

# **BIS Limited**

## **Directors' report and Consolidated Financial Statements**

Registered number 4037250

31 December 2009

TUESDAY



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# **BIS Limited**

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## **DIRECTORS AND ADVISORS**

### **DIRECTORS**

David Pyemont  
Samantha Keating  
Anthony Grant

### **AUDITORS**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

### **BANKERS**

Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

### **SOLICITOR**

HRO Grant Dawe LLP  
1 Hammersmith Grove  
London  
W6 0NB

### **REGISTERED OFFICE**

Anchorage House  
2 Clove Crescent  
London  
E14 2BE

**DIRECTORS' REPORT**

The directors present their annual report and financial statements for the year ended 31 December 2009

**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 loss for the year amounted to £656,000 (2008 £396,000) and the directors do not recommend the payment of an ordinary dividend for the year (2008 £ 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 2009 are detailed in the table below

	2009 £'000	2008 £'000
Turnover	14,785	13,744
Gross profit	5,414	5,282
EBITDA	1,843	1,886

EBITDA is earnings before interest, tax, depreciation and amortisation (note 3)

During 2009, the Group's position as a premium network independent data centre operator was consolidated and enhanced

Total revenue for the year increased by 6% in a very difficult market in 2009. The growth in revenue has been mainly driven by our Managed Services offerings. The Group experienced a 3% fall in the Gross profit percentage, which was mainly due to suppliers increasing their prices and the additional new data centre

The most significant factors impacting the Group's future performance are demand for premium data centre capacity and the new managed service products. The Group's costs are largely fixed and therefore all new revenue attracts a high net margin

The Group has a high proportion of contracted recurring revenue

The Group is expected to continue to grow as customers seek cost savings and outsource their business critical infrastructure. In addition, the Group is planning to offer additional managed service products to its client base

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 as they arise and these are tracked and monitored until the risk has been mitigated.

The pressure 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.

- Optimising the use of energy
- Encouraging re-use and recycling

**DIRECTORS**

The directors who held office during the year were as follows:

David Pyemont

Samantha Keating

Anthony Grant

**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 (2008 £nil).

**DIRECTORS' REPORT**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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 group and parent company 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS**

PricewaterhouseCoopers LLP will be proposed for reappointment as auditors in accordance with section 487 of the Companies Act 2006 and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the Board



S Keating

Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIS LIMITED**

We have audited the financial statements of BIS Limited for the year ended 31 December 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Company Reconciliation of Movements in Shareholders' Funds and the related notes. 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).

**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 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**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 group's and parent 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.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss and cash flows 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 AUDITORS' REPORT TO THE MEMBERS OF BIS LIMITED

**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



Nigel Reynolds (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

Date 17 Aug 2010



## BIS Limited

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2009

	<i>Notes</i>	<b>2009</b> £000	2008 £000
Turnover	1	<b>14,785</b>	13,744
Cost of sales		<b>(9,371)</b>	(8,462)
<b>Gross profit</b>		<b>5,414</b>	5,282
Administrative expenses		<b>(5,365)</b>	(4,938)
<b>OPERATING PROFIT</b>		<b>49</b>	344
Interest receivable and similar income		<b>61</b>	53
Interest payable and similar charges	6	<b>(893)</b>	(859)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<b>(783)</b>	(462)
Taxation	7	<b>119</b>	66
<b>LOSS FOR THE FINANCIAL YEAR</b>	19	<b>(664)</b>	(396)

BIS Limited Company loss for the year to 31 December 2009 was £481,000 (2008 £146,000) As permitted by section 408 of the Companies Act 2006, 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  
The notes on pages 14 to 29 form part of these financial statements

