

Delivery of Advanced Network Technology to Europe Limited ('DANTE')

Registered No.2806796

Annual Report and Financial Statements

31 December 2012

DANTE

Registered No. 2806796

Directors

J Boland
R Buch
R A Day
I Maric
P Donath

Secretary

M J Scott

Auditors

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Bankers

Barclays Bank plc
Bene't Street Branch
P.O. Box 2
Cambridge CB2 3PZ

Solicitors

Manches
9400 Garsington Road
Oxford Business Park
Oxford OX4 2HN

Registered Office

9400 Garsington Road
Oxford Business Park
Oxford OX4 2HN

Directors' report

The Directors present their Annual Report and the Financial Statements of Delivery of Advanced Network Technology to Europe Limited ("the Company") for the year ended 31 December 2012.

Results and dividends

The results of the Company for the year are set out in the financial statements and related notes on pages 8 to 20. The loss for the year, before taxation amounted to €239,000 (2011 – €40,000 profit). The loss on ordinary activities after taxation amounted to €263,000 (2011 – €40,000 profit) which has been transferred to reserves.

The Articles of Association of the Company do not permit any dividend payment.

Principal activity and review of the business

The principal activity of the Company is the research into, and the development and provision of, advanced electronic international telecommunication facilities, primarily for the research, academic and educational community in Europe and management of associated large scale international projects and services.

Before costs of a one-off historical nature, all of which are accounted for within provisions, the Company would have had a net profit before taxation and interest payable of €4,000, which is as expected for a not for profit entity. Apart from the highly advanced technical capability and increasing utilisation and demand on the network, the relatively stable operational cost base demonstrates that the National Research and Education Networks ("NRENs") benefit from these activities at an economically efficient and sustainable level. The GÉANT programme is the key activity and object for the Company representing about €30 million (77%) of the total income and expenditure (2011 - €26 million).

During the year, an upgrade commenced on the GÉANT network involving the refresh of 12,000km of cabling and replacing existing transmission and switching equipment. Once completed in 2013, this upgrade will provide connectivity speeds across the core GÉANT backbone of up to 500Gbps.

The Company continues to connect researchers worldwide through the building and managing of research networks such as GÉANT, EUMEDCONNECT3 and CAREN. Involvement continues as project coordinator in AfricaConnect which is due to provide connectivity to sub-Saharan Africa during 2013.

An achievement of particular note during the year was the awarding of the highest possible rating for the GÉANT (GN3) project, during its annual independent EC review. This rating is very rarely awarded, and is remarkable given the size of the project. The reviewers singled out the collaborative spirit and teamwork amongst all the partners, something DANTE has sought to foster.

The year also saw the completion of our involvement in TEIN3, as project coordinator supporting the Asia-Pacific region, and a successful hand over to TEIN*CC to whom we will provide a consultancy service.

The networks managed by DANTE interconnect over 100 countries worldwide, supporting hundreds of millions of researchers and students in disciplines as varied as particle physics, sustainable energy, bioinformatics, radio astronomy and medicine. These networks continue to change the way research is carried out, enabling participants worldwide to collaborate on such high profile science as the Large Hadron Collider (LHC) and numerous research projects that bring real societal benefit.

Directors' report (continued)

Future developments

The main activities for 2013 are to complete the GÉANT network upgrade that commenced in 2012 and to develop, pilot and to continue to launch new leading edge services that enable, facilitate and enhance research across Europe, and between Europe and other world regions.

The GÉANT (GN3plus) project commenced in April 2013. This is a two-year project that builds on the success of GÉANT (GN3) and continues to be jointly funded by the EC and NRENs.

In addition, the Company will continue the on-going development of the regional networking activities covering the south and eastern Mediterranean, Central Asia and Africa and will provide assistance in the continuation of connectivity of Latin America to Europe in the second ALICE programme and South East Asia and Asia-Pacific in the TEIN*CC programme.

