BIS Limited

Directors' report and Consolidated Financial Statements

Registered number 4037250

31 December 2006

BIS Limited

Registered No 4037250

Contents

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DIRECTORS
David Pyemont
Samantha Keating

AUDITORS
KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

BANKERS
Barclays Bank PLC
1 Churchill Place
London
E14 5HP

SOLICITOR
Denton Wilde Sapte
One Fleet Place
London
EC4M 7WS

REGISTERED OFFICE
Baltic Exchange
38 St Mary Axe
London
EC3A 8BH

DIRECTORS' REPORT

The dırectors present theır annual report and financıal statements for the year ended 31 December 2006

PRINCIPAL ACTIVITY

BIS Lımıted (BIS) and ıts group companıes are Busıness Contınuıty specıalısts offerıng flexıble, ıntegrated solutıons ıncorporatıng global network connectıvıty, onlıne data backup, managed hostıng and VoIP

RESULTS AND DIVIDENDS

The consolıdated profit for the year after taxatıon amounted to £721,751 (2005 loss of £327,730) and the dırectors do not recommend the payment of an ordınary dıvıdend for the year These financıal statements have been prepared on a goıng concern basıs as descrıbed ın note 1

BUSINESS REVIEW

BIS has successfully ımplemented solutıons to over 250 Corporate Customers across sectors as varıed as ınsurance, legal, shıppıng, finance, local government and medıa

BIS' key performance ındıcators for 2006 are detaıled ın the table below

	Year ended 31 December 2006	*Year ended 31 December 2005*
	£	*£*
Revenue	8,644,823	6,170,728
Gross margın	3,939,214	2,886,846
EBITDA	1,413,430	580,172

EBITDA ıs earnıngs before net finance costs, tax, deprecıatıon and amortısatıon

Total revenue for the year was £8,644,823, an ıncrease of 40% over 2005 The growth ın revenue has been maınly drıven by our Managed Servıces offerıngs Durıng the year BIS acquıred the managed hostıng arm of Abovenet Inc 's UK operatıons and the full ımpact of thıs busıness wıll come through ın 2007 Apart from the acquısıtıon noted above BIS has opened an addıtıonal datacentre durıng 2006 BIS has a total of 15,000 sqft over multıple locatıons

RISK

The Group polıcy for managıng rısk ınvolves regular dısclosures coverıng all aspects of the busıness, ıncludıng safety, envıronmental, legal, financıal and employees Any materıal rısks are to be evaluated and dısclosed as they arıse and these are tracked and monıtored untıl the rısk has been mıtıgated

The pressures of ıncreased competıtıon are a rısk for the Group whıch means that key accounts could be lost to competıtors The rısk ıs mınımısed by ensurıng that clıents are offered value addıng servıces, competıtıve prıcıng and a first class level of customer servıce focused on long term relatıonshıps

The vast majorıty of revenue generated by the Group ıs ın pounds Sterlıng The Group exposure to foreıgn currency fluctuatıons ıs very mınor, therefore no actıons are taken to mıtıgate thıs rısk

Environmental Policy

The Group recognises that it does have an impact on the environment and is committed to managing and improving the way in which its activities affect the environment by

- Optimising the use of energy
- Ensuring the efficient use of material
- Encouraging re-use and recycling

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows

David Pyemont

Samantha Keating

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

CHARITABLE CONTRIBUTIONS AND POLITICAL DONATIONS

There were no UK charitable contributions, grants or political donations made during the year (2005 £nil)

AUDITORS

In accordance with section 384 of the Companies Act 1985, a resolution to reappoint KPMG LLP as auditors will be proposed at the forthcoming Annual General Meeting

By order of the board

S Keating

Director 27 April 2007

STATEMENT OF DIRECTORS' REPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

Independent auditors' report to the members of BIS Limited

We have audited the group and parent company financial statements (the "financial statements") of BIS Limited for the year ended 31 December 2006 which comprise of the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheet, the Consolidated Cash Flow Statement, and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatement within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- The financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

