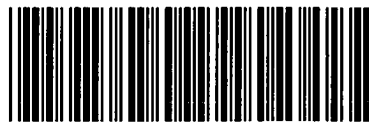
Report and Financial Statements

Year ended

30 June 2023

Company Number 03152737

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**Claranet Limited**  
**Report and financial statements**  
**for the year ended 30 June 2023**

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**Directors**

C Nasser  
N Fairhurst

**Registered office**

110 High Holborn, London, WC1V 6JS

**Company number**

03152737

**Auditor**

BDO LLP, Bridgewater House, Bristol, BS1 6BX

**Claranet Limited**  
**Strategic report**  
**for the year ended 30 June 2023**

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The Directors present their strategic report on Claranet Limited for the year ended 30 June 2023 ("FY23").

**Review of the business**

*Principal activities*

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

**Results and performance**

The Contract Book (undiscounted value of non-cancellable revenue which will be billed in the future) was £102.6m, down from £116.5m in the prior year.

Revenue for the year was £113.1m, which is an increase of £13.6m from £99.5m in 2022. The increase is as a result of entities hived up at the end of FY22 which are now included in the results of the Company.

The Company 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 FY23 was 49.0% (2022: 48.2%). The slight increase in gross margin was mainly due to the mix of services and products delivered in the year including a decrease in product re-sales when compared to FY22, which tend to be at a lower margin, but support the recurring revenue base.

During the year, in order to secure the Company's progression and development, the Company completed an organisational design review which resulted in a business restructure moving focus away from three distinct business units to a more customer focussed functional model. The new operating model will enable the Company to scale and grow through the creation of a single portfolio that enables cross-sell, retain technical expertise in each new practice area, improve customer and employee experience by removing siloed ways of working and as result make the Company more competitive in a changing marketplace. As a result of the restructure, several employees were made redundant, and these costs, together with other associated costs, are included in exceptional costs of £4.0m.

Adjusted EBITDA was £15.0m (2022: £14.5m) where "Adjusted EBITDA" is defined as Earnings Before Interest, Tax, Depreciation and Amortisation adjusted to excluded:

- foreign exchange gains and losses;
- impairment of intangible assets and investments; and
- exceptional items

Adjusted EBITDA is stated before £7.4m (2022: £0.7m) of exceptional costs which includes restructuring cost and impairment of investments.

The Company's profit before taxation for the year was £1.6m (2022: £1.9m). The company's profit before taxation for the year was £2.2m (2022: £2.1m).

*Assets, liabilities and cashflow*

The Company's net assets at 30 June 2023 were £54.9m (2022: £52.7m).

At the balance sheet date, cash was £1.5m (2022: -£0.1m), an increase of £1.6m compared to the prior year. The increase in cash is related to the decrease in capital expenditure during the year and repayment of intergroup debt from parent company

*Customers*

During the financial year to 30 June 2023, the Company secured a number of important new, renewal and extension contracts in the UK, including Pets at Home, Care, Enstar, L'Occitane, Microsoft and Santander

**Claranet Limited**  
**Strategic Report**  
for the year ended 30 June 2023

*Services provided*

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

<b>Public and Private Cloud Services</b>	<b>Networks and Communication Services</b>	<b>Cybersecurity and Other IT Services</b>
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	

*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, ISO 14001, Cyber Essential Plus, PCIDSS and Crest. Claranet has also invested in developing and maintaining partner status with many of its key suppliers, including AWS, Google Cloud, Microsoft, Cisco, Nutanix 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.

<b>Key Performance Indicators ("KPIs")</b>	<b>2023</b>	<b>2022</b>
Revenue	£113.1m	£99.5m
Adjusted EBITDA	£15.0m	£14.5m
Gross margin	49.0%	48.2%
Total contract value at year end	£102.6m	£116.5m

**Resilience Assessment**

**Impact of economic environment**

Across the UK and Europe there is the impact of higher inflation and interest rates which will have an impact on the customers of the Claranet and hence the business. However, this is mitigated by the fact that Claranet is not focused on a specific business segment. In addition, providing critical services means that these would be some of the last to be cut in the event of a business being in difficulty. Even if a customer fails, the customer concentration is low with the top managed services customer being less than £5.0m and the top ten customers less than 20% of the revenues.

**Impact of Talent shortages**

An issue for Claranet is the impact of the shortage of skilled labour on salary costs. Our competitors are also losing good talent due to higher salary offerings. Claranet is addressing this risk by focussing on employee retention initiatives and continuing to develop operations in India where good talent is not only cheaper but also more accessible.

**Future Developments**

In FY24, the Company expects to see further organic growth and more cross border collaboration, especially in Cloud and Cybersecurity. The common themes for growth in the Company include improvement of the customer experience, development of the best hybrid working environment and a desire to do more acquisitions to scale. This is combined with efficiency initiatives such as rationalisation of the data centre estate. This process takes time and planning due to the critical nature of the services provided to customers.

**Claranet Limited**  
**Strategic Report**  
for the year ended 30 June 2023

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**Principal Risks and Uncertainties**

The management of the business and execution of the Company'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 Company.

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

<b>Risk</b>	<b>Mitigants</b>
Inflationary pressure and supply chain issues persist	<ul style="list-style-type: none"> <li>- Claranet's contracts include the ability to flex for price increases either through annual RPI increases and at renewals</li> <li>- Strong partnerships with major suppliers, ensuring competitive rates and access to rebates</li> <li>- Claranet has a diverse customer base which mitigates the potential impact on collections due to liquidity risk of customers in higher risk verticals</li> <li>- Claranet continually evaluates and renegotiates costs of data centres especially relevant given the recent increases in energy prices. As Claranet moves more to the management of applications and providing cloud transformation services, these costs become a smaller component of the overall service.</li> </ul>
Labour shortages	<ul style="list-style-type: none"> <li>- Claranet utilises employees located in India to assist with the delivery of projects.</li> </ul>
Maintenance of market share	<ul style="list-style-type: none"> <li>- Claranet continually invests in its service offerings and offers a diverse range of services in order to ensure that it remains competitive and relevant to existing and new customers.</li> <li>- Acquisitions are used to fill and enhance service and capability gaps.</li> </ul>
Competition from third party cloud providers	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Cyber Security, regulation and resilience	<ul style="list-style-type: none"> <li>- Claranet has teams, systems and processes designed to mitigate cyber threats and technology/site losses to internal and customer information and services.</li> <li>- 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.</li> <li>- A trained Company information security team is responsible for overseeing compliance and security functions.</li> </ul>

**Claranet Limited**  
**Strategic Report**  
for the year ended 30 June 2023

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**Section 172 statement**

The Board recognises the importance of the Company's wider stakeholders 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 reputation for high standards of business conduct, and;
- the need to act as fairly as possible between members of the group.

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.

