

**Claranet Limited**

**Report and Financial Statements**

**Year Ended**

**30 June 2022**

**Company Number 03152737**



**Claranet Limited**

**Report and financial statements  
for the year ended 30 June 2022**

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**Directors**

C Nasser  
N Fairhurst

**Registered office**

110 High Holborn, London WC1V 6JS

**Company number**

03152737

**Auditor**

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



## Claranet Limited

### UK Group strategic report for the year ended 30 June 2022

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The Directors present their strategic report on Claranet Limited and its subsidiaries (the "UK Group") for the year ended 30 June 2022 ("FY22").

#### Review of the business

##### *Principal activities*

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

##### *Results and performance*

The Contract Book (undiscounted value of non-cancellable revenue which will be billed in the future) was £116.5m, up from £115.9m in the prior year.

Revenue for the year was £116.2m, which is a decrease of £5.6m from £121.8m in 2021. The decrease in revenue arose from the reduction in product re-sales in the year.

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

Gross margin for FY22 was 49.3% (2021: 48.7%). 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 FY21, which tend to be at a lower margin, but support the recurring revenue base.

Adjusted EBITDA was £16.7m (2021: £23.8m), where "Adjusted EBITDA" is defined as Earnings Before Interest, Tax, Depreciation and Amortisation adjusted to exclude:

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

Adjusted EBITDA is stated before £9.5m (2021: £1.2m) of exceptional costs, which includes restructuring costs related to office and data centre closures, one off internal reorganisation costs, costs to support future acquisitions and goodwill impairment.

The UK Group's loss before taxation for the year was £7.0m (2021: profit £6.7m). The loss after taxation for the year was £6.7m (2021: profit £6.1m).

The trade and assets of Sec-1 Limited and Union Solutions Limited were hived up to Claranet Limited on 30 June 2022, after which these companies ceased trading. The trade of each of the subsidiary companies will continue to be undertaken within Claranet Limited.

##### *Assets, liabilities and cashflow*

The UK Group's total assets at 30 June 2022 were £122.7m (2021: £135.4m).

Included within short and long term other liabilities are amounts due for deferred and contingent consideration of £nil (2021: £1.8m). The movement of £1.8m relates to the final payment of the deferred and contingent consideration in the year.

At the balance sheet date, cash was -£0.1m (2021: £5.3m), a decrease of £5.4m compared to the prior year. The decrease in cash is related to the decrease in profitability of the company due to investment in the Sales and Technical Engineering teams as well as the impact of large one off product re-sales in the prior year which have not been repeated in the current year.

## Claranet Limited

### UK Group strategic report for the year ended 30 June 2022 (continued)

#### Customers

During the financial year to 30 June 2022, the UK Group secured a number of important new, renewal and extension contracts in the UK, including Signet, Skanska, and Euromoney.

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

#### Services provided

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

| <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 with ISO 27017, ISO 27018, 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, HPE and VMWare and has premium partner status with AWS and Azure.

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

#### Key Performance Indicators ("KPIs")

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

|                                  | 2022    | 2021    |
|----------------------------------|---------|---------|
| Revenue                          | £116.2m | £121.8m |
| Adjusted EBITDA                  | £16.7m  | £23.8m  |
| Gross margin                     | 49.3%   | 48.7%   |
| Total contract value at year end | £116.5m | £115.9m |

#### Resilience Assessment

##### Continued Impact of Covid-19

The UK Group continues to be resilient to the impact of Covid-19 and has not experienced any concerns as considered in last year's assessment, such as customers not recovering once support was withdrawn by governments'. The UK Group continues to maintain appropriate provisions for expected credit losses.

##### Impact of the Conflict in Ukraine

The UK Group is impacted by higher energy costs, inflation and interest rate increases. However, Claranet's contracts typically include the ability to flex for price increases either through annual RPI increases or at renewals. There is an ongoing focus on revenue assurance to ensure we pass through all costs and have robust customer contracts in place. There are also Energy saving initiatives to reduce energy consumption (see SECR Reporting section). The UK Group has also observed equipment cost increases relating to the current chip shortage, supply chain disruption and transportation challenges. Claranet mitigates this risk by forming strong partnerships with major suppliers, ensuring competitive rates and access to rebates.

## Claranet Limited

### UK Group strategic report for the year ended 30 June 2022 (continued)

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#### Impact of Talent shortages

The larger 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 FY23, the UK Group expects to see further organic growth and more cross border collaboration, especially in Cloud and Cybersecurity. The common themes for growth in the UK Group include improvement of the customer experience, development of the best hybrid working environment and a desire to do more acquisitions to scale.

#### Principal Risks and Uncertainties

The management of the business and execution of the UK Group's strategy are subject to a number of commercial risks. The Board reviews risks and appropriate processes are put in place to monitor and mitigate them. If more than one significant event occurs, the cumulative effect could compound the possible adverse consequences on the UK Group.

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

| Risk  | Mitigants  |
|---|--|
| 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, or 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> |
| 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 UK Group information security team is responsible for overseeing compliance and security functions.</li></ul>  |

### Section 172 statement

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

The Board recognises the importance of the UK Group's wider 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 fairly between members of the company.

The Board considers that all their decisions are taken with the long-term in mind, understanding that these decisions need to regard the interests of the company's employees, its relationships with customers, suppliers, 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.
- **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.
- **Shareholders and Lenders** – We engage with shareholders and lenders on matters impacting the long term strategy such as acquisitions and refinancing.

On behalf of the Board of Directors



**N Fairhurst**  
Director

29 March 2023

**Claranet Limited**

**Directors' report  
for the year ended 30 June 2022**

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The Directors present their report together with the audited financial statements for the year ended 30 June 2022.

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

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

**Dividends**

The Directors do not recommend the payment of a dividend (2021: £nil).

**Going Concern**

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

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

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

The Consolidated financial statements do not include the adjustments that would be required if the UK Group was unable to continue as a going concern.

Refer to note 1 for further detail.

**Financial risk management objectives and policies**

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

*Liquidity risk*

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

*Interest risk*

The UK Group does not have any material risk to movements in interest rates as it has no external loan finance but it does benefit from a Group wide overdraft facility on which interest is charged as and when the facility is utilised. The UK Group does not consider probable interest rate movements to be a significant risk to the business.

*Credit risk*

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

Because of the heightened risk from inflation, the UK Group is anticipating that some customers may face liquidity issues and has worked extensively to ensure that there is enough coverage over trade debtors at 30 June 2022.

As at 30 June 2022, there were no material credit risk balances that were not provided for.

### Risk Management and Internal Controls

The Board:

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

### Gender and Racial Diversity

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

### Employee Matters

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

It is the policy of the UK Group to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

### Employee Wellbeing

The UK Group 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 UK Group continually invests in the improvement and development of new services to address customer requirements. The service development teams work closely with customers, technology partners, industry analysts and staff to set the services strategy and prioritise the product roadmap.

Claranet conducts market research in order to better understand market conditions and forecasts in the UK. This research is used internally and shared with customers, prospects and analysts.

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

**Streamlined Energy and Carbon Reporting ("SECR")**

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

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

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

| For the year ended      |  | 2022               |                                       | 2021               |                                       |
|-------------------------|--|--------------------|---------------------------------------|--------------------|---------------------------------------|
| Energy type             | Definition   | Total volume (kWh) | Calculated emissions (tonnes of CO2e) | Total volume (kWh) | Calculated emissions (tonnes of CO2e) |
| Gas                     | Emissions from combustion of gas                         | 57,174             | 10.0                                  | 47,657             | 9.0                                   |
| Transport               | Emissions from combustion of fuel for transport purposes | 92,893             | 15.0                                  | 111,437            | 27.0                                  |
| Total Scope 1 Emissions |  |                    | <u>25.0</u>                           | <u>36.0</u>        |                                       |

*Scope 2 emissions (indirect)*

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

| For the year ended      |                                      | 2022               |                                       | 2021               |                                       |
|-------------------------|--------------------------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|
| Energy type             | Definition                           | Total volume (kWh) | Calculated emissions (tonnes of CO2e) | Total volume (kWh) | Calculated emissions (tonnes of CO2e) |
| Electricity             | Emissions from purchased electricity | 7,375,165          | 1,426.0                               | 8,854,397          | 2,064.0                               |
| Total Scope 2 Emissions |                                      |                    | <u>1,426.0</u>                        | <u>2,064.0</u>     |                                       |

*Quantification and reporting methodology*

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

The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard has been followed as the methodology to calculate the energy and carbon reporting and where needed the UK Government GHG Conversion Factors for Company Reporting 2021 have been used for emission factor conversions. Energy totals are reported in kilowatt-hours (kWh) and GHG totals are reported in tonnes of carbon dioxide equivalent (tCO2e). The chosen intensity measurement ratio is tCO2e per total £m sales revenue.