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27 April 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December

	Notes	2006	2006		2005
		£	£		£
TURNOVER					
Continuing operations		8,457,915		6,170,728	
Acquisition		186,908		-	
	2		8,644,823		6,170,728
Cost of sales			(4,705,609)		(3,283,882)
Gross profit			**3,939,214**		**2,886,846**
Administrative expenses			(3,202,971)		(3,166,224)
OPERATING PROFIT/(LOSS)					
Continuing operations		765,074		(279,378)	
Acquisition		(28,831)		-	
			736,243		(279,378)
Bank interest receivable			3,445		-
Interest payable and similar charges	6		(17,937)		(48,352)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	3		721,751		(327,730)
Taxation	7		-		-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	16		721,751		(327,730)

BIS Limited company profit for the year to 31 December 2006 was £750,624 (2005 loss of £328,176)

A statement of total recognised gains and losses has not been included as part of these financial statements as the group made no gains or losses in the period other than those disclosed above in the profit and loss account

A note on historical cost profit and losses has not been included as part of these financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis

The results stated above are all derived from continuing operations

CONSOLIDATED BALANCE SHEET
at 31 December

	Notes	*2006* £	*2005* £
FIXED ASSETS			
Tangible fixed assets	8	1,158,310	1,043,156
Intangible fixed assets	9	1,593,323	-
		2,751,633	1,043,156
CURRENT ASSETS			
Debtors	11	2,559,232	1,460,772
Cash at bank and in hand		301,307	332
		2,860,539	1,461,104
CREDITORS: amounts falling due within one year	12	(5,227,544)	(2,998,821)
NET CURRENT LIABILITIES		(2,367,005)	(1,537,717)
TOTAL ASSETS LESS CURRENT LIABILITIES		384,628	(494,561)
CREDITORS: amounts falling due after more than one year	13	(543,877)	(602,194)
Provision	14	(215,755)	-
NET LIABILITIES		(375,004)	(1,096,755)
CAPITAL AND RESERVES			
Called up share capital	15	413,787	413,787
Share premium account	16	6,248,371	6,248,371
Profit and loss account	16	(7,037,162)	(7,758,913)
EQUITY SHAREHOLDERS' DEFICIT		(375,004)	(1,096,755)

These financial statements were approved by the board of directors on 27 April 2007 and were signed on its behalf by

David Pyemont

Director

BIS Lımıted

COMPANY BALANCE SHEET
at 31 December

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangıble fixed assets	8	1,085,700	1,043,156
Investments	10	1,402,280	6,000
		2,487,980	1,049,156
CURRENT ASSETS			
Debtors	11	2,053,556	1,460,772
Cash at bank and ın hand		70,020	-
		2,123,576	1,460,772
CREDITORS: amounts fallıng due wıthın one year	12	(4,583,388)	(2,998,821)
NET CURRENT LIABILITIES		(2,459,812)	(1,538,049)
TOTAL ASSETS LESS CURRENT LIABILITIES		28,168	(488,893)
CREDITORS. amounts fallıng due after more than one year	13	(368,631)	(602,194)
NET LIABILITIES		(340,463)	(1,091,087)
CAPITAL AND RESERVES			
Called up share capıtal	15	413,787	413,787
Share premıum account	16	6,248,371	6,248,371
Profit and loss account	16	(7,002,621)	(7,753,245)
EQUITY SHAREHOLDERS' DEFICIT		(340,463)	(1,091,087)

These financıal statements were approved by the board of dırectors on 27 Aprıl 2007 and were sıgned on ıts behalf by

