

BIS Limited

Directors' report and Consolidated Financial Statements

Registered number 4037250

31 December 2007

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BIS Limited

Registered No 4037250

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BIS Limited

Registered No 4037250

DIRECTORS

David Pyemont
Samantha Keating

AUDITORS

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London
EC4Y 8BB

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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

BIS Limited

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31 December 2007
The comparatives are for the year ended 31 December 2006

PRINCIPAL ACTIVITY

BIS Limited "the Company" and its subsidiary undertakings "the Group" are business continuity specialists offering flexible, integrated solutions incorporating global network connectivity, online data backup, managed hosting and VoIP

RESULTS AND DIVIDENDS

The consolidated profit for the year amounted to £2,106,915 (2006 £721,751) and the directors do not recommend the payment of an ordinary dividend for the year (2006 £ nil) These financial statements have been prepared on a going concern basis as described in note 1

BUSINESS REVIEW

BIS has successfully implemented solutions to over 250 corporate customers across sectors as varied as insurance, legal, shipping, finance, local government and media

The Group's key performance indicators for 2007 are detailed in the table below

	2007 £'000	2006 £'000
Turnover	11,880	8,645
Gross profit	4,869	3,939
EBITDA	896	1,413

EBITDA is earnings before interest, tax, depreciation and amortisation

Total revenue for the year increased by 37% The growth in revenue has been mainly driven by our Managed Services offerings The Group experienced a slight fall in the Gross profit percentage, this was mainly due to suppliers increasing their prices

EBITDA fell during the year because the Group consolidated the full loss made by BIS Datacentres Limited The Group has restructured this business and expect it to contribute positively to its results for the coming year

Post year end the company formed a joint venture to exploit the demand in data centres The venture acquired a data centre on 15 February 2008, see note 18 for further explanation The Directors believe that the Group has significant data centre space for resell which will drive the future profits of the Group

DIRECTORS' REPORT

RISK AND UNCERTAINTIES

The Group policy for managing risk involves regular disclosures covering all aspects of the business, including safety, environmental, legal, financial and employee related. Any material risks are evaluated and disclosed as they arise and these are tracked and monitored until the risk has been mitigated.

The pressures of increased competition is a risk for the Group which means that key accounts could be lost to competitors. The risk is minimised by ensuring that clients are offered value adding services, competitive pricing and a first class level of customer service focused on long term relationships.

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

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 charitable contributions, grants or political donations made during the year (2006 £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

29th May 2008

STATEMENT OF DIRECTORS' REPOSNSIBILITIES 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 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 consolidated and parent 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 LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of BIS Limited

We have audited the consolidated and parent company financial statements (the "financial statements") of BIS Limited for the year ended 31 December 2007 which comprise of the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of movements in shareholders' funds/(deficits) 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 2007 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

3 June 2008

BIS Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December

	<i>Notes</i>	<i>2007</i> £000	<i>2006</i> £000
Turnover	1	11,880	8,645
Cost of sales		(7,011)	(4,706)
Gross profit		4,869	3,939
Administrative expenses		(3,941)	(3,202)
OPERATING PROFIT		928	737
Bank interest receivable		1	3
Interest payable and similar charges	6	(32)	(18)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	897	722
Taxation	7	1,211	-
PROFIT FOR THE FINANCIAL YEAR	17	2,108	722

BIS Limited company profit for the year to 31 December 2007 was £2,445,544 (2006 £750,624) As permitted by section 230(4) of the Companies Act 1985, a separate profit and loss account dealing with the results of the parent company has not been presented

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 current or immediately proceeding accounting period other than those disclosed above in the profit and loss account

The results stated above are all derived from continuing operations

BIS Limited

CONSOLIDATED BALANCE SHEET at 31 December

	Notes	2007 £000	2006 £000
FIXED ASSETS			
Tangible fixed assets	8	1,290	1,158
Intangible fixed assets	9	1,885	1,593
		<u>3,175</u>	<u>2,751</u>
CURRENT ASSETS			
Debtors	11	4,142	2,559
Cash at bank and in hand		317	301
		<u>4,459</u>	<u>2,860</u>
CREDITORS: amounts falling due within one year	13	(4,981)	(5,227)
NET CURRENT LIABILITIES		<u>(522)</u>	<u>(2,367)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,653	384
CREDITORS: amounts falling due after more than one year	14	(333)	(544)
Provision for liabilities and charges	15	(587)	(215)
NET ASSETS/(LIABILITIES)		<u>1,733</u>	<u>(375)</u>
CAPITAL AND RESERVES			
Called up share capital	16	414	414
Share premium account	17	6,248	6,248
Profit and loss account	17	(4,929)	(7,037)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		<u>1,733</u>	<u>(375)</u>