## Claranet Limited

### Directors' report for the year ended 30 June 2022 (continued)

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#### Streamlined Energy and Carbon Reporting ("SECR") (continued)

##### *Energy efficiency action*

During the year ended 30 June 2022, the UK Group implemented a number of energy saving measures which include:

- Energy used by office sites – a decision was taken to close the Leeds office which had high energy usage and to relocate the Warrington office site to a smaller more efficient site with more sustainable energy credentials. Potential energy saving opportunities have been identified for the Barnwood and Holborn offices.
- Energy used by data centre sites / suites – The Abbeywood site is due to close in 2025 with the removal of legacy equipment and the use of more efficient equipment at newer sites.
- Energy used by company vehicles – company vehicles are leased, and where possible, will be replaced at the end of their leases with electric or hybrid vehicles. One company vehicle was replaced with a hybrid model during the year.
- Energy used by personal vehicles driving for business – staff are encouraged to use car sharing and virtual meetings.
- Further energy saving opportunities include:
  - Initiate project to reduce energy wasted at offices by equipment in standby mode.
  - Refit of the Barwood office Comms room.
  - Increasing staff awareness of energy wasted by laptops in standby mode in their homes.

##### *Intensity ratio*

UK Group has chosen to use tonnes of CO<sub>2</sub> e (Scope 1 and 2) per £m Turnover for its Intensity Ratio.

Tonnes of CO<sub>2</sub>e per total £m sales revenue: 3.03 tonnes of CO<sub>2</sub> e (2021: 5.31 tonnes of CO<sub>2</sub> e).

#### Post Balance Sheet Events

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

#### Directors

The Directors of the Company during the year were:

C Nasser  
N Fairhurst

#### Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS's") 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 UK Group and Company and of the profit or loss of the UK Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS's 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 UK Group will continue in business.

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

Claranet Limited

Directors' report  
for the year ended 30 June 2022 (continued)

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**Auditor**

All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor are aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting in accordance with section 485 of the Companies Act 2006.

On behalf of the Board of Directors



N Fairhurst  
Director

29 March 2023

## Claranet Limited

### Independent auditor's report to 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 UK Group's and of the Parent Company's affairs as at 30 June 2022 and the UK Group's profit for the year then ended;
- the UK Group financial statements have been properly prepared in accordance with UK adopted International accounting standards; and
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards, and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Claranet Limited (the "Parent Company") and its subsidiaries (the "UK Group") for the year ended 30 June 2022 which comprise the Consolidated Statement of Total Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law UK adopted international accounting standards, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the UK Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the UK Group's and Parent Company's ability to continue as a going concern for a period of at least 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 give rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Claranet Limited

### Independent auditor's report to members of Claranet Limited

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

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

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of Directors

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

**Claranet Limited**

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

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

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

**Use of our report**

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

DocuSigned by:

*Julian Frost*

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

29 March 2023

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

Claranet Limited

Consolidated Statement of Total Comprehensive Income  
for the year ended 30 June 2022

| Emillion  | Note     | 2022         | 2021        |
|---|----------|--------------|-------------|
| Revenue   | 4        | 116.2        | 121.8       |
| Cost of sales   |          | (58.9)       | (62.5)      |
| <b>Gross profit</b>   |          | <b>57.3</b>  | <b>59.3</b> |
| Administrative expenses   |          | (60.2)       | (51.6)      |
| <b>Operating (loss) /profit</b>   | <b>5</b> | <b>(2.9)</b> | <b>7.7</b>  |
| <i>Analysed as:</i>   |          |              |             |
| Adjusted EBITDA   |          | 16.7         | 23.8        |
| Depreciation  | 12       | (8.7)        | (9.6)       |
| Amortisation  | 13       | (4.5)        | (5.1)       |
| Loss on disposal  |          | -            | (0.4)       |
| Foreign exchange (loss)/gain  |          | (0.3)        | 0.2         |
| <b>Operating profit before exceptional items</b>  |          | <b>3.2</b>   | <b>8.9</b>  |
| Exceptional items   | 6        | (6.1)        | (1.2)       |
| <b>Operating (Loss)/Profit</b>  |          | <b>(2.9)</b> | <b>7.7</b>  |
| Finance expense   | 10       | (0.7)        | (1.0)       |
| <b>(Loss) / Profit before tax</b>   |          | <b>(3.6)</b> | <b>6.7</b>  |
| Income tax credit/(charge)  | 11       | 0.3          | (0.6)       |
| <b>(Loss) / Profit for the year from continuing operations and total comprehensive income</b> |          | <b>(3.3)</b> | <b>6.1</b>  |

The notes on pages 17 to 37 form part of these financial statements.

Claranet Limited

Consolidated Statement of Financial Position  
as at 30 June 2022

Company Number 03152737

| £million                             | Note | 2022          | Restated*<br>2021 |
|--------------------------------------|------|---------------|-------------------|
| <b>ASSETS</b>                        |      |               |                   |
| <b>Non-current assets</b>            |      |               |                   |
| Property, plant and equipment        | 12   | 15.0          | 15.3              |
| Intangible assets                    | 13   | 81.0          | 85.5              |
| Other receivables                    | 14   | 2.1           | 3.5               |
| Deferred tax asset                   | 18   | -             | 1.6               |
| <b>Total non-current assets</b>      |      | <b>98.1</b>   | <b>105.9</b>      |
| <b>Current assets</b>                |      |               |                   |
| Trade and other receivables          | 14   | 28.0          | 24.2              |
| Cash and cash equivalents            | 24   | -             | 5.3               |
| <b>Total current assets</b>          |      | <b>28.0</b>   | <b>29.5</b>       |
| <b>Total assets</b>                  |      | <b>126.1</b>  | <b>135.4</b>      |
| <b>LIABILITIES</b>                   |      |               |                   |
| <b>Current liabilities</b>           |      |               |                   |
| Short term borrowings                | 24   | (0.1)         | -                 |
| Trade and other payables             | 15   | (22.0)        | (24.4)            |
| Deferred revenue                     | 15   | (7.2)         | (6.6)             |
| Loans and borrowings                 | 15   | (5.8)         | (8.5)             |
| <b>Total current liabilities</b>     |      | <b>(35.1)</b> | <b>(39.5)</b>     |
| <b>Non-current liabilities</b>       |      |               |                   |
| Loans and borrowings                 | 15   | (5.6)         | (7.1)             |
| Deferred revenue                     | 15   | (2.2)         | (1.2)             |
| Deferred tax liability               | 18   | (0.8)         | (1.9)             |
| Provisions                           | 17   | (0.7)         | (0.7)             |
| <b>Total non-current liabilities</b> |      | <b>(9.3)</b>  | <b>(10.9)</b>     |
| <b>Total liabilities</b>             |      | <b>(44.4)</b> | <b>(50.4)</b>     |
| <b>Net assets</b>                    |      | <b>81.7</b>   | <b>85.0</b>       |
| <b>FUNDED BY</b>                     |      |               |                   |
| <b>Equity</b>                        |      |               |                   |
| Share capital                        | 20   | 0.2           | 0.2               |
| Retained earnings                    |      | 81.5          | 84.8              |
| <b>Total equity</b>                  |      | <b>81.7</b>   | <b>85.0</b>       |

\*Deferred revenue has been corrected to split between amounts falling due within one year and amounts due in more than one year. See note 15.

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2023.

Signed on behalf of the Board of Directors



N Fairhurst  
Director

The notes on pages 17 to 37 form part of these financial statements.

Claranet Limited

Consolidated Statement of Cash Flows  
for the year ended 30 June 2022

| £million  | Note | 2022          | 2021          |
|---|------|---------------|---------------|
| <b>Cash flows from operating activities</b>                 |      |               |               |
| (Loss) / Profit for the year                                |      | (3.3)         | 6.1           |
| Adjustments for:  |      |               |               |
| Depreciation and amortisation                               |      | 13.2          | 14.7          |
| Impairment charge   | 6    | 5.1           | -             |
| Finance expense   | 10   | 0.7           | 1.0           |
| Taxation  | 11   | (0.3)         | 0.6           |
| Loss on sale of property, plant and equipment               |      | -             | 0.4           |
| Other non cash items  |      | 0.9           | 0.5           |
|   |      | <b>16.3</b>   | <b>23.3</b>   |
| (Increase)/Decrease in trade and other receivables          |      | (4.3)         | 1.1           |
| Increase/(Decrease) in trade and other payables             |      | 1.6           | (1.3)         |
| Increase in provisions                                      |      | -             | 0.1           |
| <b>Cash generated from operations</b>                       |      | <b>13.6</b>   | <b>23.2</b>   |
| Taxation received   |      | -             | 0.1           |
| <b>Net cash generated from operating activities</b>         |      | <b>13.6</b>   | <b>23.3</b>   |
| <b>Cash flows from investing activities</b>                 |      |               |               |
| Purchase of property, plant and equipment                   |      | (3.7)         | (0.3)         |
| Purchase of intangible assets                               | 13   | (5.2)         | (3.4)         |
| Deferred consideration paid                                 |      | (1.8)         | (0.1)         |
| <b>Net cash used in investing activities</b>                |      | <b>(10.7)</b> | <b>(3.8)</b>  |
| <b>Cash flows from financing activities</b>                 |      |               |               |
| Interest paid   |      | (0.7)         | (0.9)         |
| Payment of finance lease liabilities                        |      | (9.0)         | (8.7)         |
| Payment from/(to) parent undertakings                       |      | 1.4           | (6.3)         |
| <b>Net cash used in financing activities</b>                |      | <b>(8.3)</b>  | <b>(15.9)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |      | <b>(5.4)</b>  | <b>3.6</b>    |
| Cash and cash equivalents at beginning of year              |      | 5.3           | 1.7           |
| <b>Cash and cash equivalents at end of year</b>             | 24   | <b>(0.1)</b>  | <b>5.3</b>    |

The notes on pages 17 to 37 form part of these financial statements.