Davıd Pyemont

Dırector

BIS Limited

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December

	Notes	2006 £	2005 £
NET CASH FLOW FROM OPERATING ACTIVITIES	17(a)	1,913,744	353,291
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
Interest received		3,445	-
Interest paid		(4,292)	(16,772)
Interest element of finance lease rental payments		(5,555)	(21,316)
		(6,402)	(38,088)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchases of tangible fixed assets		(705,537)	(323,343)
		(705,537)	(323,343)
ACQUISITION			
Purchase of subsidiary undertaking (net of cash acquired)	17(c)	(669,305)	-
		(669,305)	-
NET CASH INFLOWS/(OUTFLOWS) BEFORE USE OF LIQUID RESOURCES AND FINANCING		532,500	(8,140)
Repayment of capital elements of finance leases		(212,487)	(126,000)
INCREASE/(DECREASE) IN CASH IN THE YEAR		320,013	(134,140)

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	*2006* £	*2005* £
Increase/(decrease) in cash		320,013	(134,140)
Repayment of capital elements of finance leases		212,487	126,000
		532,500	(8,140)
Increase in net debt due to new finance lease		-	(67,534)
Exchange rate effects		2	-
MOVEMENT IN NET DEBT		532,502	(75,674)
NET DEBT AT START OF YEAR		(946,411)	(870,737)
NET DEBT AT END OF YEAR	17(b)	(413,909)	(946,411)

RECONCILIATION OF SHAREHOLDERS' DEFICIT
for the year ended 31 December 2006

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT
Group

	2006 £	2005 £
Profit/(loss) for the financial year	721,751	(327,730)
Net decrease/(increase) in shareholders' deficit	721,751	(327,730)
Opening shareholders' deficit	(1,096,755)	(769,025)
Closing shareholders' deficit	(375,004)	(1,096,755)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT
Company

	2006 £	2005 £
Profit/(loss) for the financial year	750,624	(328,176)
Net decrease/(increase) in shareholders' deficit	750,624	(328,176)
Opening shareholders' deficit	(1,091,087)	(762,911)
Closing shareholders' deficit	(340,463)	(1,091,087)

1. ACCOUNTING POLICIES

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the provisions of the Companies Act 1985 The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date', and
- the presentation requirements of FRS 25 'Financial instruments presentation and disclosure',

The adoption of these new standards has had no material effect on the financial statements

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings

The company acquired all the share capital of BIS Datacentres Limited (formerly known as Abovenet UK Limited) on 15 November 2006 The acquisition method of accounting has been adopted in relation to the acquisition Under this method, the results of the subsidiary undertaking acquired in the year are included in the consolidated profit and loss account from the date of acquisition

The company acquired all the share capital of Baltic Internet Services Limited on 22 September 2000 The consolidated financial statements in the prior period were prepared by adopting group reconstruction principles in accordance with Financial Reporting Standard 6 'Acquisitions and Mergers' Merger accounting was used for the combination of the company and its subsidiary, Baltic Internet Services Limited Merger accounting presents the combining companies as if the new Group had always existed

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account

Going concern
The financial statements have been prepared on a going concern basis which assumes that the Group will continue to trade The validity of this assumption is dependent upon the Group being able to grow its business in order to generate profits and positive cash flows The Group incurred large losses in its early stage of development, primarily due to initial infrastructure charges and depreciation The Group cumulative losses to date are £7,002,621 The Group also has a £500,000 bank overdraft facility in place to 31 October 2007

The Directors have prepared a cash flow forecast for the period through to 30 April 2008 This forecast indicates that the Group has sufficient finances in place to cover forecast cash flow requirements and that the business is generating positive cash flows The Directors believe that this will enable the Group to continue to meet its debts as they fall due for at least the next twelve months from the date of approval of these financial statements

Goodwill
Goodwill arises on the purchase of subsidiary undertakings and represents the excess of the fair value of purchase consideration over the fair value of the separate net assets acquired Goodwill is amortised on a straight line basis over its estimated useful life of 20 years

1. ACCOUNTING POLICIES (continued)

Investments
In the company's financial statements, investments in subsidiary undertakings are stated at costs less any provision for permanent impairment