Details of Claranet's key stakeholders and how we engage with them are set out as follows:

- **Company employees** – We aim to create a workplace that encourages diversity and equal opportunities for all. We actively encourage professional development and support employee health and wellbeing. To understand how we are doing, we conduct Employee Net Promoter (ENP) surveys throughout the year. As part of the OD, a collective consultation process was engaged with employees to provide all concerned a forum to share the proposed plans and explore the options. Consultation was undertaken with a view to discussing and getting feedback with appropriate representatives on various issues.
- **Customers** – Claranet is continually striving to deliver an outstanding customer experience by "helping our customers do amazing things". We build strong relationships with our customers and regularly engage to monitor their satisfaction with our services.
- **Suppliers** – We remain continuously engaged with suppliers to support them through the impact of the economic uncertainty and to ensure that they are treated and paid fairly. We interact with our suppliers continuously in order to build stronger relationships and obtain regular feedback.
- **Partners** – We are privileged to have Partner Status with many of our key suppliers including AWS, Google Cloud, Microsoft and HPE and premium partner status with AWS and Azure which gives us an enhanced level of "approved supplier". To maintain this status, we engage with our Partners and agree to comply with certain rules and meet minimum standards around sustainability and ethical practices.
- **Communities** – The responsibility, to continually do the right things now and for the long term, permeates everything we do. It's the core principle our business was founded on 26 years ago. We actively support local businesses and the communities in which we operate and promote employee fundraising and volunteering.
- **Environment** – We manage our waste, emissions and consumption of natural resources while continually pursuing new measures to have a positive impact on the environment. We engage with government and regulators and management is updated on legal and regulatory developments when considering future actions.

The Directors take into consideration the key stakeholders of the business when reviewing and making key decisions on the strategy and direction of the company. In the year the decision was taken to review and simplify the structure of the company operations which lead to the merging of three business units. This has resulted in a leaner and more responsive operation with the objective of driving profitable organic growth and creating a platform for future acquisitions.

One of the key decisions of the business in terms of acquisitions, is which ones to make and which not to proceed with. During the year there have been no acquisitions, however, several potential acquisitions have been rejected. The Directors believe that any new acquisition must have the right strategic, financial and cultural fit in order to be successful.

On behalf of the Board of Directors



N Fairhurst  
**Director**

20 December 2023

**Claranet Limited**  
**Report of the Directors**  
**for the year ended 30 June 2023**

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The Directors present their report together with the audited financial statements for the year ended 30 June 2023.

**Identification of information included in the Strategic report**

An update on results and performance, is set out in the Strategic Report.

**Dividends**

The Directors do not recommend the payment of a dividend (2022: £nil).

**Going Concern**

In consideration of the Company's current resources and review of financial forecasts and projections, the Board of directors has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the Annual Report.

The Board of directors believes that the business is able to navigate through the impact of the current economic environment due to:

- the critical and contracted nature of its services;
- the strength of its diversified customer base;
- its financial position and net cash position; and
- a Letter of Support from its parent, Claranet Group Limited, to ensure that it will meet its liabilities as they fall due.

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. If sales are not in line with cash flow forecasts, 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 Company was unable to continue as a going concern. Refer to Note 1 for further details.

**Financial Risk Management Objectives and Policies**

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

**Financial risk management objectives and policies**

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

*Liquidity risk*

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by the retention of cash balances together with a revolving cash facility of £3.0m available to provide working capital.

*Interest risk*

The Company does not have any material risk to movements in interest rates but it does benefit from a Group wide overdraft facility on which interest is charged as and when the facility is utilised. The Company does not consider probable interest rate movements to be a significant risk to the business.

*Credit Risk*

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

Because of the heightened risk from inflation, the Company is anticipating that some customers may face liquidity issues and has worked extensively to ensure there is enough coverage over trade receivables at 30 June 2023.

As at 30 June 2023, there were no material credit risk balances that were not provided for.

**Claranet Limited**

**Report of the Directors  
for the year ended 30 June 2023**

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**Risk Management and Internal Controls**

The Board:

- recognises the importance of a sound system of internal controls to safeguard the Company's assets and manage risk;
- determines the risk profiles and oversees the formulation, implementation and monitoring of internal controls;
- reviews the Company's Risk register on a periodic basis; and
- 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 Company has a long-standing commitment to driving environmental progress. The Company's products and services target positive environment and social outcomes through environmental and social objectives led by a local Senior Management Team. CSR issues are discussed at local senior management meetings and at regular Board meetings. Policies have been implemented regionally to reduce: energy consumption, water consumption, waste production and consumption of main inputs.

**Gender and Racial Diversity**

The Company 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 Company's policy of providing employees with information about the Company has continued and regular meetings rate 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 Company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

**Employee Wellbeing**

The Company has a policy on Employee Wellbeing which was introduced during Covid-19 to support employees with their mental health and anxieties about their physical health. Regular webinars and courses are provided by external experts for the wellbeing of employees. It advocates keeping in regular contact between employees and provides information and access to external support services.

**Research and Development**

The Company 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 Company for the benefit of the Company and the Claranet Group.

Claranet Limited

Report of the Directors  
for the year ended 30 June 2023

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**Task force on Climate-related Financial Disclosure (TCFD) aligned disclosure**

*Our environmental impact*

Climate change is one of the biggest challenges of the society. There is an increased need to understand where climate risks come from, their potential impact and what will be done to address them. Governments, businesses and civil society have a responsibility to act now.

Besides making our lives easier, technology also helped us live greener and better. This win-win situation is helping us shape our environment for the better.

Cloud computing can significantly reduce energy consumption, waste, and Greenhouse Gas (GHG) emissions. Cloud computing is 93% more energy-efficient and has 98% lower GHG emissions than on-premises data centres.

However the Company understands that the environmental impact of its operations is significant due to the high demand for energy from its servers. Data centres and server infrastructures consume vast amounts of electricity to operate and cool the servers. This high energy demand results in significant CO2 emissions, particularly if the energy sources used are predominantly fossil fuels.

*Governance*

The Board recognises that climate change poses a number of physical (i.e. extreme weather events) and transition-related (i.e. related to moving to a greener economy) risks and opportunities for our business. As part of our commitment to operate ethically and sustainably, we strive to understand climate-related risks and opportunities and embed responses to these into our business strategy and operations.

Management of the Group is responsible for assessing and managing climate-related risks and opportunities.

We started our climate considerations by undertaking climate-related risk assessment and comprehensive measurement of energy consumption and Greenhouse Gas emissions and energy consumed by Claranet UK, under the Streamlined Energy and Carbon Reporting regulations, with an aim to get a clear baseline against which reduction activities and climate targets will be planned.

*Strategy*

The Company's climate strategy is to map and measure emissions, reduce emissions, develop climate-friendly products and reduce climate related risks. The business has set a target of 2050 to reach net zero. In order to achieve it we set a goal to reduce our own carbon emissions to net zero across the full value supply chain and particularly Scope 2 by 2040. We recognise the urgent need to address the global climate crisis. As we move towards an ever more digital society, with increasing volumes of internet use and mobile data traffic, we are committed to driving down our own emissions in absolute terms as well as shifting our energy mix to renewable sources, in line with what is required by science to avoid negative impacts on climate change. With a comprehensive GHG emissions measurement plan, Claranet started a process to set emission reduction targets, which we define as balancing the emissions we create with the same amount of carbon durably removed from the atmosphere, and related indicators.