Claranet Limited

Consolidated Statement of Changes in Equity  
for the year ended 30 June 2022

| Emillion                   | Share capital | Retained earnings | Total equity |
|----------------------------|---------------|-------------------|--------------|
| At 1 July 2020             | 0.2           | 78.7              | 78.9         |
| Profit for the year        | -             | 6.1               | 6.1          |
| Total comprehensive income | -             | 6.1               | 6.1          |
| <b>As at 30 June 2021</b>  | <b>0.2</b>    | <b>84.8</b>       | <b>85.0</b>  |
| At 1 July 2021             | 0.2           | 84.8              | 85.0         |
| Loss for the year          | -             | (3.3)             | (3.3)        |
| Total comprehensive income | -             | (3.3)             | (3.3)        |
| <b>At 30 June 2022</b>     | <b>0.2</b>    | <b>81.5</b>       | <b>81.7</b>  |

The nature of each reserve is disclosed in note 21.

The notes on pages 17 to 37 form part of these financial statements.

**1 Accounting policies**

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

**General information**

The consolidated financial statements as at and for the year ended are those of Claranet Limited (the "Company") and its subsidiary undertakings (together, the "UK Group"). The Company is a private company limited by shares, domiciled and incorporated in England and Wales.

**Basis of preparation**

The consolidated financial statements are prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the UK companies Act 2006 ('the Act'). The consolidated financial statements are prepared on a going concern basis.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the UK Group and Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in note 2.

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

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

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

**Impact of transition to new accounting standards during the year**

The UK Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements. Several amendments apply for the first time in FY22, but do not have an impact on the UK Group's consolidated financial statements. These include:

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

**Business Combinations**

The consolidated financial statements incorporate the results of Claranet Limited and its subsidiary undertakings as at 30 June 2022 using the acquisition method of accounting.

Business combinations falling within the scope of IFRS 3 Business Combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the UK Group.

The UK Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interests in the acquiree, plus
- the fair value of the existing equity interest in the acquiree, less
- the fair value of the identifiable assets acquired and liabilities assumed.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the Consolidated Statement of Total Comprehensive Income.

1 Accounting policies (continued)

**Capital contributions**

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

**Going concern**

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

The Board believes that the business is able to navigate through the impact of 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 UK Group was unable to continue as a going concern.

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

- The UK Group is forecast to be profitable on Adjusted EBITDA level for 2022/23 and 2023/24;
- The UK Group had a negative cash balance of £0.1m as at 30 June 2022 however is forecasting positive operating cash flow for 2022/23;
- The UK Group has future contracted revenues of £116.5m; and
- The UK Group provides critical services to customers and these cannot be easily transferred or terminated without impacting the customers business significantly.

The Directors continue to monitor the UK Group's funding strategy and have prepared detailed forecasts for future years to 2025. These forecasts underpin the going concern basis for the UK Group. At the date of approval of these financial statements the Directors believe that the UK Group will continue to operate successfully for the foreseeable future and be able to meet its liabilities as and when they fall due.

**Revenue**

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

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

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

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

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

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

1 Accounting policies (continued)

*Revenue (continued)*

*Network and Communication services*

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

*Public and Private Cloud Services*

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

*Cybersecurity and Other IT Services*

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

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

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

Revenue from systems integration and security services (penetration testing, vulnerability, assessments, compliance and audits and training) is recognised based on the percentage of completion method. This relies on estimates of total expected contract revenue and costs, as well as the reliable measurement of the progress made towards completion.

The element of invoicing related to future periods is deferred and released to the Consolidated Statement of Total Comprehensive Income over the relevant period. The revenue is wholly attributable to the principal activity of the UK Group.

*Assessment of performance obligations*

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

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

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

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

*Allocation of the transaction price*

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

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

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

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

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

1 Accounting policies (continued)

**Contract assets**

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

**Contract liabilities**

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

**Intangible assets and goodwill**

*Goodwill*

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

*Internally-generated intangible assets - Research and Development*

Research expenditure is expensed to the Consolidated Statement of Total Comprehensive Income in the year in which it is incurred. Expenditure on internal projects is capitalised if it can be demonstrated that:

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

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

*Intangible assets acquired separately - Software and other*

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

|                    |   |            |
|--------------------|---|------------|
| Software and other | - | 20% - 33½% |
|--------------------|---|------------|

*Intangible assets acquired in a business combinations - Customer Relationships and Brands*

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

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

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

1 Accounting policies (continued)

*Intangible assets and goodwill (continued)*

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

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

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

*Property, plant and equipment*

Property, plant and equipment are initially measured at cost.

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

|                                |   |  |
|--------------------------------|---|--|
| Network and computer equipment | - | 20% - 33⅓%                             |
| Fixtures and fittings          | - | 33⅓%                                   |
| Leasehold improvements         | - | Over the remaining period of the lease |
| Right of use assets            | - | Over the remaining period of the lease |
| Other                          | - | 20%                                    |

*Impairment of assets*

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

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

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

*Financial instruments*

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

*Financial assets*

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

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

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

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

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1 Accounting policies (continued)

*Financial assets (continued)*

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

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

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

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

The resultant expected loss rates are applied to the ageing profile of grouped trade receivables at the balance sheet date to give the lifetime ECLs for each aging 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 Consolidated Statement of Total Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the assets is written off against the associated provision.

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

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

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

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

This requires the Parent Company to further consider:

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

The Parent Company has followed the considerations required under IFRS 9 on the above and noted that neither of the above have occurred during the year ended 30 June 2022, and as such, the appropriate model is the 12 month ECL model. No indication for impairment has been identified.

1 Accounting policies (continued)

*Financial liabilities*

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

*Trade and other payables*

Trade and other payables are non interest bearing and are stated at their fair value on initial recognition, and then subsequently at amortised cost. For disclosure purposes, the fair values of trade and other payables are estimated at the present value of future cash flows discounted at the market rate of interest at the reporting date. As trade and other payables are short term in nature as at the reporting date, the carrying value is considered to be a reasonable approximation of fair value.

*Loans and borrowings*

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

*Share capital*

Financial instruments issued by the Company are treated as equity if the holders have only a residual interest in the assets of the UK Group after the deduction of all liabilities. The Company's ordinary shares are classified as equity instruments. The Company considers its capital to comprise of its ordinary share capital and accumulated retained earnings.

*Leased assets*

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

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

*Policy applicable from 1 July 2019*

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

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

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identifiable.
- the UK Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the UK Group has the right to direct the use of the asset. The UK Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the UK Group has the right to direct the use of the asset if either:
  - the UK Group has the right to operate the asset; or
  - the UK Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

1 Accounting policies (continued)

**Policy applicable before 1 July 2019**

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

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

**UK Group as a lessee**

For leases entered into after 1 July 2019, the UK Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset 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 UK groups incremental borrowing rate. Generally, the UK Group uses its incremental borrowing rate as the discount rate.

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

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

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

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

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

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

**1 Accounting policies (continued)**

**Provisions**

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

**Taxation**

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

**Current tax**

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

**Deferred taxation**

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period where the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to the Consolidated Statement of Total Comprehensive Income, unless it related to items charged or credited directly to equity, in which case the deferred tax is also charged or credited to equity.

**Retirement benefits**

The UK Group operates a defined contribution scheme.

**Retirement benefits: Defined contribution schemes**

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

**Foreign currency**

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

**Finance costs**

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

**2 Critical accounting estimates and judgements**

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

*Carrying value of goodwill: £62.2m*

The UK Group tests annually whether goodwill has suffered impairment. The recoverable amounts of the cash generating units are determined based on value in use calculations. These calculations use estimates and assumptions based on historical evidence and reasonable expectations of future events. A risk arises that the actual carrying amount may differ from those estimates previously accounted for (see note 13 for review performed).