Tangible fixed assets
Tangible fixed assets are stated at historical cost less depreciation

Depreciation is provided on tangible fixed assets on a straight-line basis from the time they are available for use, so as to write off their costs over their estimated useful lives taking into account any expected residual values

The lives assigned to tangible fixed assets are

Network equipment	3 to 5 years
Computers and office equipment	3 years
Leasehold improvements	period of the lease
Computer Software	1 to 3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable The group's depreciation policies are reviewed on a regular basis against the background of rapidly changing technology

Debtors
Debtors are stated in the balance sheet at estimated net realisable value Net realisable value is the invoiced amount less provisions for bad and doubtful debts Provisions are made specifically against debts where there is evidence of dispute or an inability to pay

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account

Leasing commitments
Operating lease rentals are charged against the profit and loss account on a straight-line basis over the lease period

Assets held under leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets and the capital element of the leasing commitments is disclosed as obligations under finance leases The lease rentals are treated as consisting of capital and interest elements The capital element is applied to reduce the outstanding obligations and the interest element of the lease payments is charged to the profit and loss account in proportion to the reducing capital element outstanding Lease payments are split between capital and interest elements using the sum of digits method

The capitalised values of the assets are depreciated on a straight-line basis over the useful lives of the assets concerned

1. ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of timing differences that have originated but not reversed at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Cash

Cash for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Turnover

Group turnover, which excludes Value Added Tax, comprises the value of services provided Turnover from rentals is recognised evenly over the customer rental period Turnover from installation and connection activities is recognised evenly over the customer contract or life of the asset Turnover from calls is recognised in the group profit and loss account at the time the call is made

2. SEGMENTAL INFORMATION

No segmental information has been presented as the directors believe that the company operates within one class of business, which is based entirely in the United Kingdom

3. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

		2006	*2005*
		£	*£*
Profit/(loss) from ordinary activities is stated after charging/(crediting)			
Depreciation of owned fixed assets		371,263	283,463
Depreciation of assets under finance leases		294,234	576,087
Amortisation of goodwill		10,021	-
Operating lease rentals	- network equipment	3,588,446	1,976,187
	- other	229,234	73,194
Net exchange loss		62	-

Auditors' remuneration

Amounts receivable by the auditors and their associates in respect of

	2006	2005
Audit of financial statements of subsidiaries pursuant to legislation	37,825	26,500
Other services relating to taxation	18,000	4,250
	55,825	30,750

4. DIRECTORS' EMOLUMENTS

	2006 £	*2005* £
Emoluments	192,395	186,516
Highest paid director	89,068	78,750

The group did not contribute to a pension scheme or long term incentive scheme on behalf of any director during the period (2005 £ nil)

5. STAFF COSTS

	2006 £	*2005* £
Wages and salaries	1,286,527	1,228,133
Social security costs	136,902	146,685
	1,423,429	1,374,818

The average monthly number of employees during the year was as follows

	2006 *No*	*2005* *No*
Administration	3	3
Sales and marketing	8	10
Operations	14	12
	25	25

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	*2005* £
Finance charges payable under finance leases	13,645	31,580
Bank interest payable	4,292	16,772
	17,937	48,352

7. TAXATION

UK corporation tax

	2006 £	2005 £
Current tax on income for the year	-	-
Total current tax	-	-
Tax on profit/(loss) from ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax charge for the year is lower than (2005 lower than the small companies' rate) the large companies' rate of corporation tax in the UK of 30% (2005 19%) The change in the tax rate is due to increases in the group's turnover and total assets during the year The differences are explained below

	2006 £	2005 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	721,751	(327,730)
Current tax at 30% (2005 19%)	(216,525)	62,269
Effects of		
Expenses not deductible for tax purposes	(1,087)	(3,979)
Capital allowance for the year in excess of depreciation	136,396	-
Depreciation for the year in excess of capital allowances	-	(53,858)
Utilisation of tax losses	81,216	-
Tax losses for utilisation in future years	-	(4,432)
Total current tax	-	-