Principal risks and uncertainties

The principal risks and uncertainties for the company relate to the continued interest from the NREN community and from the EC in supporting the development and provision of advanced network technology services for the research, academic and educational community in Europe. Continuity of support from the EC depends largely on the scheduled funding programmes and occasionally these are not always timed to be able to offer continued funding. The Company would seek to address such funding gaps through the support of the NREN partners and the telecom service providers.

Going concern

The Directors' report summarises the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, it discusses the principal risks and uncertainties it faces.

The Board has followed the UK Financial Reporting Council's "Going Concern and Liquidity Risk: Guidance for Directors and UK Companies 2009" when performing their going concern assessment. As part of its comprehensive assessment of whether the Company is a going concern, the Board has prepared cash flow forecasts for the Company for the foreseeable future.

As a result of the review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Employees

During the year, the Company maintained a policy of informing and involving employees on matters which concern them and in the achievement of its business goals. The Company has a comprehensive system for consultation and communication involving regular meetings between management and employees, quarterly strategic briefings, opinion surveys and the issue of various bulletins.

The Company is committed to providing equal opportunities to all employees irrespective of their sex, age, sexual orientation, marital status, religion, race or disability.

Supplier payment policy

It is the Company's policy to determine terms of payment with suppliers as part of the contractual arrangements that are put in place.

Directors' report (continued)

Directors

The name of those individuals who served as Directors of the Company during the year or who held office as at the date of signature of this report were as follows:

J Boland
R Buch
R A Day
I Maric
C Toenz (resigned 13 March 2013)
P Donath (appointed 13 March 2013)

Secretary

M J Scott acted as Secretary throughout the year.

Disclosure of indemnity

Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Disclosure of information to the auditors


So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



R A Day
Director

10 June 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper 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 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.

Independent auditor's report

to the members of Delivery of Advanced Network Technology to Europe Limited

We have audited the financial statements of Delivery of Advanced Technology to Europe Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report (continued)

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Rachel Wilden (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Cambridge

Date: *14 June 2013*

Profit and loss account

for the year ended 31 December 2012

| | Notes | 2012 €000 | 2011 €000 |
|---|-------|--------------|--------------|
| Turnover | 2 | 39,156 | 35,708 |
| Cost of sales | | (35,700) | (33,140) |
| Gross profit | | <u>3,456</u> | <u>2,568</u> |
| Administrative expenses | 5 | (3,923) | (2,793) |
| Operating loss | 3 | <u>(467)</u> | <u>(225)</u> |
| Interest payable | | (18) | - |
| Interest receivable | | 246 | 265 |
| (Loss)/profit on ordinary activities before taxation | | <u>(239)</u> | <u>40</u> |
| Tax on (loss)/profit on ordinary activities | 7 | (24) | - |
| (Loss)/profit for the financial year | 16 | <u>(263)</u> | <u>40</u> |

Statement of total recognised gains and losses

for the year ended 31 December 2012

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of €263,000 in the year ended 31 December 2012 (2011 – profit of €40,000).

Balance sheet

at 31 December 2012

| | <i>Notes</i> | <i>2012</i> €000 | <i>2011</i> €000 |
|--|--------------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 5,582 | 2,458 |
| Current assets | | | |
| Debtors | 9 | 26,611 | 14,019 |
| Cash at bank and in hand | 10 | 38,241 | 51,325 |
| | | 64,852 | 65,344 |
| Creditors: amounts falling due within one year | 11 | 48,452 | 45,382 |
| | | 16,400 | 19,962 |
| Net current assets | | 21,982 | 22,240 |
| Total assets less current liabilities | | 14,600 | 15,000 |
| Creditors: amounts falling due after more than one year | 12 | 225 | - |
| Provisions for liabilities | 13 | | |
| | | 7,157 | 7,420 |
| Net assets | | 1,576 | 1,576 |
| Capital and reserves | | | |
| Called up share capital | 15 | 35 | 35 |
| Capital contributions | 16 | 5,546 | 5,809 |
| Profit and loss account | 16 | | |
| | | 7,157 | 7,420 |
| Shareholders' funds | 16 | | |