*Deferred tax asset: £1.7m*

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

*Property, plant and equipment: £15m 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: £8.2m*

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

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

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

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

3 Financial Instruments

The UK Group is exposed to the following financial risks:

- Credit risk
- Market risk
- Liquidity risk

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

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

*Principal financial instruments*

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

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

*Fair value of financial instruments*

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

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

*General objectives, policies and procedures*

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

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

a) Credit risk

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

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

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

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

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

Claranet Limited

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

3 Financial Instruments (continued)

Trade receivables are summarised as follows:

| £million                             | 2022         | 2021         |
|--------------------------------------|--------------|--------------|
| Up to 30 days                        | 8.5          | 6.0          |
| Past due:                            |              |              |
| 30 to 90 days                        | 2.3          | 1.8          |
| More than 90 days                    | 1.1          | 1.1          |
| <b>Gross</b>                         | <b>11.9</b>  | <b>8.9</b>   |
| <b>Less allowance for impairment</b> | <b>(0.9)</b> | <b>(1.3)</b> |
| <b>Net</b>                           | <b>11.0</b>  | <b>7.6</b>   |

Allowance for impairment movement in the year:

| £million                    | 2022         | 2021         |
|-----------------------------|--------------|--------------|
| As at 1 July                | (1.3)        | (0.8)        |
| Provided in the year        | (0.1)        | (1.0)        |
| Written off during the year | 0.2          | 0.4          |
| Unused amounts reversed     | 0.3          | 0.1          |
| <b>As at 30 June</b>        | <b>(0.9)</b> | <b>(1.3)</b> |

b) Market risk

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

*Foreign currency risk*

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

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

c) Liquidity risk

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

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

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

3 Financial Instruments (continued)

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

| £million                                      | Up to 3 months | 3 to 12 months | 1 to 5 years | Total         |
|---|----------------|----------------|--------------|---------------|
| <b>At 30 June 2022</b>                        |                |                |              |               |
| Trade and other receivables                   | 13.3           | -              | -            | 13.3          |
| Amounts owed by parent and other undertakings | 7.4            | -              | 2.1          | 9.5           |
| Cash and cash equivalents                     | (0.1)          | -              | -            | (0.1)         |
| Trade and other payables                      | (18.9)         | -              | -            | (18.9)        |
| Loans and borrowings                          | (4.5)          | (1.1)          | (7.7)        | (13.3)        |
| Amounts owed to parent and other undertakings | (1.3)          | -              | -            | (1.3)         |
| <b>Total</b>                                  | <b>(4.1)</b>   | <b>(1.1)</b>   | <b>(5.6)</b> | <b>(10.8)</b> |
| <b>At 30 June 2021</b>                        |                |                |              |               |
| Trade and other receivables                   | 10.7           | -              | -            | 10.7          |
| Amounts owed by parent and other undertakings | 6.6            | -              | 3.4          | 10.0          |
| Cash and cash equivalents                     | 5.3            | -              | -            | 5.3           |
| Trade and other payables                      | (18.7)         | -              | -            | (18.7)        |
| Loans and borrowings                          | (5.1)          | (3.7)          | (7.1)        | (15.9)        |
| Amounts owed to parent and other undertakings | (1.6)          | -              | -            | (1.6)         |
| <b>Total</b>                                  | <b>(2.8)</b>   | <b>(3.7)</b>   | <b>(3.7)</b> | <b>(10.2)</b> |

4 Segment information

a) Segment revenue and results

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

| £million                            | At a point in time | Over time   | Total        |
|-------------------------------------|--------------------|-------------|--------------|
| Network and Communications          | 1.4                | 40.9        | 42.3         |
| Public and Private Cloud            | 10.8               | 43.3        | 54.1         |
| Cybersecurity and Other IT services | 10.0               | 9.8         | 19.8         |
| <b>Total</b>                        | <b>22.2</b>        | <b>94.0</b> | <b>116.2</b> |

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

The UK Group internally aggregates operating results into one operating segment for decision making purposes.

5 Profit for the year from continuing activities

| £million  | 2022        | 2021        |
|---|-------------|-------------|
| The loss / profit for the year from continuing activities is stated after charging/(crediting): |             |             |
| Depreciation and amortisation   | 13.2        | 14.7        |
| Net foreign exchange losses/(gains)   | 0.3         | (0.2)       |
|   | <b>13.5</b> | <b>14.5</b> |

During the year, the UK Group capitalised development expenditure of £5.2m (2021: capitalised costs of £3.4m).

Claranet Limited

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

**6 Exceptional items**

| £million   | 2022       | 2021       |
|--|------------|------------|
| Administration expenses: Restructuring costs incurred. | 1.0        | 1.2        |
| Impairment of goodwill                                 | 5.1        | -          |
| <b>Total exceptional items</b>                         | <b>6.1</b> | <b>1.2</b> |

**7 Employees**

| £million   | 2022        | 2021        |
|--|-------------|-------------|
| Staff costs consist of:                                  |             |             |
| Wages and salaries                                       | 31.7        | 27.2        |
| Social security costs                                    | 3.4         | 2.8         |
| Defined contribution pension costs                       | 1.5         | 1.3         |
| <b>Total staff costs</b>                                 | <b>36.6</b> | <b>31.3</b> |
| Capitalised staff costs                                  | (5.2)       | (3.4)       |
| <b>Total staff costs (after capitalised staff costs)</b> | <b>31.4</b> | <b>27.9</b> |

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

| Number         | 2022       | 2021       |
|----------------|------------|------------|
| Administration | 185        | 142        |
| Operations     | 384        | 360        |
| <b>Total</b>   | <b>569</b> | <b>502</b> |

**8 Key management personnel**

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

| £thousands                                  | 2022     | 2021     |
|---|----------|----------|
| Remuneration consists of:                   |          |          |
| Short term employee benefits                | -        | -        |
| Post employment benefits                    | -        | -        |
| <b>Total key management personnel costs</b> | <b>-</b> | <b>-</b> |

The emoluments of the highest paid Director were £nil (2021 - £nil). There were no Directors in the UK Group's defined contributions scheme (2021: nil). N Fairhurst and C Nasser are remunerated by Claranet Group Limited

**9 Auditor's remuneration**

| £million                   | 2022       | 2021       |
|----------------------------|------------|------------|
| UK Group and company audit | 0.2        | 0.2        |
| <b>Total fees</b>          | <b>0.2</b> | <b>0.2</b> |

Claranet Limited

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

| 10 Finance expense  | 2022         | 2021         |
|---|--------------|--------------|
| <i>Emillion</i>   |              |              |
| Interest expense for financial liabilities measured at amortised cost:  |              |              |
| Interest expense on finance leases  | 0.7          | 0.9          |
| Unwinding of discount   | -            | 0.1          |
| <b>Total finance expense</b>  | <b>0.7</b>   | <b>1.0</b>   |
| <b>Net finance expense</b>  | <b>(0.7)</b> | <b>(1.0)</b> |
| <br>  |              |              |
| 11 Taxation   | 2022         | 2021         |
| <i>Emillion</i>   |              |              |
| <b>Analysis of tax expense</b>  |              |              |
| <b>Current tax</b>  |              |              |
| Current year tax (credit) /expense  | (0.5)        | 0.7          |
| Adjustment in respect of prior periods  | (0.2)        | (0.3)        |
| <b>Total current tax (credit) / expense</b>   | <b>(0.7)</b> | <b>0.4</b>   |
| <b>Deferred tax</b>   |              |              |
| Current year  | 0.3          | (0.1)        |
| Adjustment in respect of prior periods  | 0.1          | 0.3          |
| <b>Deferred tax credit</b>  | <b>0.4</b>   | <b>0.2</b>   |
| <b>Total tax (credit) / expense</b>   | <b>(0.3)</b> | <b>0.6</b>   |
| <b>Tax expense reconciliation</b>   |              |              |
| <b>(Loss)/Profit before taxation</b>  | <b>(3.6)</b> | <b>6.7</b>   |
| Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (2021 - 19%) | (0.7)        | 1.3          |
| <b>Effect of:</b>   |              |              |
| Expenses not deductible for tax purposes  | 2.1          | 0.3          |
| UK Group relief not paid for  | -            | (0.8)        |
| Adjustment to tax in respect of prior periods   | (0.1)        | -            |
| Other adjustments   | (1.6)        | (0.2)        |
| <b>Total tax (credit)/ expense</b>  | <b>(0.3)</b> | <b>0.6</b>   |