The notes on pages 13 to 29 form part of these financial statements

These financial statements were approved by the board of directors on 29th May 2008 and were signed on its behalf by

David Pyemont

Director

BIS Limited

COMPANY BALANCE SHEET

at 31 December

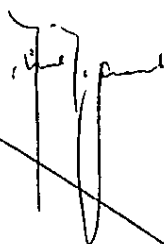
	Notes	2007 £000	2006 £000
FIXED ASSETS			
Tangible fixed assets	8	1,220	1,086
Investments	10	1,402	1,402
		2,622	2,488
CURRENT ASSETS			
Debtors	11	3,819	2,053
Cash at bank and in hand		233	70
		4,052	2,123
CREDITORS: amounts falling due within one year	13	(4,387)	(4,583)
NET CURRENT LIABILITIES		(335)	(2,460)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,287	28
CREDITORS: amounts falling due after more than one year	14	(182)	(368)
NET ASSETS/(LIABILITIES)		2,105	(340)
CAPITAL AND RESERVES			
Called up share capital	16	414	414
Share premium account	17	6,248	6,248
Profit and loss account	17	(4,557)	(7,002)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		2,105	(340)

The notes on pages 13 to 29 form part of these financial statements

These financial statements were approved by the board of directors on 29th May 2008 and were signed on its behalf by

David Pyemont

Director



BIS Limited

CONSOLIDATED CASH FLOW STATEMENT

		2007	2006
	Notes	£000	£000
NET CASH FLOW FROM OPERATING ACTIVITIES	18(a)	1,591	1,913
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
Interest received		1	3
Interest paid		(15)	(4)
Interest element of finance lease rental payments		(9)	(5)
		(23)	(6)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchases of tangible fixed assets		(468)	(706)
		(468)	(706)
ACQUISITION			
Purchase of subsidiary undertaking (net of cash acquired)	18(c)	(727)	(669)
		(727)	(669)
NET CASH INFLOWS BEFORE USE OF LIQUID RESOURCES AND FINANCING		373	532
FINANCING			
Increase in short term borrowing		80	-
Repayment of loan		(23)	-
Repayment of capital elements of finance leases		(279)	(212)
		(222)	(212)
INCREASE IN CASH IN THE YEAR		151	320

CONSOLIDATED CASH FLOW STATEMENT
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	2007 £000	2006 £000
Increase in cash in the year		151	320
Bank debt (net advance to group)		(57)	-
Repayment of capital elements of finance leases		279	212
		<hr/> 373	<hr/> 532
Increase in net debt due to new finance lease		(111)	-
MOVEMENT IN NET DEBT		<hr/> 262	<hr/> 532
NET DEBT AT THE BEGINNING OF THE YEAR		<hr/> (414)	<hr/> (946)
NET DEBT AT THE END OF THE YEAR	18(b)	<hr/> (152)	<hr/> (414)

BIS Limited

RECONCILIATION OF SHAREHOLDERS' FUNDS/(DEFICIT)
for the year ended 31 December 2007**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT)*****Group***

	2007 £000	2006 £000
Profit for the financial year	2,108	722
Net decrease in shareholders' deficit	2,108	722
Opening shareholders' deficit	(375)	(1,097)
Closing shareholders' fund/(deficit)	1,733	(375)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT)***Company***

	2007 £000	2006 £000
Profit for the financial year	2,445	751
Net decrease in shareholders' deficit	2,445	751
Opening shareholders' deficit	(340)	(1,091)
Closing shareholders' fund/(deficit)	2,105	(340)

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.

Basis of consolidation

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 that 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.

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 £4,680,265 (2006: £7,002,621). The Group also has a £1,000,000 bank overdraft facility in place to 1 May 2009.

The Directors have prepared a cash flow forecast for the period through to 31 May 2009. This forecast indicates that the Group has sufficient finances in place to cover forecast cash flow requirements and that the business will generate 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2007

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 useful 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.