Reducing carbon emissions and combating climate change require a comprehensive approach involving various strategies. We have already implemented some measures to minimise adverse environmental impacts across our value chain, but we continue to increase and improve the measures to minimise the environmental impact.

## Claranet Limited

### Report of the Directors for the year ended 30 June 2023

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The Company's strategies for reducing carbon emissions and combating climate change include:

Transition from on-premise datacentres to public and hybrid cloud offering. Energy consumption in on-premises datacentres is increasingly becoming a key concern in organizations as costs continue to surge. Besides a constant power supply for the servers, you need a cooling system to prevent the processors from overheating. Cloud computing significantly minimize energy consumption.

- Transition to renewable energy: we promote the adoption of renewable energy sources like solar, wind, hydroelectric, and geothermal power;
- Energy efficiency: we improve energy efficiency in buildings and data centres;
- Sustainable transportation: we encourage public transportation, walking, cycling, and electric vehicles to be used by employees to reduce emissions from the transportation sector;
- Circular economy: we embrace circular economy principles, prioritise recycling, and reduce waste generation to minimize the environmental impact;
- Climate education and awareness: we raise awareness about climate change and its impacts;
- Innovation and research: we invest in research and development of clean technologies;
- Responsible consumption: we promote responsible consumption and lifestyle choices that reduce environmental impact and carbon footprint;
- Reduction of physical travel.

The Company set further strategies for the upcoming year:

- Climate-Friendly Policies: enact and strengthen climate-friendly policies and regulations at all countries level to support emission reductions and sustainability initiatives;
- Emission Reduction Targets: set emission reduction target and regularly track progress to ensure in the reduction of CO2 year on year on year stay on course in combating climate change.

Furthermore, in 2025-26, ie for the annual report ending 30 June 2026, we are planning to estimate the resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

#### *Risk Management*

Whilst the Directors do not consider climate change to be a financial risk for the Company, climate change is viewed as a strategic risk which continually reviewed across the business. We evaluate the materiality of the identified risks and opportunities by assessing their likelihood and impact on the environment and the business.

The Company assessed a climate-related risk assessment considering physical and transition risks included the geographical locations of our property portfolio, employees and data centres.

Physical risks considered include:

- Risks such as the risk of heatwaves, flooding, storms and electricity blackouts. Damage to infrastructure caused by increasing frequency and severity of extreme weather events, including wildfires, flooding, and storms Management considers such risks to be low to medium as data centres are located in UK. During the last few years, the disaster risks, such as heatwaves and flooding appear more often in the UK.
- Interruption or reduction in the quality of services due to increased precipitation and extreme weather events;
- Supply chain disruption due to climate impacts on key suppliers;
- Long-term risks such as sea-level rise and climate warming exceeding habitable temperatures. Such risks are low as the Company doesn't have operation in areas exposed to such risks.

Claranet Limited

Report of the Directors  
for the year ended 30 June 2023

Transition risks considered include regulatory, market, technology, legal and reputational risks.

Short-term climate-related risks	Background	Opportunities
Market and technology	Increasing stakeholder scrutiny over our environmental performance impacting revenue, market share and reputation	Development of new product lines enabling customers to better manage climate-related impacts. Reduced costs through sustainable procurement
Market and technology	A lower carbon technology deemed to be a competitor to our business. Just like many physical products that have seen competition, digital and tech-related products can also see demand shifting based on environmental credentials.	Currently, customer awareness that digital products have a carbon footprint is low, but this is rapidly changing. New markets and consumers are attracted to the products and services that have positive or neutral impact on climate.
Policy	Employee productivity fall and electricity blackouts due to heatwaves and other climate-related extreme events. Due to increase in global temperatures, extreme weather events are more likely. Heatwaves with hot days over 35°C and nights over 20°C will increase significantly in many locations in Europe and Latin America.	Claranet offices are equipped with air conditioning. Although we will work to ensure good levels of energy efficiency, this can prove beneficial for workforce productivity. Claranet's operations are located in areas with reliable electricity networks.
Policy	Increased electricity prices due to carbon taxes or similar fees. Changing mandates and regulations over infrastructure energy efficiency.	The Company's carbon footprint measurement gives an indication of exposure to carbon taxes, both directly through purchase of electricity and through our supply chain. Claranet is upgrading its data centres to manage the risk of increased electricity prices.
Legal	A climate-related regulations effecting our industry and increases scrutiny of the operations and environmental impacts.	With effect from 2022, the Company and wider UK 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.

*Metrics and targets*

Our main carbon emissions metrics are based on Scope 1-3 emissions using the GHG Protocol, including Corporate Value Chain (Scope 3) Standard and Calculation Guidance. Energy usage information is 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 2021 have been used for emission factor conversions.

Scope 1 emissions are from activities owned or controlled by Claranet that release emissions into the atmosphere - direct emission from fuel combustion in own buildings and vehicles for example;

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 - electricity of the facilities;

Scope 3 emissions - produced by the activities of the organisation that are not accounted for in 2 but are linked to the entire value chain. Example: the purchase of raw materials, services or other products, employee travel, upstream and downstream transport of wares. The Company started the assessment of the impact of Scope 1, 2 and emissions.

Claranet Limited

Report of the Directors  
for the year ended 30 June 2023

Scope 1 emissions (direct)

For the year ended		2023	2022
Energy type	Definition	Calculated emissions (tCO <sub>2</sub> e)	Calculated emissions (tCO <sub>2</sub> e)
Gas	Emissions from combustion of gas	11.5	10.3
Transport	Emissions from combustion of fuel for transport purposes - litres	16.1	15.4
<i>Total Scope 1 Emissions</i>		<u>27.6</u>	<u>25.7</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 the Company

For the year ended		2023	2022
Energy type	Definition	Calculated emissions (tCO <sub>2</sub> e)	Calculated emissions (tCO <sub>2</sub> e)
Electricity	Emissions from purchased electricity	1,282.0	1,426.2
<i>Total Scope 2 Emissions</i>		<u>1,282.0</u>	<u>1,426.2</u>

Scope 3 emissions (other indirect)

For the year ended		2023	2022
Energy type	Definition	Calculated emissions (tCO <sub>2</sub> e)	Calculated emissions (tCO <sub>2</sub> e)
Transport	Emissions from combustion of fuel for transport purposes - personal mileage claims	27.6	24.2
<i>Total Scope 3 Emissions</i>		<u>27.6</u>	<u>24.2</u>

Post Balance Sheet Events

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

**Claranet Limited**  
**Report of the Directors**  
**for the year ended 30 June 2023**

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**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 UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss 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 UK Adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements, and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business unless it is inappropriate to presume that the Company will continue in business.

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

**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 is 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**



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N Fairhurst  
**Director**

20 December 2023

**Claranet Limited**

**Independent auditor's report to the members of Claranet Limited**

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**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its profit for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Claranet Limited (the 'Company') for the year ended 30 June 2023 which comprise the Statement of Total Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and 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 UK adopted international accounting standards.

**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 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 Company's ability to continue as a going concern for a period of at least twelve 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 gives 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 the members of Claranet Limited

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#### Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### 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 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 Company 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:

#### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be those related to the reporting framework (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006 and relevant tax legislations.