Claranet Limited

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

12 Property, plant and equipment

| Emillion.                | Leased<br>property | Network and<br>computer<br>equipment | Fixtures<br>and fittings | Total       |
|--------------------------|--------------------|--------------------------------------|--------------------------|-------------|
| <b>Cost</b>              |                    |                                      |                          |             |
| At 1 July 2020           | 13.5               | 68.8                                 | 7.1                      | 89.4        |
| Additions                | 0.8                | 5.5                                  | 0.3                      | 6.6         |
| Disposals                | (1.9)              | (6.5)                                | (0.8)                    | (9.2)       |
| <b>At 30 June 2021</b>   | <b>12.4</b>        | <b>67.8</b>                          | <b>6.6</b>               | <b>86.8</b> |
| <b>Depreciation</b>      |                    |                                      |                          |             |
| At 1 July 2020           | 4.0                | 60.3                                 | 6.4                      | 70.7        |
| Provided during the year | 3.9                | 5.4                                  | 0.3                      | 9.6         |
| Disposals                | (1.9)              | (6.1)                                | (0.8)                    | (8.8)       |
| <b>At 30 June 2021</b>   | <b>6.0</b>         | <b>59.6</b>                          | <b>5.9</b>               | <b>71.5</b> |
| <b>Net book value</b>    |                    |                                      |                          |             |
| <b>At 30 June 2021</b>   | <b>6.4</b>         | <b>8.2</b>                           | <b>0.7</b>               | <b>15.3</b> |
| <b>Cost</b>              |                    |                                      |                          |             |
| At 1 July 2021           | 12.4               | 67.8                                 | 6.6                      | 86.8        |
| Additions                | 3.7                | 4.7                                  | 0.1                      | 8.5         |
| Disposals                | (4.5)              | (19.8)                               | (1.2)                    | (25.5)      |
| <b>At 30 June 2022</b>   | <b>11.6</b>        | <b>52.7</b>                          | <b>5.5</b>               | <b>69.8</b> |
| <b>Depreciation</b>      |                    |                                      |                          |             |
| At 1 July 2021           | 6.0                | 59.6                                 | 5.9                      | 71.5        |
| Provided during the year | 3.4                | 5.0                                  | 0.3                      | 8.7         |
| Disposals                | (4.5)              | (19.8)                               | (1.1)                    | (25.4)      |
| <b>At 30 June 2022</b>   | <b>4.9</b>         | <b>44.8</b>                          | <b>5.1</b>               | <b>54.8</b> |
| <b>Net book value</b>    |                    |                                      |                          |             |
| <b>At 30 June 2022</b>   | <b>6.7</b>         | <b>7.9</b>                           | <b>0.4</b>               | <b>15.0</b> |

The net carrying value of assets held under finance lease, all of which are categorised as network and computer equipment, was £3.7m (2021 - £6.8m). The depreciation charge for the year on these assets was £4.2m (2021 - £5.0m). Leasehold property additions represents the amounts recognised on leased properties under the IFRS 16 adjustment.

Claranet Limited

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

13 Intangible assets

| £million                           | Other Intangibles | Goodwill    | Development costs | Total        |
|------------------------------------|-------------------|-------------|-------------------|--------------|
| <b>Cost</b>                        |                   |             |                   |              |
| At 1 July 2020                     | 26.6              | 70.7        | 16.0              | 113.3        |
| Additions                          | -                 | -           | 3.4               | 3.4          |
| <b>At 30 June 2021</b>             | <b>26.6</b>       | <b>70.7</b> | <b>19.4</b>       | <b>116.7</b> |
| <b>Amortisation and impairment</b> |                   |             |                   |              |
| At 1 July 2020                     | 15.0              | -           | 11.2              | 26.2         |
| Provided for the year              | 2.8               | -           | 2.3               | 5.1          |
| <b>At 30 June 2021</b>             | <b>17.8</b>       | <b>-</b>    | <b>13.5</b>       | <b>31.3</b>  |
| <b>Carrying value</b>              |                   |             |                   |              |
| <b>At 30 June 2021</b>             | <b>8.8</b>        | <b>70.7</b> | <b>5.9</b>        | <b>85.5</b>  |
| <b>Cost</b>                        |                   |             |                   |              |
| At 1 July 2021                     | 26.6              | 70.7        | 19.4              | 116.7        |
| Additions                          | -                 | -           | 5.2               | 5.2          |
| <b>At 30 June 2022</b>             | <b>26.6</b>       | <b>70.7</b> | <b>24.6</b>       | <b>121.9</b> |
| <b>Amortisation and impairment</b> |                   |             |                   |              |
| At 1 July 2021                     | 17.8              | -           | 13.5              | 31.3         |
| Provided for the year              | 1.6               | -           | 2.9               | 4.5          |
| Impairment charge                  | -                 | 5.1         | -                 | 5.1          |
| <b>At 30 June 2022</b>             | <b>19.4</b>       | <b>5.1</b>  | <b>16.4</b>       | <b>40.9</b>  |
| <b>Carrying value</b>              |                   |             |                   |              |
| <b>At 30 June 2022</b>             | <b>7.2</b>        | <b>65.6</b> | <b>8.2</b>        | <b>81.0</b>  |

Goodwill impairment tests

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

| £million             | 2022 | 2021 |
|----------------------|------|------|
| Claranet (see below) | 65.6 | 70.7 |

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

The recoverable amounts of the cash generating units were determined from value in use calculations. Those calculations were based on cash flow projections from the most recent financial budget approved by management which covers a three year period, past performance and Directors' expectations of future performance.

The following discount rates have been applied to future cashflows for the Cash Generating Unit:

| Pre Tax Discount Rate | Post Tax Discount Rate | Local tax Rate | Pre Tax Discount Rate |
|-----------------------|------------------------|----------------|-----------------------|
| UK                    | 11.83%                 | 25%            | 15.77%                |

In 2021, 10% post tax was applied, representing the Claranet WACC rate. Budgeted revenue has been extrapolated over future periods applying a long-term growth rate assumption of 2.5% (2021: 2.5%)

The calculation of the excess of carrying value over the aggregate recoverable amount of the cash-generating units is highly sensitive to changes in the WACC rate. The change in the UK tax rate from 19% to 25% announced on 17 November 2022, resulted in the Directors decision to impair the Goodwill.

Given the current economic uncertainty, the Directors shall continue to monitor the performance of the business and the impact of tax and inflation on the Local WACC rates.

Claranet Limited

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

14 Trade and other receivables

| £million   | 2022        | 2021        |
|--|-------------|-------------|
| <b>Amounts falling due within one year:</b>                  |             |             |
| Trade receivables  | 11.9        | 8.9         |
| Bad debt provision   | (0.9)       | (1.3)       |
| <b>Trade receivables</b>                                     | <b>11.0</b> | <b>7.6</b>  |
| Other receivables  | 7.3         | 7.6         |
| Prepayments and accrued income                               | 9.0         | 9.0         |
| Tax receivable   | 0.7         | -           |
| <b>Other receivables</b>                                     | <b>17.0</b> | <b>16.6</b> |
| <b>Total trade and other receivables due within one year</b> | <b>28.0</b> | <b>24.2</b> |
| £million   | 2022        | 2021        |
| <b>Amounts falling due in more than one year:</b>            |             |             |
| Amounts owed by parent undertakings                          | 2.1         | 3.5         |
| <b>Total other receivables due in more than one year</b>     | <b>2.1</b>  | <b>3.5</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 ongoing fluctuations in market rates.

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

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

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

15 Trade and other payables

| £million                                    | 2022        | 2021        |
|---|-------------|-------------|
| <b>Amounts falling due within one year:</b> |             |             |
| Trade payables                              | 10.4        | 10.9        |
| VAT   | 1.3         | 2.9         |
| Taxation and social security                | 0.9         | 0.9         |
| Tax payables                                | -           | 0.5         |
| Other payables                              | 0.4         | 1.3         |
| Accruals                                    | 9.0         | 6.1         |
| Deferred consideration                      | -           | 1.8         |
| <b>Trade and other payables</b>             | <b>22.0</b> | <b>24.4</b> |
| Finance lease creditor (note 16)            | 5.4         | 7.4         |
| Other loans                                 | 0.4         | 1.1         |
| <b>Loans and borrowings</b>                 | <b>5.8</b>  | <b>8.5</b>  |

Settlement of trade and other payables is in accordance with the UK Group's terms of trade established with our suppliers.

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

| £million                                 | 2022       | 2021       |
|--|------------|------------|
| <b>Amounts due in more than one year</b> |            |            |
| Finance lease creditor (note 16)         | 5.5        | 6.7        |
| Other loans                              | 0.1        | 0.4        |
| <b>Loans and borrowings</b>              | <b>5.6</b> | <b>7.1</b> |

Claranet Limited

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

15 Trade and other payables (continued)

The UK Group has recognised the following Deferred Revenue:

| £million                                  | 2022       | Restated*<br>2021 |
|---|------------|-------------------|
| Amounts falling due within one year       | 7.2        | 6.6               |
| Amounts falling due in more than one year | 2.2        | 1.2               |
| <b>Total deferred revenue</b>             | <b>9.4</b> | <b>7.8</b>        |

\*Deferred revenue has been corrected to split between amounts falling due within one year and amounts due in more than one year. The overall total in 2022 and 2021 remains unchanged. As at 30 June 2020, the deferred revenue balance represented amounts falling due within one year of £5.9m and amounts due in more than one year of £1.1m.