Leases

Assets acquired under finance lease are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

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 consolidated 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 ON ORDINARY ACTIVITIES BEFORE TAX

	2007 £000	2006 £000
Profit on ordinary activities before tax is stated after charging		
Depreciation of owned fixed assets	420	371
Depreciation of assets under finance leases	27	294
Amortisation of goodwill	80	10
Operating lease rentals - network equipment	4,597	3,588
- other	1,080	229
Net exchange loss	1	62

Auditors' remuneration

Amounts receivable by the auditors and their associates in respect of

Audit of financial statements of subsidiaries pursuant to legislation	39	38
Other services relating to taxation	25	18
	64	56

BIS Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

4. DIRECTORS' EMOLUMENTS

	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Aggregated emoluments	<u>225</u>	<u>192</u>

The group did not contribute to a pension scheme or long term incentive scheme on behalf of any director during the period (2006 £ nil) The aggregate of emoluments of the highest paid director was £112,718 (2006 £96,197), and company pension contributions of £nil (2006 £nil) were made to a money purchase scheme

5. STAFF COSTS

	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Wages and salaries	1,891	1,286
Social security costs	<u>217</u>	<u>137</u>
	<u>2,108</u>	<u>1,423</u>

The average number of employees during the year was as follows

	<i>2007</i> <i>No</i>	<i>2006</i> <i>No</i>
Administration	5	3
Sales and marketing	9	8
Operations	<u>22</u>	<u>14</u>
	<u>36</u>	<u>25</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Finance charges payable under finance leases	17	14
Bank interest payable	<u>15</u>	<u>4</u>
	<u>32</u>	<u>18</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

7. TAXATION

UK corporation tax

	2007 £000	2006 £000
Current tax on income for the year	-	-
Deferred tax (see note 12)	1,211	-
Tax on profit from ordinary activities	1,211	-

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

The current tax charge for the year is lower than (2006 lower than the standard rate of corporation tax) the standard rate of corporation tax in the UK of 30% (2006 30%)

	2007 £000	2006 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	897	722
Current tax at 30% (2006 30%)	(269)	(216)
Effects of		
Expenses not deductible for tax purposes	(11)	(1)
Capital allowance for the year in excess of depreciation	77	136
Utilisation of tax losses	113	81
Difference in tax rates due to size of group	(90)	-
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.

BIS Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

8. TANGIBLE FIXED ASSETS *Group*

	Network equipment £000	Leasehold improvement £000	Office fixtures & equipment £000	Software licences £000	Total £000
Cost					
At 1 January 2007	5,503	227	191	468	6,389
Additions	439	-	45	95	579
At 31 December 2007	5,942	227	236	563	6,968
Depreciation					
At 1 January 2007	4,439	227	167	398	5,231
Charged during the year	361	-	22	64	447
At 31 December 2007	4,800	227	189	462	5,678
Net book value at 31 December 2007	1,142	-	47	101	1,290
Net book value at 31 December 2006	1,064	-	24	70	1,158

BIS Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

8. TANGIBLE FIXED ASSETS (continued)

Company

	Network equipment £000	Office fixtures & equipment £000	Software licences £000	Total £000
Cost				
At 1 January 2007	4,865	191	468	5,524
Additions	424	45	95	564
At 31 December 2007	5,289	236	563	6,088
Depreciation				
At 1 January 2007	3,873	167	398	4,438
Charged during the year	344	22	64	430
At 31 December 2007	4,217	189	462	4,868
Net book value at 31 December 2007	1,072	47	101	1,220
Net book value at 31 December 2006	992	24	70	1,086

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

	<i>Group & Company 2007 £000</i>	<i>Group & Company 2006 £000</i>
Costs	3,031	2,920
Depreciation	(2,885)	(2,858)
Net book value	146	62

BIS Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

9. INTANGIBLE FIXED ASSETS *Group*

	<i>Notes</i>	Purchased Goodwill £000
Cost		
At 1 January 2007		1,603
Fair value adjustment to net assets acquired in prior year	18(c)	372
At 31 December 2007		<u>1,975</u>
Amortisation		
At 1 January 2007		10
Charged during the year		80
At 31 December 2007		<u>90</u>
Net book value at 31 December 2007		<u>1,885</u>
Net book value at 31 December 2006		<u>1,593</u>

On 15th November 2006, BIS Limited acquired the business and trading assets of BIS Datacentres Limited (formerly known as Abovenet UK Limited). All purchased goodwill relates to this acquisition. The fair value adjustment relates to an increased provision for an onerous lease held by BIS Datacentres Limited, see note 18(c) for further details.