Approved and signed on behalf of the board


R A Day
DirectorDate: 10th June 2013

Statement of cash flows

for the year ended 31 December 2012

| | Notes | 2012 €000 | 2011 €000 |
|--|-------|-----------------|---------------|
| Net cash (outflow) / inflow from operating activities | 17 | (7,443) | 5,187 |
| Returns on investments and servicing of finance | 17 | 228 | 265 |
| Tax | | | |
| UK corporation tax paid | | (830) | - |
| Capital expenditure and financial investment | | | |
| Payments to acquire tangible fixed assets | | (5,039) | (1,859) |
| Management of liquid resources | | | |
| Decrease in short term deposits | | - | 28,534 |
| (Decrease) / increase in cash | | <u>(13,084)</u> | <u>32,127</u> |
| Cash (net funds) at the beginning of the year | | 51,325 | 19,198 |
| Cash (net funds) at the end of the year | | <u>38,241</u> | <u>51,325</u> |

The Company has a pooling arrangement on all of its bank accounts to maximise the investment return for the benefit of all projects.

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom generally accepted accounting practice ("UK GAAP")

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | | |
|--------------------------|---|---------------------|
| Short leasehold property | – | over the lease term |
| Furniture | – | over 5 years |
| Equipment | – | over 3 years |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

The Company's functional currency is the euro. Transactions in currencies other than the euro are translated at the exchange rate applicable on the first business day in the month in which it is accounted for. Monetary assets and liabilities denominated in currencies other than the euro are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Research and development

Research and development expenditure is written off as incurred.

Pensions

The company makes contributions to personal pension schemes. Pension contributions are charged to the profit and loss account as they become payable

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Revenue recognition

Revenue represents consideration for services provided and is measured net of VAT.

Where revenue arises from project activity such revenue is recognised in line with project completion, which is assessed by reference to the actual cost to date compared against total budgeted cost.

Other revenue is recognised in the period in which the services are provided.

2. Turnover

Turnover, which is stated net of value added tax and arises from one activity, represents amounts derived from the provision of services which fall within the Company's principal activity.

An analysis of turnover by geographical market is given below.

| | 2012 | 2011 |
|----------------|---------------|---------------|
| | €000 | €000 |
| Europe | 32,117 | 27,307 |
| Outside Europe | 7,039 | 8,401 |
| | <u>39,156</u> | <u>35,708</u> |

3. Operating loss

This is stated after charging:

| | 2012 | 2011 |
|--|---------------|---------------|
| | €000 | €000 |
| Auditors remuneration - audit | 34 | 23 |
| -audit-related assurance services | 12 | 16 |
| - tax compliance services | 30 | 5 |
| -VAT consultancy services | 43 | 11 |
| | <u>1,915</u> | <u>1,617</u> |
| Depreciation of owned fixed assets | 919 | - |
| Allowance for doubtful debts | <u>543</u> | <u>466</u> |
| Operating lease rentals – land and buildings | 16,703 | 22,115 |
| – plant and machinery | <u>16,703</u> | <u>22,115</u> |

Notes to the financial statements

at 31 December 2012

| | | | |
|------------|-----------------|-----|---|
| Provisions | – dilapidations | 184 | - |
| | – staff related | 41 | - |

4. Directors' remuneration

Director's remuneration for qualifying services during the year was €nil (2011 – €nil).

No director was a member of a defined benefit or a defined contribution scheme in either the current or prior year. Nor did any director receive shares for qualifying services or have any share options in either the current or prior year.