16 Finance leases

The UK Group entered into finance lease arrangements for certain plant and equipment. The carrying value of assets held under finance leases at 30 June 2022 was £3.7m (2021: £6.8m).

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

| £million  | Minimum<br>Lease<br>Payments | Interest     | Present<br>value |
|---|------------------------------|--------------|------------------|
| <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 five years | 5.7                          | (0.2)        | 5.5              |
| <b>Total repayable</b>                            | <b>11.5</b>                  | <b>(0.6)</b> | <b>10.9</b>      |

| £million  | Minimum<br>Lease<br>Payments | Interest     | Present<br>value |
|---|------------------------------|--------------|------------------|
| <b>2021</b>                                       |                              |              |                  |
| Future lease payments are due as follows:         |                              |              |                  |
| Within one year                                   | 8.1                          | (0.7)        | 7.4              |
| Later than one year and not later than five years | 7.2                          | (0.5)        | 6.7              |
| <b>Total repayable</b>                            | <b>15.3</b>                  | <b>(1.2)</b> | <b>14.1</b>      |

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

17 Provisions

| £million        | Dilapidations |
|-----------------|---------------|
| At 1 July 2021  | 0.7           |
| At 30 June 2022 | 0.7           |

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

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

18 Deferred tax

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

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

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

| £million  | 2022       |              |              | 2021       |              |              |
|---|------------|--------------|--------------|------------|--------------|--------------|
|   | Asset      | Liability    | Net          | Asset      | Liability    | Net          |
| At 1 July   | 1.6        | (1.9)        | (0.3)        | 2.2        | (2.3)        | (0.1)        |
| Charge for the year                               | (0.5)      | -            | (0.5)        | -          | (0.2)        | (0.2)        |
| Adjustments in respect of prior period            | 0.6        | (0.6)        | -            | (0.6)      | 0.6          | -            |
| <b>At 30 June</b>                                 | <b>1.7</b> | <b>(2.5)</b> | <b>(0.8)</b> | <b>1.6</b> | <b>(1.9)</b> | <b>(0.3)</b> |
| Represented by:                                   |            |              |              |            |              |              |
| Accelerated capital allowances                    | 0.7        | -            | 0.7          | 2.1        | -            | 2.1          |
| Liability arising on business combination         | -          | (2.5)        | (2.5)        | -          | (1.9)        | (1.9)        |
| Intangibles                                       | 1.0        | -            | 1.0          | (0.5)      | -            | (0.5)        |
| Other timing differences                          | -          | -            | -            | -          | -            | -            |
| <b>Total deferred taxation asset/ (liability)</b> | <b>1.7</b> | <b>(2.5)</b> | <b>(0.8)</b> | <b>1.6</b> | <b>(1.9)</b> | <b>(0.3)</b> |

There is a potential deferred tax asset of £2.3m (2021: £2.1m) which has not been recognised due to the uncertainty concerning the timescale of its recovery.

19 Capital risk management

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

The UK Group's objectives when maintaining capital are:

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

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

20 Share capital

|                                    | 2022<br>Number | 2021<br>Number | 2022<br>£million | 2021<br>£million |
|------------------------------------|----------------|----------------|------------------|------------------|
| Allotted, Called Up and Fully Paid |                |                |                  |                  |
| Ordinary shares of £1 each         | 250,000        | 250,000        | 0.2              | 0.2              |

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

21 Reserves

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

Claranet Limited

Notes to the consolidated financial statements  
for the year ended 30 June 2022 (continued)

**22 Operating lease commitments**

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

| £million                      | Land and<br>buildings<br>2022 | Other<br>2022 | Land and<br>buildings<br>2021 | Other<br>2021 |
|-------------------------------|-------------------------------|---------------|-------------------------------|---------------|
| Within one year               | -                             | -             | -                             | -             |
| In one to five years          | -                             | -             | -                             | -             |
| <b>Total operating leases</b> | -                             | -             | -                             | -             |

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

The operating lease charge for the year was £0.1m (2021: £0.1m)

**23 Related party transactions**

Key management personnel remuneration is disclosed in note 8.

Balances held with entities that are controlled by its ultimate parent, Claranet International Limited are disclosed separately in notes 14 and 15 with movements on the loans disclosed in the Consolidated Statement of Cash Flows.

**24 Cash flow**

| £million   | 2022  | 2021 |
|--|-------|------|
| Cash and cash equivalents for purposes of the statement of cash flows comprises: |       |      |
| Cash available on demand   | (0.1) | 5.3  |
| Significant non cash transactions are as follows:                                |       |      |
| Assets acquired under finance leases (including IFRS 16 adjustments)             | 4.8   | 6.3  |

**25 Events occurring after the reporting period**

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

**26 Ultimate parent company**

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

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

Claranet Limited

Company Statement of Financial Position  
as at 30 June 2022

Company Number 03152737

| £million                             | Note | 2022           | Restated*<br>2021 |
|--------------------------------------|------|----------------|-------------------|
| <b>ASSETS</b>                        |      |                |                   |
| <b>Non-current assets</b>            |      |                |                   |
| Property, plant and equipment        | C4   | 15.0           | 15.1              |
| Intangible assets                    | C5   | 47.6           | 31.5              |
| Investments                          | C6   | 45.1           | 58.3              |
| Other receivables                    | C7   | 28.5           | 29.4              |
| Deferred tax asset                   | C11  | 0.9            | 1.7               |
| <b>Total non-current assets</b>      |      | <b>137.1</b>   | <b>136.0</b>      |
| <b>Current assets</b>                |      |                |                   |
| Trade and other receivables          | C7   | 28.1           | 21.5              |
| Cash and cash equivalents            | C15  | -              | 5.0               |
| <b>Total current assets</b>          |      | <b>28.1</b>    | <b>26.5</b>       |
| <b>Total assets</b>                  |      | <b>165.2</b>   | <b>162.5</b>      |
| <b>LIABILITIES</b>                   |      |                |                   |
| <b>Current liabilities</b>           |      |                |                   |
| Short term borrowings                | C15  | (0.1)          | -                 |
| Trade and other payables             | C8   | (22.0)         | (23.3)            |
| Deferred revenue                     | C8   | (7.2)          | (5.3)             |
| Loans and borrowings                 | C8   | (6.2)          | (8.5)             |
| <b>Total current liabilities</b>     |      | <b>(35.5)</b>  | <b>(37.1)</b>     |
| <b>Non-current liabilities</b>       |      |                |                   |
| Other liabilities                    | C8   | (68.5)         | (66.0)            |
| Deferred revenue                     | C8   | (2.2)          | (1.2)             |
| Loans and borrowings                 | C8   | (5.6)          | (6.9)             |
| Provisions                           | C10  | (0.7)          | (0.7)             |
| <b>Total non-current liabilities</b> |      | <b>(77.0)</b>  | <b>(74.8)</b>     |
| <b>Total liabilities</b>             |      | <b>(112.5)</b> | <b>(111.9)</b>    |
| <b>Net assets</b>                    |      | <b>52.7</b>    | <b>50.6</b>       |
| <b>FUNDED BY</b>                     |      |                |                   |
| <b>Equity</b>                        |      |                |                   |
| Share capital                        | C12  | 0.2            | 0.2               |
| Retained profit                      |      | 52.5           | 50.4              |
| <b>Total equity</b>                  |      | <b>52.7</b>    | <b>50.6</b>       |

\*Deferred revenue has been corrected to split between amounts falling due within one year and amounts due in more than one year. See note C8.

The profit for the financial year of the parent company, Claranet Limited was £2.1m (2021: profit £6.9m). As permitted by section 408 of the Companies Act 2006, no separate Income Statement is presented in respect of the Company.

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2023

Signed on behalf of the Board of Directors



N Fairhurst  
Director

The notes on pages 41 to 47 form part of these financial statements.