BIS Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

10. FIXED ASSETS INVESTMENTS

Investment in subsidiary undertaking

	<i>Company</i> 2007 £000
Cost	
At beginning and end of year	<u>1,402</u>

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 18(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.

During the year the company also subscribed to one share worth £1 of BIS Estates Limited, which was incorporated in England and Wales on 1 August 2007. BIS Estates Limited did not trade during the year.

11. DEBTORS

Group

	2007 £000	2006 £000
Trade debtors	1,655	1,503
Other debtors	151	105
Deferred tax (see note 12)	1,211	-
Prepayments and accrued income	<u>1,125</u>	<u>951</u>
	<u>4,142</u>	<u>2,559</u>

Company

	2007 £000	2006 £000
Trade debtors	1,516	1,324
Other debtors	58	16
Amounts owed by group undertaking	172	36
Deferred tax (see note 12)	1,211	-
Prepayments and accrued income	<u>862</u>	<u>677</u>
	<u>3,819</u>	<u>2,053</u>

BIS Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

12. DEFERRED TAX

Group & Company

	2007 £000
At beginning of year	-
Credit to the profit and loss for the year	1,211
At end of year	<u>1,211</u>

The elements of deferred taxation are as follows

	2007 £000	2006 £000
Difference between accumulated depreciation and capital allowances	395	-
Tax losses	816	-
	<u>1,211</u>	<u>-</u>

A deferred tax asset is recognised in BIS Limited because the directors believe that the future taxable profits are more likely than not to be in excess of those arising from the reversal of the deferred tax asset

13. CREDITORS: amounts falling due within one year

Group

	2007 £000	2006 £000
Bank overdraft	-	136
Bank loan	26	-
Obligations under finance leases	312	254
Trade creditors	1,472	1,362
Taxation and social security	471	381
Other creditors	15	32
Accruals and deferred revenue	<u>2,685</u>	<u>3,062</u>
	<u>4,981</u>	<u>5,227</u>

BIS Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

13. CREDITORS: amounts falling due within one year (continued)

Company

	2007 £000	2006 £000
Bank overdraft	-	136
Bank loan	26	-
Obligations under finance leases	312	254
Trade creditors	1,108	985
Taxation and social security	471	288
Other creditors	11	27
Accruals and deferred revenue	2,459	2,893
	<u>4,387</u>	<u>4,583</u>

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 1 May 2009. Interest on the overdraft facility is charged at 2.8% per annum above Barclays' base rate.

During the year the company was also advanced a loan from CIT Vender Finance (UK) Limited for a period of 3 years. Repayment of this amount includes interest at 8.7% p.a.

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

Group

	2007 £000	2006 £000
Bank loan	31	-
Obligations under finance leases	100	325
Accruals and deferred revenue	202	218
	<u>333</u>	<u>543</u>

Company

	2007 £000	2006 £000
Bank loan	31	-
Obligations under finance leases	100	325
Accruals and deferred revenue	51	43
	<u>182</u>	<u>368</u>

BIS Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

14. CREDITORS: amounts falling due after more than one year (continued)

The maturity of obligations under finance lease contracts is as follows for both the group and the company

	2007 £000	2006 £000
Amounts payable		
Within one year	319	258
In the second to fifth years	162	389
	481	647
Less future finance charges	(71)	(68)
	410	579

15. PROVISIONS

	Group 2007 £000
At 1 January 2007	215
Fair value adjustment to net assets acquired in prior year	372
At 31 December 2007	587

The company's subsidiary, BIS Datacentres Limited, made a provision against future rents and service costs for excess leased property. The provision was based on the lease agreement. The lease on this property runs until June 2010, over which period the provision will be utilised.

16. SHARE CAPITAL

Authorised

	2007 £000	2006 £000
847,380 Ordinary A shares of £1.00 each	847	847
3,000,000 Ordinary X shares of £0.01 each	30	30
	877	877
<i>Allotted, called up and fully paid</i>		
	2007 £000	2006 £000
408,727 Ordinary A shares of £1.00 each	409	409
523,527 (2006: 506,027) Ordinary X shares of £0.01 each	5	5
	414	414

Both ordinary A and X 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.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2007
17. RESERVES*Group*

	Share Premium account £000	Profit and loss account £000
At 1 January 2007	6,248	(7,037)
Profit for the year	-	2,108
At 31 December 2007	<u>6,248</u>	<u>(4,929)</u>