The Company is also subject to laws and regulations where the consequences of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
  - Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
  - Review of financial statement disclosures and agreeing to supporting documentation;
  - Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Independent auditor's report to the members of Claranet Limited

**Fraud**

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets, and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override and certain aspects of the revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria (including entries posted to revenue), by agreeing to supporting documentation;
- With regards to the fraud risks related to revenue, audit procedures were performed that specifically addressed the identified fraud risks which were primarily focused on deferred income and the timing of the satisfaction of performance obligations;
- Considering the appropriateness of key estimates and judgements applied by management in the financial statements to assess their reasonableness and for existence of any systematic bias. This included consideration of the estimates and judgements taken in relation to the capitalisation and impairment of intangible assets;
- Reviewing unadjusted audit differences for indications of bias or deliberate misstatement; and
- Incorporating an element of unpredictability in our response to fraud


We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
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**STEVE JORDAN (Senior Statutory Auditor)**  
**For and on behalf of BDO LLP, Statutory Auditor**  
Bristol, UK

20 December 2023

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

Claranet Limited

Statement of Total Comprehensive Income  
for the year ended 30 June 2023

£million	Note	2023	2022
Revenue	4	113.1	99.5
Cost of Sales		(57.7)	(51.5)
<b>Gross profit</b>		<b>55.4</b>	<b>48.0</b>
Administrative expenses		(55.8)	(45.8)
Impairment charge	13	(3.3)	-
<b>Operating (loss)/profit</b>	5	<b>(3.7)</b>	<b>2.2</b>
<b>Analysed as:</b>			
<b>Adjusted EBITDA</b>		<b>11.6</b>	<b>14.5</b>
Depreciation	12	(7.5)	(8.7)
Amortisation	11	(3.8)	(2.6)
Foreign exchange loss		-	(0.3)
<b>Operating profit before exceptional items</b>		<b>0.3</b>	<b>2.9</b>
Exceptional items	8	(4.0)	(0.7)
<b>Operating (loss)/profit</b>		<b>(3.7)</b>	<b>2.2</b>
Finance income	9	6.0	0.4
Finance expense	9	(0.7)	(0.7)
<b>Profit before tax</b>		<b>1.6</b>	<b>1.9</b>
Income tax credit	10	0.6	0.2
<b>Profit for the year from continuing operations and total comprehensive income</b>		<b>2.2</b>	<b>2.1</b>

The notes on pages 19 to 39 form part of these financial statements.

Claranet Limited

Statement of Financial Position  
as at 30 June 2023

Company Number 03152737				
£million	Note	2023	2022	
<b>ASSETS</b>				
<b>Non current assets</b>				
Intangible Assets	11	46.5	47.6	
Property, plant and equipment	12	12.7	15.0	
Investments	13	41.8	45.1	
Other receivables	14	26.8	28.5	
Deferred tax asset	18	1.9	0.9	
<b>Total non-current assets</b>		<b>129.7</b>	<b>137.1</b>	
<b>Current assets</b>				
Trade and other receivables	14	26.5	28.1	
Cash and cash equivalents	23	1.5	-	
<b>Total current assets</b>		<b>28.0</b>	<b>28.1</b>	
<b>Total assets</b>		<b>157.7</b>	<b>165.2</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Short term borrowings	23	-	(0.1)	
Trade and other payables	15	(21.0)	(22.0)	
Loans and borrowings	15	(5.4)	(6.2)	
Deferred revenue	15	(6.6)	(7.2)	
<b>Total current liabilities</b>		<b>(33.0)</b>	<b>(35.5)</b>	
<b>Non-current liabilities</b>				
Other liabilities	15	(62.8)	(68.5)	
Deferred revenue	15	(1.1)	(2.2)	
Loans and borrowings	15	(5.3)	(5.6)	
Provisions	17	(0.6)	(0.7)	
<b>Total non-current liabilities</b>		<b>(69.8)</b>	<b>(77.0)</b>	
<b>Total liabilities</b>		<b>(102.8)</b>	<b>(112.5)</b>	
<b>Net assets</b>		<b>54.9</b>	<b>52.7</b>	
<b>Funded by</b>				
<b>Equity</b>				
Share capital	20	0.2	0.2	
Retained earnings		54.7	52.5	
<b>Total equity</b>		<b>54.9</b>	<b>52.7</b>	

The financial statements were approved by the Board of Directors and authorised for issue on 20th December 2023.

Signed on behalf of the Board of Directors



N Fairhurst  
Director

The notes on pages 19 to 39 form part of these financial statements.

Claranet Limited

Statement of Cash Flows  
for the year ended 30 June 2023

£million	Note	2023	2022
<b>Operating activities</b>			
Profit for the year		2.2	2.1
Adjustments for:			
Depreciation and amortisation	11,12	11.3	11.3
Finance income	9	(6.0)	(0.4)
Finance expense	9	0.7	0.7
Taxation	10	(0.6)	(0.2)
Impairment charge	8	3.3	-
Foreign exchange losses/(gain)		-	0.3
Other income - R&D tax credit		(0.3)	(0.2)
		<b>10.6</b>	<b>13.6</b>
Decrease/(increase) in trade and other receivables		1.8	(5.7)
(Decrease)/Increase in trade and other payables		(2.2)	5.4
Decrease in provisions		(0.1)	-
<b>Cash generated from operations before taxes</b>		<b>10.1</b>	<b>13.3</b>
Corporation tax repayment		-	-
<b>Net cash generated from operating activities</b>		<b>10.1</b>	<b>13.3</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(3.5)	(4.8)
Purchase of intangible assets	11	(2.7)	(4.6)
Deferred consideration paid		-	(1.8)
Receipt from sale of assets		2.0	-
<b>Net cash used in investing activities</b>		<b>(4.2)</b>	<b>(11.2)</b>
<b>Cash flows from financing activities</b>			
Interest paid on bank overdraft		(0.1)	-
Interest received on loan to subsidiary undertaking		0.4	0.4
Receipts from parent undertaking		1.9	0.4
Payment of finance lease liabilities and other loans		(4.8)	(6.7)
Payment of interest on lease liabilities		(0.6)	(0.7)
Repayment of loans		(1.1)	(0.6)
<b>Net cash used in financing activities</b>		<b>(4.3)</b>	<b>(7.2)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1.6</b>	<b>(5.1)</b>
Cash and cash equivalents at beginning of the year		(0.1)	5.0
<b>Cash and cash equivalents at end of year</b>	<b>23</b>	<b>1.5</b>	<b>(0.1)</b>

The notes on pages 19 to 39 form part of these financial statements.

Claranet Limited

Statement of Changes in Equity  
for the year ended 30 June 2023

£million	Share capital	Retained earnings	Total equity
At 1 July 2021	0.2	50.4	50.6
Profit for the year	-	2.1	2.1
<b>Total comprehensive income</b>	-	2.1	2.1
<b>At 30 June 2022</b>	<b>0.2</b>	<b>52.5</b>	<b>52.7</b>
At 1 July 2022	0.2	52.5	52.7
Profit for the year	-	2.2	2.2
<b>Total comprehensive income</b>	-	2.2	2.2
<b>At 30 June 2023</b>	<b>0.2</b>	<b>54.7</b>	<b>54.9</b>

The nature of each reserve is disclosed in note 21.