Claranet Limited

Company Statement of Cash Flows  
for the year ended 30 June 2022

| £million  | 2022          | 2021          |
|---|---------------|---------------|
| <b>Cash flows from operating activities</b>                 |               |               |
| Profit for the year   | 2.1           | 6.9           |
| Adjustments for:  |               |               |
| Depreciation and amortisation                               | 11.3          | 11.6          |
| Profit on sale of property, plant and equipment             | -             | 0.4           |
| Finance income  | (0.4)         | (0.4)         |
| Finance expense   | 0.7           | 1.4           |
| Taxation  | (0.2)         | 0.9           |
|   | <b>13.5</b>   | <b>20.8</b>   |
| (Increase) in trade and other receivables                   | (5.7)         | (0.3)         |
| Increase in trade and other payables                        | 5.5           | 0.9           |
| Increase in Provisions                                      | -             | 0.1           |
| <b>Cash generated from operations</b>                       | <b>13.3</b>   | <b>21.5</b>   |
| Taxation received   | -             | 0.1           |
| <b>Cash generated from operating activities</b>             | <b>13.3</b>   | <b>21.6</b>   |
| <b>Cash flows from investing activities</b>                 |               |               |
| Purchase of property, plant and equipment                   | (4.8)         | (2.2)         |
| Purchase of intangible assets                               | (4.6)         | (3.1)         |
| Deferred consideration paid                                 | (1.8)         | (0.1)         |
| <b>Net cash used in investing activities</b>                | <b>(11.2)</b> | <b>(5.4)</b>  |
| <b>Cash flows from financing activities</b>                 |               |               |
| Net Interest paid   | (0.3)         | (1.0)         |
| Payment of finance lease liabilities and other loans        | (6.7)         | (8.3)         |
| Repayment of loans  | (0.6)         | (1.4)         |
| Receipts from /(Payments to) parent undertaking             | 0.4           | (2.0)         |
| <b>Net cash used in financing activities</b>                | <b>(7.2)</b>  | <b>(12.7)</b> |
| <b>Net (Decrease)/increase in cash and cash equivalents</b> | <b>(5.1)</b>  | <b>3.5</b>    |
| Cash and cash equivalents at beginning of year              | 5.0           | 1.5           |
| <b>Cash and cash equivalents at end of year</b>             | <b>(0.1)</b>  | <b>5.0</b>    |

The notes on pages 41 to 47 form part of these financial statements.

Claranet Limited

Company Statement of Changes in Equity  
for the year ended 30 June 2022

| £million                               | Share capital | Retained profit | Total equity |
|--|---------------|-----------------|--------------|
| Balance as at 1 July 2020              | 0.2           | 43.5            | 43.7         |
| Total comprehensive profit in the year | -             | 6.9             | 6.9          |
| <b>Balance as at 30 June 2021</b>      | <b>0.2</b>    | <b>50.4</b>     | <b>50.6</b>  |
| Balance as at 1 July 2021              | 0.2           | 50.4            | 50.6         |
| Total comprehensive profit in the year | -             | 2.1             | 2.1          |
| <b>Balance as at 30 June 2022</b>      | <b>0.2</b>    | <b>52.5</b>     | <b>52.7</b>  |

The nature of each reserve is disclosed in note C13.

The notes on pages 41 to 47 form part of these financial statements.

Claranet Limited

Notes to the company financial statements  
for the year ended 30 June 2022 (continued)

**C1 Accounting policies**

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

**C2 Financial Instruments**

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

| £million   | Up to 3<br>months | 3 to 12<br>months | 1 to 5<br>years | Total         |
|--|-------------------|-------------------|-----------------|---------------|
| <b>As at 30 June 2022</b>                          |                   |                   |                 |               |
| Amounts owed by subsidiary undertakings            | 7.4               | -                 | 28.5            | 35.9          |
| Trade and other receivables                        | 11.6              | -                 | -               | 11.6          |
| Cash and cash equivalents                          | (0.2)             | -                 | -               | (0.2)         |
| Trade and other payables                           | (16.8)            | -                 | -               | (16.8)        |
| Loans and Borrowings                               | (1.7)             | (1.2)             | 0.9             | (2.0)         |
| Amounts owed to parent and subsidiary undertakings | (1.2)             | -                 | (69.0)          | (70.2)        |
| <b>Total</b>                                       | <b>(0.9)</b>      | <b>(1.2)</b>      | <b>(39.6)</b>   | <b>(41.7)</b> |
| <b>As at 30 June 2021</b>                          |                   |                   |                 |               |
| Amounts owed by subsidiary undertakings            | 6.5               | -                 | 29.4            | 35.9          |
| Trade and other receivables                        | 8.5               | -                 | -               | 8.5           |
| Cash and cash equivalents                          | 5.0               | -                 | -               | 5.0           |
| Trade and other payables                           | (17.6)            | -                 | -               | (17.6)        |
| Loans and Borrowings                               | (5.1)             | (3.7)             | (6.9)           | (15.7)        |
| Amounts owed to parent and subsidiary undertakings | (1.5)             | -                 | (66.0)          | (67.5)        |
| <b>Total</b>                                       | <b>(4.2)</b>      | <b>(3.7)</b>      | <b>(43.5)</b>   | <b>(51.4)</b> |

**C3 Employees**

| £million   | 2022        | 2021        |
|--|-------------|-------------|
| Staff costs consist of:                                  |             |             |
| Wages and salaries                                       | 26.2        | 22.0        |
| Social security costs                                    | 2.8         | 2.3         |
| Defined contribution pension costs                       | 1.3         | 1.1         |
| <b>Total staff costs</b>                                 | <b>30.3</b> | <b>25.4</b> |
| Capitalised staff costs                                  | (4.4)       | (3.1)       |
| <b>Total staff costs (after capitalised staff costs)</b> | <b>25.9</b> | <b>22.3</b> |

The average number of employees during the year was 474 (2021: 417)

Claranet Limited

Notes to the company financial statements  
for the year ended 30 June 2022 (continued)

**C4 Property, plant and equipment**

| £million                 | Leasehold<br>property | Network and<br>computer<br>equipment | Fixtures<br>and fittings | Total       |
|--------------------------|-----------------------|--------------------------------------|--------------------------|-------------|
| <b>Cost</b>              |                       |                                      |                          |             |
| At 1 July 2020           | 13.2                  | 77.2                                 | 7.5                      | 97.9        |
| Additions                | 0.8                   | 5.4                                  | 0.3                      | 6.5         |
| Disposals                | (1.9)                 | (6.5)                                | (0.8)                    | (9.2)       |
| <b>At 30 June 2021</b>   | <b>12.1</b>           | <b>76.1</b>                          | <b>7.0</b>               | <b>95.2</b> |
| <b>Depreciation</b>      |                       |                                      |                          |             |
| At 1 July 2020           | 3.7                   | 69.2                                 | 6.5                      | 79.4        |
| Provided during the year | 3.8                   | 5.4                                  | 0.3                      | 9.5         |
| Disposals                | (1.9)                 | (6.1)                                | (0.8)                    | (8.8)       |
| <b>At 30 June 2021</b>   | <b>5.6</b>            | <b>68.5</b>                          | <b>6.0</b>               | <b>80.1</b> |
| <b>Carrying value</b>    |                       |                                      |                          |             |
| At 30 June 2021          | 6.5                   | 7.6                                  | 1.0                      | 15.1        |
| <b>Cost</b>              |                       |                                      |                          |             |
| At 1 July 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 1 July 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>Carrying value</b>    |                       |                                      |                          |             |
| At 30 June 2022          | 6.8                   | 7.3                                  | 0.9                      | 15.0        |

The net carrying value of assets held under finance lease, all of which are categorised as network and computer equipment, was £3.7m (2021 - £6.8m). The depreciation charge for the year on these assets was £4.2m (2021 - £5.0m).

Claranet Limited

Notes to the company financial statements  
for the year ended 30 June 2022 (continued)

| C5 Intangible assets               |  |             |                   |             |
|------------------------------------|--|-------------|-------------------|-------------|
| €million                           |  | Goodwill    | Development costs | Total       |
| <b>Cost</b>                        |  |             |                   |             |
| At 1 July 2020                     |  | 25.9        | 15.2              | 41.1        |
| Additions                          |  | -           | 3.1               | 3.1         |
| <b>At 30 June 2021</b>             |  | <b>25.9</b> | <b>18.3</b>       | <b>44.2</b> |
| <b>Amortisation and impairment</b> |  |             |                   |             |
| At 1 July 2020                     |  | -           | 10.6              | 10.6        |
| Provided for the year              |  | -           | 2.1               | 2.1         |
| <b>At 30 June 2021</b>             |  | <b>-</b>    | <b>12.7</b>       | <b>12.7</b> |
| <b>Carrying value</b>              |  |             |                   |             |
| <b>At 30 June 2021</b>             |  | <b>25.9</b> | <b>5.6</b>        | <b>31.5</b> |
| <b>Cost</b>                        |  |             |                   |             |
| At 1 July 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 and impairment</b> |  |             |                   |             |
| At 1 July 2021                     |  | -           | 12.7              | 12.7        |
| Provided for the year              |  | -           | 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</b>              |  |             |                   |             |
| <b>At 30 June 2022</b>             |  | <b>39.1</b> | <b>8.5</b>        | <b>47.6</b> |

C6 Investments

Investments in subsidiary undertakings

| €million               | Total Investment |
|------------------------|------------------|
| <b>Cost</b>            |                  |
| At 1 July 2020         | 58.3             |
| <b>At 30 June 2021</b> | <b>58.3</b>      |
| At 1 July 2021         | 58.3             |
| Transfer on hive up    | (13.2)           |
| <b>At 30 June 2022</b> | <b>45.1</b>      |

The trade and assets of Sec-1 Limited and Union Solutions Limited were hived up to Claranet Limited on 30 June 2022.