# BIS Limited

## CONSOLIDATED BALANCE SHEET

at 31 December 2009

	Notes	2009 £000	2008 £000
<b>FIXED ASSETS</b>			
Tangible fixed assets	9	13,557	14,929
Intangible fixed assets	10	1,687	1,786
		<u>15,244</u>	<u>16,715</u>
<b>CURRENT ASSETS</b>			
Debtors	12	5,716	5,462
Cash at bank and in hand		-	762
		<u>5,716</u>	<u>6,224</u>
<b>CREDITORS: amounts falling due within one year</b>	14	(7,133)	(7,278)
<b>NET CURRENT LIABILITIES</b>		<u>(1,417)</u>	<u>(1,054)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		13,827	15,661
<b>CREDITORS: amounts falling due after more than one year</b>	15	(13,136)	(13,976)
Provision for liabilities and charges	17	-	(338)
<b>NET ASSETS</b>		<u>691</u>	<u>1,347</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	414	414
Share premium account	19	6,248	6,248
Profit and loss reserve	19	(5,971)	(5,315)
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>691</u>	<u>1,347</u>

The notes on pages 14 to 29 form part of these financial statements

These financial statements on pages 8 to 29 were approved by the Board of Directors on 17<sup>th</sup> August 2010 and were signed on its behalf by

David Pyemont

Director

# BIS Limited

## COMPANY BALANCE SHEET

at 31 December 2009

	Notes	2009 £000	2008 £000
<b>FIXED ASSETS</b>			
Tangible fixed assets	9	13,477	14,833
Investments	11	1,402	1,402
		14,879	16,235
<b>CURRENT ASSETS</b>			
Debtors	12	5,819	5,377
Cash at bank and in hand		61	646
		5,880	6,023
<b>CREDITORS: amounts falling due within one year</b>	14	(6,229)	(6,439)
<b>NET CURRENT LIABILITIES</b>		(349)	(416)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		14,530	15,819
<b>CREDITORS: amounts falling due after more than one year</b>	15	(13,034)	(13,850)
<b>NET ASSETS</b>		1,496	1,969
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	414	414
Share premium account	19	6,248	6,248
Profit and loss reserve	19	(5,166)	(4,693)
<b>TOTAL SHAREHOLDERS' FUNDS</b>		1,496	1,969

The notes on pages 14 to 29 form part of these financial statements

These financial statements on pages 8 to 29 were approved by the Board of Directors on 17<sup>th</sup> August 2010 and were signed on its behalf by

David Pyemont  
Director

# BIS Limited

## CONSOLIDATED CASH FLOW STATEMENT

		2009	2008
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	20(a)	657	2,523
<b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>			
Interest received		61	53
Interest paid		(19)	(37)
Interest element of finance lease rental payments		(874)	(458)
		(832)	(442)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchases of tangible fixed assets		(263)	(1,223)
		(263)	(1,223)
<b>NET CASH (OUTFLOW)/INFLOWS BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		(438)	858
<b>FINANCING</b>			
Repayment of loan		(29)	(26)
Repayment of capital elements of finance leases		(441)	(387)
		(470)	(413)
<b>(DECREASE)/ INCREASE IN CASH IN THE YEAR</b>		(908)	445

CONSOLIDATED CASH FLOW STATEMENT

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	2009 £000	2008 £000
(Decrease)/increase in cash in the year		(908)	445
Repayment of bank debt		29	26
Repayment of capital elements of finance leases		441	387
		(438)	858
Increase in net debt due to new finance lease		(60)	(14,243)
<b>MOVEMENT IN NET DEBT</b>		(498)	(13,385)
<b>NET DEBT AT THE BEGINNING OF THE YEAR</b>		(13,537)	(152)
<b>NET DEBT AT THE END OF THE YEAR</b>	20(b)	(14,035)	(13,537)

## BIS Limited

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2009

#### *Group*

	Notes	2009 £000	2008 £000
Loss for the financial year		(664)	(396)
FRS 20 reserve movement	8	8	10
Net decrease in shareholders' funds		(656)	(386)
Opening shareholders' funds		1,347	1,733
Closing shareholders' funds		691	1,347

#### *Company*

	Notes	2009 £000	2008 £000
Loss for the financial year		(481)	(146)
FRS 20 reserve movement	8	8	10
Net decrease in shareholders' funds		(473)	(136)
Opening shareholders' funds		1,969	2,105
Closing shareholders' funds		1,496	1,969

1. ACCOUNTING POLICIES

***Basis of preparation***

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the provisions of the Companies Act 2006. 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's cumulative losses to date are £5,971,000 (2008: £5,315,000).