5. Administrative expenses

| | 2012 | 2011 |
|-------------------------------|--------------|--------------|
| | €000 | €000 |
| Employment costs | 1,541 | 1,069 |
| Other staff costs | 333 | 134 |
| Depreciation | 219 | 169 |
| Premises | 801 | 634 |
| Professional services | 332 | 228 |
| Financial charges | 23 | 13 |
| Foreign exchange (gain) /loss | (4) | 156 |
| Other administrative expenses | 678 | 390 |
| | <u>3,923</u> | <u>2,793</u> |

6. Staff costs

| | 2012 | 2011 |
|-----------------------|--------------|--------------|
| | €000 | €000 |
| Wages and salaries | 4,552 | 3,299 |
| Social security costs | 507 | 379 |
| Other pension costs | 149 | 99 |
| | <u>5,208</u> | <u>3,777</u> |

| | 2012 | 2011 |
|---|------|------|
| | No. | No. |
| Average monthly number of employees during the year | 69 | 60 |

Notes to the financial statements

at 31 December 2012

7. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax charge is made up as follows:

| | 2012 | 2011 |
|--|-------------|------------|
| | €000 | €000 |
| <i>Current tax:</i> | | |
| UK corporation tax | (67) | 60 |
| Adjustments in respect of prior periods | (4) | 292 |
| Total current tax (note 7(b)) | <u>(71)</u> | <u>352</u> |
| <i>Deferred tax (note 14):</i> | | |
| Origination and reversal of timing differences | 84 | (362) |
| Effect of changes in tax rate on opening liability | 11 | 10 |
| | <u>24</u> | <u>-</u> |

(b) Factors affecting tax (credit)/charge for the year

| | 2012 | 2011 |
|---|-------------|------------|
| | €000 | €000 |
| (Loss)/profit on ordinary activities before taxation | (239) | 40 |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.50% (2011 – 26.50%) | (59) | 11 |
| <i>Effect of:</i> | | |
| Expenses not deductible for tax purposes | 15 | (2) |
| Depreciation in (excess)/deficit of capital allowances | (73) | 51 |
| Adjustments in respect of prior periods | (4) | 292 |
| Unrelieved tax losses carried forward | 28 | - |
| Differences in tax rates on losses carried back | 14 | - |
| Other timing differences | 8 | - |
| Current tax (credit)/charge for the year (note 7(a)) | <u>(71)</u> | <u>352</u> |

The UK government, with effect from 1 April 2012, reduced the main rate of UK Corporation tax from 25% to 24%. In addition the Finance Bill 2012 was substantively enacted on 17 July 2012, which reduced the corporation tax rate to 23% with effect from 1 April 2013. The UK deferred tax balances as at 31 December 2012 have therefore been calculated based on the reduced corporation tax rate of 23%.

The Budget on 20 March 2013 announced that the UK corporation tax rate will reduce by a further 2% from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and consequently the effect of this is not included in these financial statements.

Notes to the financial statements

at 31 December 2012

8. Tangible fixed assets

| | <i>Short leasehold property</i> €000 | <i>Furniture</i> €000 | <i>Equipment</i> €000 | <i>Total</i> €000 |
|--------------------------|---|--------------------------|--------------------------|----------------------|
| Cost: | | | | |
| At 1 January 2012 | 362 | 171 | 28,085 | 28,618 |
| Additions | 128 | 19 | 4,892 | 5,039 |
| Disposals | - | - | (243) | (243) |
| At 31 December 2012 | <u>490</u> | <u>190</u> | <u>32,734</u> | <u>33,414</u> |
| Depreciation: | | | | |
| At 1 January 2012 | 171 | 149 | 25,840 | 26,160 |
| Provided during the year | 79 | 13 | 1,823 | 1,915 |
| On disposals | - | - | (243) | (243) |
| At 31 December 2012 | <u>250</u> | <u>162</u> | <u>27,420</u> | <u>27,832</u> |
| Net book value: | | | | |
| At 31 December 2012 | 240 | 28 | 5,314 | 5,582 |
| At 1 January 2012 | <u>191</u> | <u>22</u> | <u>2,245</u> | <u>2,458</u> |

9. Debtors

| | 2012 €000 | 2011 €000 |
|--------------------------------|---------------|---------------|
| GÉANT debtors | 2,924 | 3,346 |
| Other trade debtors | 2,723 | 3,508 |
| Other debtors | 16,043 | 4,343 |
| Corporation tax | 345 | - |
| Prepayments and accrued income | 3,364 | 1,938 |
| VAT recoverable | 772 | 349 |
| UK deferred tax (note 14) | 440 | 535 |
| | <u>26,611</u> | <u>14,019</u> |

Notes to the financial statements

at 31 December 2012

10. Cash at bank and in hand

On 26 June 2008, Barclays Bank issued a bank guarantee on behalf of the Company to the EC relating to funds transferred to the Company for the TEIN3 project. At 31 December 2012, the balance of cash covered by the guarantee was €201,209 (2011 – €2,426,229).