The goodwill arising on the acquisition of Sec-1 Limited and Union Solutions Ltd has been transferred to Intangible assets following the hive up of trade and assets of Sec-1 Limited and Union Solutions Limited on 30 June 2022. The investment in Ardentia Limited has not been impaired following the hive up of the trade and assets.

Claranet Limited

Notes to the company financial statements  
for the year ended 30 June 2022 (continued)

C6 Investments (continued)

At 30 June 2022 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                                 |
| Ardenta Limited                              | 1                  | 100%   | Dormant company                                 |
| SEC-1 Holdings Limited                       | 1                  | 100%   | Intermediate holding company                    |
| SEC-1 Limited                                | 1                  | 100%   | Other information technology service activities |
| Red Rooster Holdings Ltd                     | 1                  | 100%   | Intermediate holding company                    |
| Union Solutions Limited                      | 1                  | 100%   | Other information technology service activities |
| Virtual Age Limited                          | 1                  | 100%   | Dormant company                                 |
| Netscalibur Limited                          | 1                  | 100%   | Dormant company                                 |
| Netscalibur UK Limited *                     | 1                  | 100%   | Dormant company                                 |
| Netscalibur International Holdings Limited * | 1                  | 100%   | Dormant company                                 |
| Netscalibur UK Holdings Limited *            | 1                  | 100%   | Dormant company                                 |
| U-Net UK Ltd                                 | 1                  | 100%   | Dormant company                                 |
| Netlink Internet Services Limited ^          | 1                  | 100%   | Dormant company                                 |
| I-Way Limited ^                              | 1                  | 100%   | Dormant company                                 |
| I-Way Oxford Limited ^                       | 1                  | 100%   | Dormant company                                 |
| U-Net Limited ^                              | 1                  | 100%   | Dormant company                                 |
| Worldwide Web Services Limited ^             | 1                  | 100%   | Dormant company                                 |

\* indirect shareholding through Netscalibur Limited

^ indirect shareholding through U- Net UK Ltd

At 30 June 2022, the registered addresses of the subsidiary undertakings are as follows:

1. 110 High Holborn, London, WC1V 6JS

C7 Trade and other receivables

| £million   | 2022        | 2021        |
|--|-------------|-------------|
| <b>Amounts falling due within one year:</b>                  |             |             |
| Trade receivables  | 11.9        | 7.0         |
| Bad debt provision   | (0.9)       | (1.3)       |
| <b>Trade receivables</b>                                     | <b>11.0</b> | <b>5.7</b>  |
| Other receivables  | -           | 1.1         |
| Amounts owed by subsidiary undertakings                      | 7.4         | 6.5         |
| Prepayments  | 8.7         | 8.2         |
| Tax receivable   | 1.0         | -           |
| <b>Other receivables</b>                                     | <b>17.1</b> | <b>15.8</b> |
| <b>Total trade and other receivables due within one year</b> | <b>28.1</b> | <b>21.5</b> |
| Amounts owed by subsidiary undertakings                      | 26.4        | 25.9        |
| Amounts owed by parent undertakings                          | 2.1         | 3.5         |
| <b>Total other receivables due in more than one year</b>     | <b>28.5</b> | <b>29.4</b> |

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

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

Claranet Limited

Notes to the company financial statements  
for the year ended 30 June 2022 (continued)

**C8 Trade and other payables**

| £million  | 2022        | 2021        |
|---|-------------|-------------|
| <b>Amounts falling due within one year:</b>         |             |             |
| Trade payables                                      | 10.2        | 9.1         |
| VAT   | 1.3         | 2.7         |
| Taxation and social security                        | 0.9         | 0.9         |
| Corporation tax                                     | -           | 0.5         |
| Other payables                                      | 1.6         | 4.6         |
| Accruals  | 8.0         | 5.5         |
| <b>Trade and other payables due within one year</b> | <b>22.0</b> | <b>23.3</b> |
| Finance lease creditor                              | 5.4         | 7.4         |
| Other loans   | 0.8         | 1.1         |
| <b>Loans and borrowings</b>                         | <b>6.2</b>  | <b>8.5</b>  |

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

| £million  | 2022        | 2021        |
|---|-------------|-------------|
| <b>Amounts falling due in more than one year:</b> |             |             |
| Amounts owed to parent undertakings               | -           | (2.5)       |
| Amounts owed to subsidiary undertakings           | 68.5        | 66.0        |
| <b>Other liabilities</b>                          | <b>68.5</b> | <b>63.5</b> |
| Finance lease creditor (note C9)                  | 5.5         | 6.5         |
| Other loans                                       | 0.1         | 0.4         |
| <b>Loans and borrowings</b>                       | <b>5.6</b>  | <b>6.9</b>  |

The UK Group has recognised the following Deferred Revenue:

| £million                                  | 2022       | Restated*<br>2021 |
|---|------------|-------------------|
| Amounts falling due within one year       | 7.2        | 5.3               |
| Amounts falling due in more than one year | 2.2        | 1.2               |
| <b>Total deferred revenue</b>             | <b>9.4</b> | <b>6.5</b>        |

\*Deferred revenue has been corrected to split between amounts falling due within one year and amounts due in more than one year. The overall total in 2022 and 2021 remains unchanged. As at 30 June 2020, the deferred revenue balance represented amounts falling due within one year of £4.9m and amounts due in more than one year of £1.1m.

Claranet Limited

Notes to the company financial statements  
for the year ended 30 June 2022 (continued)

**C9 Finance leases**

The Company entered into finance lease arrangements for certain plant and equipment. The carrying value of assets held under finance leases at 30 June 2022 was £3.7m (2021: £6.8m).

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

| £million  | Minimum Lease Payments | Interest     | Present value |
|---|------------------------|--------------|---------------|
| <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 five years | 5.7                    | (0.2)        | 5.5           |
| <b>Total repayable</b>                            | <b>11.5</b>            | <b>(0.6)</b> | <b>10.9</b>   |
| <b>2021</b>                                       |                        |              |               |
| Future lease payments are due as follows:         |                        |              |               |
| Within one year                                   | 8.0                    | (0.7)        | 7.3           |
| Later than one year and not later than five years | 7.1                    | (0.5)        | 6.6           |
| <b>Total repayable</b>                            | <b>15.1</b>            | <b>(1.2)</b> | <b>13.9</b>   |

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

**C10 Provisions**

| £million               | Dilapidations |
|------------------------|---------------|
| At 1 July 2021         | 0.7           |
| <b>At 30 June 2022</b> | <b>0.7</b>    |

The provision for dilapidation costs represent the costs to return leasehold premises to their original state in the event offices are vacated. The obligation, being of uncertain timing or amount at the Statement of Financial Position date, is provided for on a best-estimate basis. The provision covers the offices in London, Warrington and Gloucester and the data centre in Bristol.

**C11 Deferred Tax Asset**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2021 - 19%).

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

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

| £million                             | 2022       | 2021       |
|--------------------------------------|------------|------------|
| At 1 July                            | 1.7        | 2.2        |
| Current year charge                  | (0.6)      | (0.5)      |
| Movement in prior year balance       | (0.2)      | -          |
| <b>At 30 June</b>                    | <b>0.9</b> | <b>1.7</b> |
| Represented by:                      |            |            |
| Accelerated capital allowances       | 1.3        | 2.2        |
| Intangibles                          | (0.7)      | (0.4)      |
| Other timing differences             | 0.3        | (0.1)      |
| <b>Total deferred taxation asset</b> | <b>0.9</b> | <b>1.7</b> |

**Claranet Limited**

**Notes to the company financial statements  
for the year ended 30 June 2022 (continued)**

There is a potential deferred tax asset of £2.3m (2021: £1.4m) which has not been recognised due to the uncertainty concerning the timescale of its recovery.

**C12 Share capital**

|  | 2022<br>Number | 2021<br>Number | 2022<br>£million | 2021<br>£million |
|--|----------------|----------------|------------------|------------------|
| Allotted, Called Up and Fully Paid<br>Ordinary shares of £1 each | 250,000        | 250,000        | 0.2              | 0.2              |

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

**C13 Reserves**

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

**C14 Related party transactions**

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

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

| £million                       | Services provided |      | Services received |       |
|--------------------------------|-------------------|------|-------------------|-------|
|                                | 2022              | 2021 | 2022              | 2021  |
| <b>Company</b>                 |                   |      |                   |       |
| Fellow subsidiary undertakings | 0.2               | 0.2  | (0.2)             | (0.2) |

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

**C15 Cash flow**

| £million   | 2022  | 2021 |
|--|-------|------|
| Cash and cash equivalents for purposes of the statement of cash flows comprises: |       |      |
| Cash available on demand   | (0.1) | 5.0  |
| Significant non cash transactions are as follows:                                |       |      |
| Assets acquired under finance leases (including IFRS 16 adjustments)             | 3.7   | 4.3  |