The notes on pages 19 to 39 form part of these financial statements.

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

**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 periods presented.

**General information**

The financial statements as at and for the year ended 30 June 2023 are those of Claranet Limited (the "Company"). The Company is a private company limited by shares, domiciled and incorporated in England and Wales.

**Basis of preparation**

The financial statements are prepared in accordance with the UK adopted International Accounting Standards in conformity with the requirements of the UK Companies Act 2006 ('the Act'). The 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 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.

The financial statements contain information about Claranet Ltd as an individual company and do not contain consolidated information as the parent of a group. The company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the UK consolidated accounts of Claranet Group Limited.

**Impact of standards and interpretations issued but not yet effective**

A number of new standards are effective for accounting periods beginning after 1 July 2023 and earlier application is permitted. However, the Company 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 Company.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback).
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current).

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the company.

**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 the current economic environment 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, 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 Company 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 Company is forecast to be profitable on Adjusted EBITDA level for 2023/24 and 2024/25;
- The Company provides critical services to customers and these cannot be easily transferred or terminated without impacting the customers business significantly; and
- The Company has been issued with a Letter of Support from its parent, Claranet Group Ltd, to ensure that it will meet its liabilities as they fall due for a period of at least 12 months from the approval of the Company's financial statements.

The Directors continue to monitor the Company's funding strategy and have prepared detailed forecasts for future years to 2026. These forecasts underpin the going concern basis for the Company. At the date of approval of these financial statements the Directors believe that the Company will continue to operate successfully for the foreseeable future and be able to meet its liabilities as and when they fall due.

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

1 Accounting policies (continued)

**Revenue**

On inception of the contract the Company identifies a "performance obligation" for each of the distinct goods or services that has been promised to provide to the customer. The consideration specified in the contract with the customer is allocated to each performance obligation identified on their relative standalone selling process, and it recognised as revenue as they are satisfied.

The Company 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, to the price of similar products when sold on a standalone basis by the Company 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 Company does not have an material obligations in respect of returns, refunds or warranties. Where the Company acts as an agent in a transaction, a commission net of directly attributed 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 contracts, begins.*

Under certain transformation contracts, the company develops 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 Company and the amount of revenue and associated costs can be measured reliably. The recognition criteria for different streams of revenue in the Company are provided below:

*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 licences 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 relating to future periods is deferred and released to the Statement of Total Comprehensive Income over the relevant period. The revenue is wholly attributed to the principal activity of the Company and derived entirely from UK operations.

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

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1 Accounting policies (continued)

**Revenue (continued)**

*Assessment of performance obligations*

When identifying separate performance obligations in the contracts, the Company considers whether the goods or services are 'distinct', individually or as a bundle of goods or services, and whether a series of substantially similar distinct goods or services, that have a common pattern of transfer to the customer over time.

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 Company considers a performance obligation to be distinct when there is:

- No significant service of integrating; or
- No significant modification or customisation; or
- Not highly independent on or interrelated with other goods or services.

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

- The customer is able to receive benefits as the work is carried out, or another party would not need to re-perform work delivered by the Company; or
- An asset is created or enhanced that the customer control; or

**Contract assets**

In adopting IFRS 15, the company 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 Company 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 Statement of Total Comprehensive Income on a straight-line basis over the term of the specific contract it relates to.

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

**1 Accounting policies (continued)**

***Intangible assets and goodwill***

***Goodwill***

Goodwill arising on acquisition of subsidiary undertakings is the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. The carrying value of the goodwill is tested for impairment annually. Any impairment is recognised immediately in the Statement of Total Comprehensive Income and is not subsequently reversed.

***Internally-generated intangible assets - Research and Development***

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

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

Capitalised development costs are amortised over the periods the Company expects to benefit from using the products developed, between 2 and 5 years depending on the future life of the asset. The amortisation expense is included within administrative expenses in the Statement of Total Comprehensive Income.

***Property, plant and equipment***

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

Depreciation is applied to all items of property, plant and equipment so as to write down the cost less estimated residual value by equal annual instalments over their expected useful lives. The rates generally applicable are:

Network and computer equipment	-	20% - 33 $\frac{1}{3}$ %
Fixtures and fittings	-	33 $\frac{1}{3}$ %
Right of use assets	-	Over the remaining period of the lease
Other	-	20%

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

1 Accounting policies (continued)

**Impairment of assets**

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.

**Financial instruments**

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

**Financial Assets**

The Company 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 Company'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 assets and maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. The Company's financial assets held at amortised cost arise principally through the provision of goods and services to customers (eg trade receivables), but also incorporate other types of contractual monetary assets. As such they comprise trade receivables, intercompany trading balances, and cash and cash equivalents. Financial assets do not comprise prepayments.

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

Impairment provisions for trade receivables, being loss allowances for 'expected credit losses' (ECLs) are measured on a lifetime basis using the simplified approach set out in IFRS 9. The Company'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. When this is not possible or practicable the Company 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 Company has employed the following process in calculating ECLs:

- Grouping - trade receivables are grouped based on the similarity of their customer profile, being underlying product type and geographical region;
- Default definition - the amounts not collected are defined in accordance with the credit risk management of the Company and include qualitative factors, broadly encompassing scenarios where the customer is either unable to unwilling to pay;
- Collection profiles and loss rates - the collection time periods (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 period - historic losses are reviewed over a 3-year time horizon; and
- Forward-looking assessment - the Company considers relevant future economic factors affecting each Company 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 ageing category. 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 Statement of Total Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

The Company's receivable due from group companies are subject to the requirement of IFRS 9, with specific consideration 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.

Notes to the financial statements  
for the year ended 30 June 2023

**1 Accounting policies (continued)**

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

This requires the Company to further consider:

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

The 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 2023, and as such, the appropriate model is the 12-month ECL model. No indication for impairment has been identified.

**Trade and other payables**

Trade and other payables are not interest bearing and are stated at their fair value on initial recognition, and then subsequently at amortised cost.

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

**Loans and borrowings**

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

**Share capital**

Financial instruments issued by the Company are treated as equity if the holders have only a residual interest in the assets of the Company 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 Company 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 Company 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 asset 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 Company 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 physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this 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 Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This 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 Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Notes to the financial statements  
for the year ended 30 June 2023

1 Accounting policies (continued)

**Policy applicable before 1 July 2019**

For contracts entered into before 1 July 2019, the Company 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 asset 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 had the ability or 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.

**Company as a lessee**

For leases entered into after 1 July 2019, the Company 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 at 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 or 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 company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably 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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company 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 in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company 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 Statement of Financial Position.

**Short-term leases and leases of low value assets**

The Company 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 Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

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1 Accounting policies (*continued*)

**Taxation**

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

**Current tax**

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

**Deferred taxation**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. If it is probable that taxable profits will be available against which deductible temporary differences can be utilised, a deferred tax asset will be recognised.

The deferred tax carrying value is reviewed at each financial year end and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period where the liability is settled or the asset is realised. Deferred tax is charged or credited to the Statement of Total Comprehensive Income, unless it is related to items charged or credited directly to equity, in which case the deferred tax is also charged or credited to equity.