On 7 December 2010, Barclays Bank issued a bank guarantee on behalf of the Company to the EC relating to funds transferred to the Company for the CAREN project. At 31 December 2012, the balance of cash covered by the guarantee was €1,635,031 (2011 – €744,650).

11. Creditors: amounts falling due within one year

| | 2012 | 2011 |
|---|---------------|---------------|
| | €000 | €000 |
| GÉANT creditors | 2,750 | 2,047 |
| Rebates in respect of DWS service subscriptions | 399 | 454 |
| Other trade creditors | 907 | 800 |
| UK corporation tax | - | 556 |
| Other taxes and social security costs | 135 | 103 |
| Other creditors | 32,616 | 27,910 |
| Accruals and deferred income | 11,645 | 13,512 |
| | <u>48,452</u> | <u>45,382</u> |

12. Creditors: amounts falling due after more than one year

| | 2012 | 2011 |
|-----------------|---------------|---------------|
| | €000 | €000 |
| Deferred income | 14,600 | 15,000 |
| | <u>14,600</u> | <u>15,000</u> |

Notes to the financial statements

at 31 December 2012

13. Provisions for liabilities

| | 2012 €000 | 2011 €000 |
|--------------------------|--------------|--------------|
| Dilapidation provision | 184 | - |
| Staff related provisions | 41 | - |
| | <u>225</u> | <u>-</u> |

Provisions were established during the year in respect of dilapidation costs for occupied property for which the lease expires in 2014. Independent professional advisors were used to establish the value of this provision.

The staff related provision predominately relating to the incorrect treatment of historical taxable staff benefits was identified and established during the year. It is anticipated that this will be fully settled, and result in a cash outflow, during the next year.

14. Deferred taxation

The deferred tax asset recognised is as follows:

| | 2012 €000 | 2011 €000 |
|--|--------------|--------------|
| At 1 January | 535 | 183 |
| Charge for the year (note 7) | (76) | 9 |
| Adjustment in respect of prior periods | (19) | 343 |
| At 31 December (note 9) | <u>440</u> | <u>535</u> |

The deferred tax consists of:

| | 2012 €000 | 2012 €000 | 2011 €000 | 2011 €000 |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Decelerated capital allowances | 406 | | 535 | |
| Other timing differences | 7 | | - | |
| Unrelieved tax losses carried forward | 27 | | - | |
| Total deferred tax assets | <u>440</u> | <u>440</u> | <u>535</u> | <u>535</u> |

Notes to the financial statements

at 31 December 2012

15. Issued share capital

| <i>Allotted, called up and fully paid</i> | <i>No.</i> | <i>2012</i> <i>€000</i> | <i>No.</i> | <i>2011</i> <i>€000</i> |
|---|------------|----------------------------|------------|----------------------------|
| Ordinary shares of £1 each | 1,171,500 | 1,576 | 1,171,500 | 1,576 |

16. Reconciliation of shareholders' funds and movements on reserves

| | <i>Share</i> <i>capital</i> <i>€000</i> | <i>Capital</i> <i>contri-</i> <i>butions</i> <i>€000</i> | <i>Profit</i> <i>and</i> <i>loss</i> <i>account</i> <i>€000</i> | <i>Total</i> <i>share-</i> <i>holders'</i> <i>funds</i> <i>€000</i> |
|---------------------|---|---|---|---|
| At 1 January 2011 | 1,576 | 35 | 5,769 | 7,380 |
| Profit for the year | - | - | 40 | 40 |
| At 1 January 2012 | 1,576 | 35 | 5,809 | 7,420 |
| Loss for the year | - | - | (263) | (263) |
| At 31 December 2012 | 1,576 | 35 | 5,546 | 7,157 |