The Directors have prepared a cash flow forecast for the period through to December 2011. 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. Further, the net current liability position arises from rentals received in advance of £3,012,000 under the customer contracts, which are not required to be cash settled.

***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.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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

Land and buildings (short leasehold)	Over the lease term
Network equipment	3 to 5 years
Office fixtures and equipment	3 years
Software licences	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.

**Equity compensation plan**

In accordance with FRS 20, fair value calculations are derived using the Black-Scholes model. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. This is recognised as an expense over the vesting period, with a corresponding increase in other reserves. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimated, if any, in the profit and loss, with a corresponding adjustment to other reserves.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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**

For the purpose of the cash flow statement, cash 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. LOSS ON ORDINARY ACTIVITIES BEFORE TAX

	2009 £000	2008 £000
Loss on ordinary activities before tax is stated after charging		
Depreciation of owned fixed assets	599	580
Depreciation of assets under finance leases	1,096	863
Amortisation of goodwill	99	99
Operating lease rentals - other	5,756	5,498
- land and buildings	1,381	1,255
Exceptional income – onerous leases (note 17)	(338)	(250)

**Auditors' remuneration**

Amounts receivable by the auditors and their associates in respect of

Audit of financial statements of subsidiaries pursuant to legislation	45	43
Other services relating to taxation	7	15
	<u>52</u>	<u>58</u>

The Company's share of the audit of its financial statements was £27,000 (2008: £25,800)

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

<b>EBITDA</b>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
EBITA is stated before charging		
Operating profit	<b>49</b>	344
Amortisation of goodwill	<b>99</b>	99
Depreciation charge	<b>1,695</b>	1,443
<b>EBITDA</b>	<b>1,843</b>	1,886

### 4. DIRECTORS' EMOLUMENTS

	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
Aggregated emoluments	<b>226</b>	234

The Group did not contribute to a pension scheme or long term incentive scheme on behalf of any director during the period (2008 £ nil) The aggregate of emoluments of the highest paid director was £113,000 (2008 £116,886), and Company pension contributions of £nil (2008 £nil) were made to a money purchase scheme

### 5. STAFF COSTS

	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
Wages and salaries	2,078	2,067
Social security costs	235	242
Share-based payments (see note 8)	8	10
	<b>2,321</b>	2,319

The average number of employees during the year was as follows

	<i>2009</i> <i>No</i>	<i>2008</i> <i>No</i>
Administration	6	6
Sales and marketing	8	8
Operations	23	24
	<b>37</b>	38

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £000	2008 £000
Finance charges payable under finance leases	874	822
Bank interest payable	19	37
	<u>893</u>	<u>859</u>

### 7. TAXATION

#### UK corporation tax

	2009 £000	2008 £000
Current tax for the year	-	-
Deferred tax (see note 13)	119	66
Tax on loss from ordinary activities	<u>119</u>	<u>66</u>

#### Factors affecting the tax credit for the year

The current tax credit for the year is lower than (2008 lower than the standard rate of corporation tax) the standard rate of corporation tax in the UK of 28% (2008 28.5%)

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	<u>(783)</u>	<u>(462)</u>
Current tax at 28% (2008 28.5%)	(219)	(132)
Effects of		
Expenses not deductible for tax purposes	21	61
Depreciation for the year in excess of capital allowances	131	157
Increase/(utilisation) of tax losses	67	(86)
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>

Tax losses will be carried forward and will be offset against the future profits of the Group

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 8. SHARE OPTIONS

The Group maintains an active EMI stock options scheme. These are options granted on various dates from 2003 to 2008, no options were granted in 2009. The exercise price for these options is 1 pence. These options have contractual life of 10 years and are normally exercisable on the first, second and third anniversary of the date the options are granted. The total expense recognised for the year arising from equity compensation plans was £8,000 (2008: £10,000).