**Retirement benefits**

The Company operates a defined contribution scheme. The Company 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 Income Statement 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 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.

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

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**2 Critical accounting estimates and judgements**

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Carrying value of goodwill: £39.1m*

The Company tests annually whether goodwill has suffered impairment. The recoverable amounts of the cash generating units are determined based on value in use calculations. These calculations use estimates and assumptions based on historical evidence and reasonable expectations of future events. A risk arises that the actual carrying amount may differ from those estimates previously accounted for.

*Deferred tax asset £1.9m*

Recognition of a deferred tax asset in respect of accelerated capital allowances and their temporary timing differences is based on an estimate of future profits around which there is always a degree of uncertainty. The total potential deferred tax asset, together with the recognised amounts are set out in note 18. An increase or decrease in the estimate of future profits would increase or decrease the recognised deferred tax asset at the tax rate as set out in note 18.

*Property, plant and equipment £12.7m 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: £7.4m*

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.

*Use of alternative performance measures*

In addition to the results compiled in accordance with UK Adopted IFRS, management use certain other alternative measures, such as EBITDA and Exceptional Items to measure the performance of the Company, to formulate future plans and to make strategic decisions. A reconciliation of these measures to related IFRS measures of Operating profit is presented with the Income Statement.

The Company defines EBITDA as Operating Profit, adjusted to remove the impact of depreciation, amortisation and certain costs which lie outside of the Company's normal operating practices. This alternative measure is used by management, together with comparable IFRS information to evaluate the performance of the business.

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.

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

**3 Financial instruments**

The Company is exposed to the following financial risks:

- Credit risk;
- Market risk; and
- Liquidity risk.

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

*Principal financial instruments*

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

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

*Fair value of financial instruments*

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

There is no material difference between the book and fair value of its financial instruments, in the current or prior year, due to the instruments bearing interest at floating rates or being of short term nature.

*General objectives, policies and procedures*

The Directors have overall responsibility of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies, to the key management personnel.

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

a) Credit risk

The Company's principal financial assets are cash and cash equivalents and trade and other receivables. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company'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 Company 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 Company 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 Company has no significant concentration of credit risk.

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

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

3 Financial instruments (continued)

Trade receivables are summarised as follows:

	2023	2022
Up to 30 days	4.5	7.4
0 to 30 days	2.3	3.1
30 to 90 days	0.9	1.1
More than 90 days	0.7	0.3
Gross	8.4	11.9
Less allowance for impairment	(0.6)	(0.9)
<b>Net</b>	<b>7.8</b>	<b>11.0</b>

Allowance for impairment movement in the year:

	2023	2022
As at 1 July	(0.9)	(1.3)
Provided in the period	-	(0.1)
Utilised in during the period	0.3	0.2
Unused amounts reversed	-	0.3
<b>Total as at 30 June</b>	<b>(0.6)</b>	<b>(0.9)</b>

b) Market risk

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

*Foreign currency risk*

The Company is exposed to transactional foreign exchange risk. Transactional foreign exchange risk arises from sales or purchases in a currency other than the Company's functional currency.

The monetary assets and liabilities of the Company are held predominantly in sterling, minimising transactional foreign currency exchange risk.

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

3 Financial instruments (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn.

The Company seeks to manage liquidity risk by ensuring that sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably.

The table below analyses the Company's financial assets and liabilities by remaining contractual maturities, at the year end date specified. The amounts disclosed in the table are the contractual undiscounted cash flows at amortised cost.

£million	Up to 3 months	3 to 12 months	1 to 5 years	Total
<b>As at 30 June 2023</b>				
Trade and other receivables	7.1	0.7	-	7.8
Amounts owed by parent and fellow subsidiary undertakings	10.3	-	26.8	37.1
Cash and cash equivalents	1.5	-	-	1.5
Trade and other payables	(16.8)	-	-	(16.8)
Lease liabilities	(0.8)	(4.3)	(5.0)	(10.1)
Loans and borrowings	(0.1)	(0.2)	(0.3)	(0.6)
Amounts owed to parent and fellow subsidiary undertakings	(2.4)	-	(62.8)	(65.2)
<b>Total</b>	<b>(1.2)</b>	<b>(3.8)</b>	<b>(41.3)</b>	<b>(46.3)</b>

	Up to 3 months	3 to 12 months	1 to 5 years	Total
<b>As at 30 June 2022</b>				
Trade and other receivables	10.7	0.3	-	11.0
Amounts owed by parent and other undertakings	7.4	-	28.5	35.9
Cash and cash equivalents	(0.1)	-	-	(0.1)
Trade and other payables	(16.8)	-	-	(16.8)
Lease liabilities	(0.9)	(4.6)	(5.4)	(10.9)
Loans and borrowings	(0.5)	(0.3)	(0.1)	(0.9)
Amounts owed to parent and fellow subsidiary undertakings	(1.7)	-	(68.5)	(70.2)
<b>Total</b>	<b>(1.9)</b>	<b>(4.6)</b>	<b>(45.5)</b>	<b>(52.0)</b>

4 Analysis of revenue

Analysis of revenue and results

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

	At a point in time	Over time	Total
Network and Communications	1.6	39.2	40.8
Public and Private Cloud	9.3	42.5	51.8
Cybersecurity and Other IT services	8.1	12.4	20.5
	<b>19.0</b>	<b>94.1</b>	<b>113.1</b>

The Company recognises revenue from usage based and recurring revenue over a period of time, which are generally in line with the customer contracts periods. Sale of software (including licenses), hardware and other IT services as well as revenue from professional services are recognised at a point in time or when control of the asset transfers to the customer. All revenue is derived in the UK.

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

5 Profit for the year from continuing activities	2023	2022
The profits for the year from continuing activities is stated after charging:		
Depreciation and amortisation	11.3	11.3
Other income - R&D tax credits	(0.3)	(0.2)
Net foreign exchange gains/(losses) - trading	-	0.3
	<b>11.0</b>	<b>11.4</b>
Auditor's remuneration consists of:	2023	2022
Audit services	0.2	0.1
<b>Total fees payable</b>	<b>0.2</b>	<b>0.1</b>
6 Staff costs	2023	*restated 2022
Staff costs consist of:		
Wages and salaries	33.0	28.0
Short-term non-monetary benefits	0.7	0.5
Social security costs	3.8	3.1
Defined contribution pension costs	1.7	1.4
<b>Total staff costs</b>	<b>39.2</b>	<b>33.0</b>
Capitalised staff costs	(2.8)	(4.6)
Exceptional redundancy costs	1.8	0.4
<b>Total staff costs (after capitalised staff costs and exceptional redundancy costs)</b>	<b>38.2</b>	<b>28.8</b>
Amounts recharged to associated companies		
Wages and salaries	4.9	2.3
Short-term non-monetary benefits	0.1	-
Social security costs	0.6	0.3
Defined contribution pension costs	0.3	0.1
<b>Total staff costs recharged</b>	<b>5.9</b>	<b>2.7</b>
<b>Total staff costs (after capitalised staff costs and exceptional redundancy costs)</b>	<b>32.3</b>	<b>26.1</b>
The average number of employees during the year split by function:		*restated
	2023	2022
Sales and administration	214	206
Operations	371	390
<b>Total</b>	<b>585</b>	<b>596</b>
Of which the average number of employees during the year split by function related to associated companies is:		
Sales and administration	27	43
Operations	36	79
<b>Total</b>	<b>63</b>	<b>122</b>

The prior year payroll disclosure note in respect of Claranet Limited did not include the payroll costs of Claranet Group Limited and NotSoSecure Global Services Limited employees. As Claranet Limited is legally obliged to pay the salaries of these employees, the amounts should have been included in payroll costs. As such, the figures for FY22 have been restated to include these costs.