Notes to the financial statements

at 31 December 2012

17. Notes to the statement of cash flows

(a) Reconciliation of operating loss to net cash (outflow) / inflow from operating activities:

| | 2012 | 2011 |
|---|----------------|--------------|
| | €000 | €000 |
| Operating loss | (467) | (225) |
| Depreciation | 1,915 | 1,617 |
| (Increase)/decrease in debtors | (12,343) | 1,797 |
| Increase in creditors | 3,227 | 1,998 |
| Increase in provisions | 225 | - |
| Net cash (outflow) / inflow from operating activities | <u>(7,443)</u> | <u>5,187</u> |

(b) Returns on investments and servicing of finance:

| | 2012 | 2011 |
|---|------------|------------|
| | €000 | €000 |
| Interest receivable | 246 | 265 |
| Interest payable | (18) | - |
| Net returns on investments and servicing of finance | <u>228</u> | <u>265</u> |

18. Pension commitments

On 1 October 2012, the Company set up a Group Personal Pension Scheme. At 31 December 2012, the contributions outstanding amounted to €46,236.

19. Other financial commitments

At 31 December 2012, the Company had annual commitments under non-cancellable operating leases as set out below:

| | <i>Land and buildings</i> | |
|-------------------------------------|----------------------------|--------------|
| | 2012 | 2011 |
| | €000 | €000 |
| Operating leases which expire: | | |
| Within one year | - | 57 |
| Between two to five years inclusive | 451 | 408 |
| After five years | 130 | - |
| | <u>581</u> | <u>465</u> |
| | | |
| | <i>Plant and machinery</i> | |
| | 2012 | 2011 |
| | €000 | €000 |
| Operating leases which expire: | | |
| Within one year | 919 | 1,513 |
| After five years | 1,515 | - |
| | <u>2,434</u> | <u>1,513</u> |

Notes to the financial statements

at 31 December 2012

20. Related party transactions

Under UK GAAP, transactions between a company and a significant shareholder with common management, or directly with its shareholders, are deemed to be related party transactions. During the year €19,497,000 (2011: €19,958,000) of sales and €190,000 (2011: €122,000) of purchases were made to/from shareholders. Sales during the year and amounts, at the year end, due from/(owed to) shareholders with representation on the board and/or deemed in a position of control as part of the board of directors of the company are as follows:

| Related Party | Other relationship besides directorship | Sales to | | Amounts due from | | Purchases from | | Amounts owed to | |
|---|---|--------------|--------------|------------------|--------------|----------------|--------------|-----------------|--------------|
| | | 2012 €000 | 2011 €000 | 2012 €000 | 2011 €000 | 2012 €000 | 2011 €000 | 2012 €000 | 2011 €000 |
| K Ullmann, Chief Executive of DFN | DFN holds 165,000 ordinary shares | - | 445 | - | - | - | - | - | - |
| T Brunner, Chief Executive of SWITCH | SWITCH holds 110,000 ordinary shares | 760 | 795 | - | 111 | 72 | 74 | 5 | - |
| C Toenz, Deputy General Manager of SWITCH | | | | | | | | | |
| R A Day, Chief Technology Officer of Janet(UK) | Janet(UK) represents HEFC-E which holds 165,000 ordinary shares | 1,935 | 1,626 | 52 | 163 | 72 | 29 | - | - |
| I Maric, Deputy Director of University Computing Centre -SRCE, University of Zagreb | | 963 | 1,005 | 151 | 153 | 1 | 2 | - | - |
| R Buch, Chief Executive Officer of NORDUnet | NORDUnet holds 82,500 ordinary shares | 1,566 | 1,630 | 274 | 291 | 1 | - | - | - |
| J Boland, Chief Executive of HEAnet | HEAnet holds 22,000 ordinary shares | 954 | 954 | - | - | - | - | 103 | 104 |