No provision for taxation has been made as the group utilised brought forward tax losses Tax losses will be carried forward and will be offset against the future profits of the group No deferred tax asset, relating to the tax losses carried forward, has been recognised in the financial statements as the directors do not consider it more likely than not to be recovered against future taxable profits A deferred asset as at 31 December 2006 of £4,703,986 (2005 £1,306,088) is unrecognised in these financial statements

8. TANGIBLE FIXED ASSETS

Group

	Network equipment	Leasehold improvement	Office fixtures & equipment	Software licences	Total
	£	£	£	£	£
Cost					
At 1 January 2006	4,282,173	-	170,357	365,775	4,818,305
Additions	582,662	-	20,258	102,617	705,537
Acquisition of subsidiary	638,565	226,406	-	-	864,971
At 31 December 2006	5,503,400	226,406	190,615	468,392	6,388,813
Depreciation					
At 1 January 2006	3,286,716	-	154,645	333,788	3,775,149
Charged during the year	589,246	-	12,124	64,127	665,497
Acquisition of subsidiary	563,451	226,406	-	-	789,857
At 31 December 2006	4,439,413	226,406	166,769	397,915	5,230,503
Net book value at 31 December 2006	1,063,987	-	23,846	70,477	1,158,310
Net book value at 31 December 2005	995,457	-	15,712	31,987	1,043,156

8. TANGIBLE FIXED ASSETS (continued)

Company

	Network equipment £	Office fixtures & equipment £	Software licences £	Total £
Cost				
At 1 January 2006	4,282,173	170,357	365,775	4,818,305
Additions	582,662	20,258	102,617	705,537
At 31 December 2006	4,864,835	190,615	468,392	5,523,842
Depreciation				
At 1 January 2006	3,286,716	154,645	333,788	3,775,149
Charged during the year	586,742	12,124	64,127	662,993
At 31 December 2006	3,873,458	166,769	397,915	4,438,142
Net book value at 31 December 2006	991,337	23,846	70,477	1,085,700
Net book value at 31 December 2005	995,457	15,712	31,987	1,043,156

Included in the amounts for network equipment above are the following amounts relating to assets held under finance leases for both the group and the company

	Group & Company 2006 £	*Group & Company 2005* £
Costs	2,919,828	2,919,828
Depreciation	(2,857,679)	(2,563,445)
Net book value	62,149	356,383

9 INTANGIBLE FIXED ASSETS

Group

	Notes	Purchased Goodwill £
Cost		
At 1 January 2006		-
Additions	17(c)	1,603,344
At 31 December 2006		1,603,344
Amortisation		
At 1 January 2006		-
Charged during the year		10,021
At 31 December 2006		10,021
Net book value at 31 December 2006		1,593,323
Net book value at 31 December 2005		-

On 15th November 2006, BIS Limited acquired the business and trading assets of BIS Datacentres Limited (formerly known as Abovenet UK Limited) See note 17(c) for further details on the goodwill that arose on acquisition of this subsidiary

10. FIXED ASSETS INVESTMENTS

Investment in subsidiary undertaking

	Company 2006 £	*Company 2005* £
Cost		
At beginning of the year	6,000	6,000
Additions	1,396,280	-
At end of the year	1,402,280	6,000

The company owns 100% of the ordinary share capital of Baltic Internet Services Limited and BIS Datacentres Limited, both companies are incorporated in England and Wales The principal activity of BIS Datacentres Limited is the supply of telecommunications services See note 17(c) for further discussion on the purchase of this subsidiary during the year

Baltic Internet Services Limited is a dormant company

The investment in Baltic Internet Services Limited has been accounted for using merger relief This means that the investment in Baltic Internet Services Limited has been included at the nominal value of shares issued by the company

11. DEBTORS

Group

	2006 £	*2005* £
Trade debtors	1,503,105	812,808
Other debtors	105,003	30,846
Prepayments and accrued income	951,124	617,118
	2,559,232	1,460,772