Company

	Share Premium account £000	Profit and loss account £000
At 1 January 2007	6,248	(7,002)
Profit for the year	-	2,445
At 31 December 2007	<u>6,248</u>	<u>(4,557)</u>

18. NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of operating profit to net cash flow from operating activities**

	2007 £000	2006 £000
Operating profit	928	736
Depreciation	447	665
Amortisation of goodwill	80	10
Increase in debtors	(369)	(790)
Increase in creditors	505	1,292
Net cash flow from operating activities	<u>1,591</u>	<u>1,913</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2007

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

(b) Analysis of net debt

	At 1 January 2007 £000	Net Cash flow £000	Other non-cash movements £000	At 31 December 2007 £000
Bank loan	-	(57)	-	(57)
Cash	301	16	-	317
Bank overdraft	(135)	135	-	-
Finance leases	(580)	279	(111)	(412)
	(414)	373	(111)	(152)

(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's 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, which is disclosed as a cash outflow for the purchase of subsidiary undertaking in 2007.

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

	Book value £000	Fair value adjustments £000	Fair value £000
Tangible fixed assets	75	-	75
Debtors	327	(19)	308
Cash	6	-	6
Creditors	(393)	12	(381)
Provision for vacant property	-	(587)	(587)
Net liabilities			(579)
Goodwill			1,975
Total cost			1,396
Components of cost			
Cash			1,396

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2007

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

(c) Purchase of subsidiary undertaking (continued)

The fair value adjustments to debtors reflected write downs to the estimated realisable value. The fair value adjustments to creditors represented write back of significantly old accounts payable balances. The fair value adjustment to provision for vacant property of £215,755 disclosed in the prior year accounts was increased to £587,521 following the finalisation of the adjustment during the year in accordance with FRS 10. This represents an onerous lease on an office which is empty.

The subsidiary undertaking acquired during 2006 contributed the following to the group's results in that year:

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

19. FINANCIAL COMMITMENTS

Neither the Group nor the company had any capital commitments at the end of the financial year. At 31 December 2007 the Group and Company had annual commitments under non-cancellable operating leases as set out below:

Group

	Land and buildings		Other	
	2007	2006	2007	2006
	£000	£000	£000	£000
Operating leases which expire				
Within one year	16	16	2,560	1,590
Between two and five years	265	265	1,627	1,622
Over five years	864	831	-	-
Total	1,145	1,112	4,187	3,212

Company

	Land and buildings		Other	
	2007	2006	2007	2006
	£000	£000	£000	£000
Operating leases which expire				
Within one year	16	16	2,560	1,590
Between two and five years	122	122	1,627	1,622
Total	138	138	4,187	3,212

BIS Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

20. POST BALANCE SHEET EVENTS

During the year the Company set up an additional subsidiary with share capital of £1. The name of the new subsidiary undertaking is BIS Estates Limited. This company was formed to be the property investment vehicle of the Group. BIS Estates Limited owns 25% of the share capital of Mervey Bay Limited, which is incorporated in the British Virgin Islands. On 15 February 2008, Mervey Bay Limited purchased a data centre in south London and then leased it to BIS Limited. BIS Estates Limited made a loan of £933,308 to Mervey Bay Limited to fund this acquisition with an interest rate of 6.25% per annum.

21. 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 2007, are as follows:

	Sales to related party £000	Purchases from related party £000	Amounts due from related party £000	Amounts owed to related party £000
<i>Grant Dawe LLP</i>				
31 December 2006	6	2	1	3
31 December 2007	7	-	1	1
<i>Amphone Telecommunications Limited</i>				
31 December 2006	1	-	-	-
31 December 2007	1	5	-	-
<i>Open Gateway Services Limited</i>				
31 December 2006	-	19	-	-
31 December 2007	-	-	-	5

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

At 31 December 2007 Anthony Grant is a shareholder in BIS Limited and a partner of Grant Dawe LLP.

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.

N Teagle, director of Open Gateway Services Limited, sold his shares in the company on 10 August 2006.

21. RELATED PARTIES TRANSACTIONS (continued)

No amounts due or from related parties were written off in the year. BIS limited provides managed services solutions to both Grant Dawe LLP and Amphone Telecommunications Limited. Grant Dawe LLP performed legal services during the year and Open Gateway Services Limited offered network consultancy in the prior year. Amphone Telecommunications Limited received commission on business they refer to BIS Limited.