The Company's staff costs for employees who worked for other group companies was £5.9m (2022: £2.7m)

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

**7 Key management personnel**

Key management personnel, who have authority for planning, directing and controlling the activities of the Company are the Directors of the company. They receive no short term employer benefits or post employment benefits in relation to this employment at the Company. Key management personnel remuneration is borne by Claranet Group Limited.

**8 Exceptional items**

£million	2023	2022
Restructuring costs, including data centre migration	1.0	-
Organisational design including redundancy and other staff related costs	2.2	-
Other exceptional costs	0.8	0.7
<b>Total exceptional items</b>	<b>4.0</b>	<b>0.7</b>

**9 Finance income / expense**

£million	2023	2022
<b>Finance income</b>		
Dividends received	5.6	-
Interest received	0.4	0.4
<b>Total finance income</b>	<b>6.0</b>	<b>0.4</b>
<b>Finance expense</b>		
Interest expense on lease obligations	(0.6)	(0.7)
Other interest payable	(0.1)	-
<b>Total finance expense</b>	<b>(0.7)</b>	<b>(0.7)</b>

**10 Taxation**

£million	2023	2022
<b>UK corporation tax</b>		
Current year	0.1	(0.6)
Adjustments in respect of previous periods	0.2	(0.2)
<b>Total current tax expense /(credit)</b>	<b>0.3</b>	<b>(0.8)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	0.5	0.5
Adjustment in respect of prior periods	(1.4)	0.1
<b>Deferred tax (credit)/expense</b>	<b>(0.9)</b>	<b>0.6</b>
<b>Total tax credit</b>	<b>(0.6)</b>	<b>(0.2)</b>

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

10 Taxation (continued)

The corporate tax credit are calculated based on the tax rates effective in the period. The UK corporate tax rate increased on 1 April 2023 from 19% to 25%, the expected current tax charge for the financial year has been calculated using the hybrid UK tax rate of 20.5% that applies to the accounting period.

Tax expense reconciliation	2023	2022
Profit before taxation	1.6	1.9
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 20.5% (2022 - 19%)	0.3	0.4
Effect of:		
Expenses not deductible for tax purposes	0.2	0.1
Adjustment to tax in respect of prior periods	(1.2)	(0.1)
Other adjustments	0.2	(0.4)
Impact arising from changes in tax rates	(0.1)	(0.2)
<b>Total tax credit</b>	<b>(0.6)</b>	<b>(0.2)</b>

11 Intangible assets

£million	Goodwill	Development costs	Total
<b>Cost</b>			
At 30 June 2021	25.9	18.3	44.2
Additions	-	4.6	4.6
Transfer on hive up	13.2	1.8	15.0
<b>At 30 June 2022</b>	<b>39.1</b>	<b>24.7</b>	<b>63.8</b>
<b>Amortisation</b>			
At 30 June 2021	-	12.7	12.7
Provided for in the period	-	2.6	2.6
Transfer on hive up	-	0.9	0.9
<b>At 30 June 2022</b>	<b>-</b>	<b>16.2</b>	<b>16.2</b>
<b>Carrying value at 30 June 2022</b>	<b>39.1</b>	<b>8.5</b>	<b>47.6</b>
<b>Cost</b>			
At 30 June 2022	39.1	24.7	63.8
Additions	-	2.7	2.7
<b>At 30 June 2023</b>	<b>39.1</b>	<b>27.4</b>	<b>66.5</b>
<b>Amortisation</b>			
At 30 June 2022	-	16.2	16.2
Provided for in the period	-	3.8	3.8
<b>At 30 June 2023</b>	<b>-</b>	<b>20.0</b>	<b>20.0</b>
<b>Carrying value at 30 June 2023</b>	<b>39.1</b>	<b>7.4</b>	<b>46.5</b>

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

12 Property, plant and equipment

£million	Right of use assets	Network and computer equipment	Fixtures, fittings and equipment	Total
<b>Cost</b>				
At 30 June 2021	12.1	76.1	7.0	95.2
Additions	3.7	4.7	0.1	8.5
Disposals	(4.5)	(19.8)	(1.0)	(25.3)
Transfer on hive up	-	0.1	-	0.1
<b>At 30 June 2022</b>	<b>11.3</b>	<b>61.1</b>	<b>6.1</b>	<b>78.5</b>
<b>Depreciation</b>				
At 30 June 2021	5.6	68.5	6.0	80.1
Provided during the year	3.4	5.0	0.3	8.7
Disposals	(4.5)	(19.8)	(1.1)	(25.4)
Transfer on hive up	-	0.1	-	0.1
<b>At 30 June 2022</b>	<b>4.5</b>	<b>53.8</b>	<b>5.2</b>	<b>63.5</b>
<b>Net book value</b>				
<b>At 30 June 2022</b>	<b>6.8</b>	<b>7.3</b>	<b>0.9</b>	<b>15.0</b>
<b>Cost</b>				
At 30 June 2022	11.3	61.1	6.1	78.5
Additions	3.8	3.3	-	7.1
Disposals	(0.2)	(40.0)	(1.4)	(41.6)
<b>At 30 June 2023</b>	<b>14.9</b>	<b>24.4</b>	<b>4.7</b>	<b>44.0</b>
<b>Depreciation</b>				
At 30 June 2022	4.5	53.8	5.2	63.5
Depreciation charge	3.7	3.5	0.3	7.5
Depreciation on Disposals	(0.2)	(38.1)	(1.4)	(39.7)
<b>At 30 June 2023</b>	<b>8.0</b>	<b>19.2</b>	<b>4.1</b>	<b>31.3</b>
<b>Net book value</b>				
<b>At 30 June 2023</b>	<b>6.9</b>	<b>5.2</b>	<b>0.6</b>	<b>12.7</b>

The net carrying value of assets held under finance leases was £4.7m (2022: £3.7m). The depreciation charge for the year on these assets was £3.0m (2022 - £4.2m). This includes the net carrying value of right of use assets arising from the sale and leaseback of certain network and computer equipment of £1.7m (2022: £nil) with depreciation for the year of £0.4m (2022:£nil).

**Claranet Limited**

**Notes to the financial statements  
for the year ended 30 June 2023**

**13 Investments**

Investments in subsidiary undertakings

Emillion	Total Investment
<b>Cost</b>	
At 1 July 2021	58.3
Transfer on hive up	(13.2)
<b>At 30 June 2022</b>	<b>45.1</b>
<hr/>	
At 1 July 2022	45.1
Impairment	(3.3)
<b>At 30 June 2023</b>	<b>41.8</b>

The investments in Techgate Ltd and Free UK Limited has been impaired following the settlement of the debt by the Company.