Company

	2006 £	*2005* £
Trade debtors	1,324,314	812,808
Other debtors	16,240	30,846
Amounts owed by group undertaking	36,289	-
Prepayments and accrued income	676,713	617,118
	2,053,556	1,460,772

12. CREDITORS: amounts falling due within one year

Group

	2006 £	*2005* £
Bank overdraft	135,518	154,558
Obligations under finance leases	254,213	225,047
Trade creditors	1,362,490	1,205,169
Taxation and social security	381,268	163,734
Other creditors	32,299	3,159
Accruals and deferred revenue	3,061,756	1,247,154
	5,227,544	2,998,821

Company

	2006 £	*2005* £
Bank overdraft	135,518	154,558
Obligations under finance leases	254,213	225,047
Trade creditors	984,964	1,205,169
Taxation and social security	287,837	163,734
Other creditors	27,512	3,159
Accruals and deferred revenue	2,893,344	1,247,154
	4,583,388	2,998,821

BIS Limited assigned a fixed charge over all book debts and other debts and a floating charge over all other assets to Barclays Bank Plc on 6 June 2003 This was to secure the obligations of the company under the terms of an overdraft agreement The overdraft facility is scheduled for review by 16 October 2007 Interest on the overdraft facility is charged at 2 8% per annum above Barclays' base rate

13. CREDITORS: amounts falling due after more than one year

Group

	2006 £	*2005* £
Obligations under finance leases	325,485	567,138
Accruals and deferred revenue	218,392	35,056
	543,877	602,194

13. CREDITORS: amounts fallıng due after more than one year (contınued)

Company

	2006 £	*2005* £
Oblıgatıons under finance leases	325,485	567,138
Accruals and deferred revenue	43,146	35,056
	368,631	602,194

The maturıty of oblıgatıons under finance lease contracts ıs as follows for both the group and the company

	2006 £	*2005* £
Amounts payable		
Wıthın one year	258,078	256,334
In the second to fifth years	388,808	660,683
	646,886	917,017
Less future finance charges	(67,189)	(124,832)
	579,697	792,185

14. PROVISIONS

	Group *2006* £
At begınnıng of the year	-
Amounts arısıng from the acquısıtıon of a busıness	215,755
At end of the year	215,755

The company's subsıdıary, BIS Datacentres Lımıted, made provısıon agaınst future rents and servıce costs for excess leased property The provısıon covers the remaınıng expenses on the lease

15. SHARE CAPITAL

Authorised	*2006* £	*2005* £
847,380 Ordinary A shares of £1 00 each	847,380	847,380
3,000,000 Ordinary X shares of £0 01 each	30,000	30,000
Total	877,380	877,380

Allotted, called up and fully paid	*2006* £	*2005* £
408,727 Ordinary A shares of £1 00 each	408,727	408,727
506,027 Ordinary X shares of £0 01 each	5,060	5,060
Total	413,787	413,787

All ordinary shares rank equally and each ordinary share gives the holder one vote at a general meeting of the company and the rights to participate in the profits of the company by way of a dividend

16. RESERVES

Group

	Share Premium account £	Profit and loss account £	Total £
At 1 January 2006	6,248,371	(7,758,913)	(1,510,542)
Profit for the year	-	721,751	721,751
At 31 December 2006	6,248,371	(7,037,162)	(788,791)

16. RESERVES (continued)

Company

	Share Premium account £	Profit and loss account £	Total £
At 1 January 2006	6,248,371	(7,753,245)	(1,504,874)
Profit for the year	-	750,624	750,624
At 31 December 2006	6,248,371	(7,002,621)	(754,250)

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to net cash flow from operating activities

	2006 £	2005 £
Operating profit/(loss)	736,243	(279,378)
Depreciation	665,497	859,550
Amortisation of goodwill	10,021	-
Increase in debtors	(790,116)	(463,929)
Increase in creditors	1,292,099	237,048
Net cash flow from operating activities	1,913,744	353,291