At 30 June 2023 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
Bashton Ltd	1	100%	Dormant company
Aridenta Limited	1	100%	Dormant company
SEC-1 Holdings Limited	1	100%	Intermediate holding company
SEC-1 Limited**	1	100%	Dormant company
Red Rooster Holdings Ltd	1	100%	Intermediate holding company
Union Solutions Limited***	1	100%	Dormant company
U-Net UK Ltd	1	100%	Dormant company
I-Way Limited ^	1	100%	Dormant company
U-Net Limited ^	1	100%	Dormant company

\* indirect shareholding through STH Limited

\*\* indirect shareholding through Sec-1 Holdings Limited

\*\*\* indirect shareholding through Red Rooster Holdings Limited

^ indirect shareholding through U- Net UK Limited

At 30 June 2023, the registered addresses of the subsidiary undertakings are as follows:

1. 110 High Holborn, London, WC1V 6JS

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

14 Trade and other receivables

£million	2023	2022
Trade receivables	8.4	11.9
Bad debt provision	(0.6)	(0.9)
<b>Trade receivables</b>	<b>7.8</b>	<b>11.0</b>
Amounts owed by parent undertakings	0.6	-
Amounts owed by subsidiary undertakings	9.7	7.4
Prepayments and accrued income	7.4	8.7
Corporation Tax	1.0	1.0
<b>Other receivables</b>	<b>18.7</b>	<b>17.1</b>
<b>Total trade and other receivables due within one year</b>	<b>26.5</b>	<b>28.1</b>
Amounts owed by parent undertakings	-	2.1
Amounts owed by subsidiary and fellow subsidiary undertakings	26.8	26.4
<b>Total other receivables due in more than one year</b>	<b>26.8</b>	<b>28.5</b>

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

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

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

The Company's group receivables, being amounts due from its parent company, are repayable on demand. The 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	2023	2022
<b>Amounts falling due within one year:</b>		
Trade payables	9.7	10.2
VAT	0.8	1.3
Taxation and social security	1.0	0.9
Amounts owed to subsidiary and fellow subsidiary undertakings	2.4	1.1
Other payables	1.6	0.5
Accruals	5.5	8.0
<b>Trade and other payables due within one year</b>	<b>21.0</b>	<b>22.0</b>
Finance lease creditor (Note 16)	5.1	5.4
Other loans	0.3	0.8
<b>Loans and borrowings</b>	<b>5.4</b>	<b>6.2</b>

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

£million	2023	2022
<b>Amounts falling due in more than one year:</b>		
Amounts owed to subsidiary and fellow subsidiary undertakings	62.8	68.5
<b>Other liabilities</b>	<b>62.8</b>	<b>68.5</b>
Finance lease creditor (Note 16)	5.0	5.5
Other loans	0.3	0.1
<b>Loans and borrowings</b>	<b>5.3</b>	<b>5.6</b>

Claranet Limited

Notes to the financial statements  
for the year ended 30 June 2023

15 Trade and other payables (continued)

The Company has recognised the following Deferred Revenue:

<b>Deferred revenue</b>		
Amounts falling due within one year	6.6	7.2
Amounts falling due in more than one year	1.1	2.2
<b>Total deferred revenue</b>	<b>7.7</b>	<b>9.4</b>

16 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 2023 was £4.7m (2022: £3.7m).

During the year the Company entered into a Sale and Leaseback arrangement over certain network and computer equipment for £2.0m to allow the Company to access additional working capital.

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

£million	Minimum Lease Payments	Interest	Present Value
<b>2023</b>			
Future lease payments are due as follows:			
Within one year	5.5	(0.4)	5.1
Later than one year and not later than 5 years	5.1	(0.1)	5.0
<b>Total repayable</b>	<b>10.6</b>	<b>(0.5)</b>	<b>10.1</b>
<b>2022</b>			
Future lease payments are due as follows:			
Within one year	5.8	(0.4)	5.4
Later than one year and not later than 5 years	5.7	(0.2)	5.5
<b>Total repayable</b>	<b>11.5</b>	<b>(0.6)</b>	<b>10.9</b>

17 Provisions

£million	Dilapidations
At 1 July 2022	0.7
Utilised during the year	(0.1)
<b>At 30 June 2023</b>	<b>0.6</b>

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.

Claranet Limited

Notes to the financial statements  
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**18 Deferred Tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022: 25%).

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

The movement in the deferred tax account is shown below:

£million	2023	2022
<b>At 1 July</b>	0.9	1.7
Current year charge	(0.5)	(0.6)
Adjustment in respect of previous periods	1.5	(0.2)
<b>At 30 June</b>	<b>1.9</b>	<b>0.9</b>
Represented by:		
Accelerated capital allowances	1.0	1.1
Intangibles	(0.8)	(0.7)
Losses	1.6	0.2
Short term timing differences	0.1	0.3
<b>Total deferred taxation asset</b>	<b>1.9</b>	<b>0.9</b>

There are £7.0m (2022: £6.0m) of tax losses carried forward at the balance sheet date, and a deferred tax asset has been recognised of the £6.4m (2022: £0.8m) of tax losses that are expected to be utilised within 3 years based on the forecasted results and after considering any loss use or other restrictions that may apply in calculating the taxable results. The Company is expected to move from a taxable loss to a taxable profit position due to exceptional costs in the current financial year that are not expected to reoccur.

There are deductible temporary timing differences totalling £0.6m (2022: £5.2m) on which a deferred tax asset has not been recognised due to the uncertainty concerning the timescale of their recoverability. Of these, £0.6m (2022: £5.2m) relate to carried forward tax losses and under current legislation there is no expiry date applying to the utilisation of these assets.

**19 Capital risk management**

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

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

**20 Share Capital**

	2023 Number	2022 Number	2023 £million	2022 £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 of winding up.

Claranet Limited

Notes to the financial statements  
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**21 Reserves**

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

**22 Related party transactions**

Key management personnel remuneration is disclosed in Note 7.

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

Emillion	Services provided		Services received	
	2023	2022	2023	2022
<b>Company</b>				
Fellow subsidiary undertakings	0.8	0.2	(1.7)	(0.2)

Balances held with associated companies are disclosed separately in note 14 with movements on the loans disclosed in the Cash Flow Statement.

**23 Cash flow**

Emillion	2023	2022
Cash and cash equivalents for the purposes of the statement of cash flows comprise:		
Cash available on demand	1.5	(0.1)
Significant non cash transactions are as follows:		
Assets acquired under finance leases	5.1	3.7

**24 Events occurring after the reporting period**

There have been no significant events which have occurred after the reporting period end.

**25 Ultimate parent company**

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

The Company's immediate parent undertaking is Claranet Group Limited.

The Directors consider the parent undertaking of the largest group, for which group financial statements are produced, to be Claranet Group Limited. This Company is included in the consolidated financial statements of Claranet Group Limited, copies of which are available from Companies House.