(b) Analysis of net debt

	At 1 January 2006 £	Cash flow £	Acquired with subsidiary	Other non-cash movements £	At 31 December 2006 £
Cash	332	295,278	5,695	2	301,307
Bank overdraft	(154,558)	19,040	-	-	(135,518)
Finance leases	(792,185)	212,487	-	-	(579,698)
	(946,411)	526,805	5,695	2	(413,909)

17. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(c) Purchase of subsidiary undertaking

On 15th November 2006, BIS Limited acquired all the share capital of BIS Datacentres Limited (formerly known as Abovenet UK Limited) BIS Datacentres Limited principal activity is the provision of facilities-based managed services for customer-owned web servers and related equipment, known as Co-location, and high performance internet connectivity solutions for e-commerce and other business critical internet operations The initial consideration comprised £1,396,280 in cash with £675,000 paid on 15th November 2006 and the balance on 15th January 2007

The book values and fair values of assets and liabilities acquired as a result of the above acquisition were as follows

	Book value	Fair value adjustments	Fair value
	£	£	£
Tangible fixed assets	75,114	-	75,114
Debtors	327,024	(18,679)	308,345
Cash	5,695	-	5,695
Creditors	(393,367)	12,904	(380,463)
Provision for vacant property	-	(215,755)	(215,755)
Net liabilities			(207,064)
Goodwill			1,603,344
Total cost			1,396,280
Components of cost			
Cash			1,396,280

The fair value adjustments to debtors reflect write downs to the estimated realisable value The fair value adjustments to creditors represent write back of significantly old accounts payable balances The fair value adjustment to provision represents an onerous office lease which is empty

The subsidiary undertaking acquired during the year contributed the following to the group's results

- £225,592 to net operating cash flows
- £186,908 to turnover
- £28,831 operating loss

18. FINANCIAL COMMITMENTS

Neither the group nor the company had any capital commitments at the end of the financial year

At 31 December 2006 the group and company had annual commitments under non-cancellable operating leases as set out below

Group

	Land and buildings		Other	
	2006	2005	2006	2005
	£	£	£	£
Operating leases which expire				
Within one year	16,120	-	1,590,646	833,837
Between two and five years	265,335	118,184	1,621,826	1,647,738
Over five years	830,814	-	-	-
Total	1,112,269	118,184	3,212,472	2,481,575

Company

	Land and buildings		Other	
	2006	2005	2006	2005
Operating leases which expire	£	£	£	£
Within one year	16,120	-	1,590,646	833,837
Between two and five years	122,271	118,184	1,621,826	1,647,738
Total	138,391	118,184	3,212,472	2,481,575

19. RELATED PARTIES TRANSACTIONS

During the year the group entered into transactions, in the ordinary course of business, with other related parties Transactions entered into during the year, and trading balances outstanding at 31 December 2006, are as follows

	Sales to related party £	Purchases from related party £	Amounts due from related party £	Amounts owed to related party £
Grant Dawe LLP				
31 December 2005	-	-	-	103,249
31 December 2006	6,286	2,750	642	3,249
Amphone Telecommunications Limited				
31 December 2005	139	-	340	-
31 December 2006	439	-	6	-
Open Gateway Services Limited				
31 December 2005	-	22,940	-	20,045
31 December 2006	-	18,908	-	-

D Pyemont, chairman of BIS Limited, owns 100% of the ordinary shares of Amphone Telecommunications Limited

At 31 December 2006 Anthony Grant is a shareholder in BIS Limited and a partner of Grant Dawe LLP

Nicholas Teagle was a shareholder of BIS Limited during the year and he is a director of Open Gateway Services Limited

The Company has taken advantage of the exemption granted by FRS8 "Related Party Transactions" not to disclose details of transactions with other group companies as the company's financial statements are presented together with the consolidated financial statements