At 31 December 2009, options to subscribe for Ordinary X shares of 1 pence each in the Company were outstanding as follows:

Date of grant of option	Expiry date of option	Option Exercise Price (p)	Market Price (p)	2009 Number of shares	2008 Number of shares
2003 to 2006	2004 to 2009	1	1	17,825	28,662
2007 to 2008	2008 to 2011	1	375	22,481	23,145
				<b>40,306</b>	51,807

A summary of the status of the option plan as at 31 December 2009 and changes during the year is shown below:

	2009 Number of options	2009 Weighted average exercise price (p)	2008 Number of options	2008 Weighted average exercise price (p)
Outstanding at the start of the period	51,807	1	40,590	1
Granted	-		18,710	1
Exercised	(11,501)	1	(7,493)	1
Outstanding at the end of the period	<b>40,306</b>	<b>1</b>	51,807	1
Exercisable at the end of the period	<b>31,110</b>	<b>1</b>	25,421	1

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 8. SHARE OPTIONS (continued)

The weighted average fair value of share options, granted during the prior year was £3.74 per share. This was calculated by applying the Black Scholes Merton option pricing model. The model inputs were the share price at grant date, the appropriate exercise price, expected volatility of 100%, expected dividend yield of nil, contractual life of ten years and a risk-free interest rate of 0.5%. The volatility of 100% was estimated with reference to the average of the volatility of a range of listed companies which operate in the same or similar sector as this company.

### 9. TANGIBLE FIXED ASSETS

#### Group

	Land & buildings (short leasehold) £000	Network equipment £000	Office fixtures & equipment £000	Software licences £000	Total £000
Cost					
At 1 January 2009	13,600	7,543	297	610	22,050
Additions	-	294	25	4	323
At 31 December 2009	13,600	7,837	322	614	22,373
Depreciation					
At 1 January 2009	793	5,571	218	539	7,121
Charged during the year	907	679	45	64	1,695
At 31 December 2009	1,700	6,250	263	603	8,816
<b>Net book value at 31 December 2009</b>	<b>11,900</b>	<b>1,587</b>	<b>59</b>	<b>11</b>	<b>13,557</b>
Net book value at 31 December 2008	12,807	1,972	79	71	14,929

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 9. TANGIBLE FIXED ASSETS (continued)

#### Company

	Land & buildings (short leasehold) £000	Network equipment £000	Office fixtures & equipment £000	Software licences £000	Total £000
<b>Cost</b>					
At 1 January 2009	13,600	6,511	297	610	21,118
Additions	-	280	25	4	309
At 31 December 2009	13,600	6,891	322	614	21,427
<b>Depreciation</b>					
At 1 January 2009	793	4,735	218	539	6,285
Charged during the year	907	649	45	64	1,665
At 31 December 2009	1,700	5,384	263	603	7,950
<b>Net book value at 31 December 2009</b>	<b>11,900</b>	<b>1,507</b>	<b>59</b>	<b>11</b>	<b>13,477</b>
Net book value at 31 December 2008	12,807	1,876	79	71	14,833

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 &amp; Company 2009 £000</i>	<i>Group &amp; Company 2008 £000</i>
Costs	3,359	3,299
Depreciation	(3,144)	(2,955)
Net book value	215	344

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 10. INTANGIBLE FIXED ASSETS

#### *Group*

	Purchased Goodwill £000
Cost	
At 1 January 2009	1,975
At 31 December 2009	<u>1,975</u>
Amortisation	
At 1 January 2009	189
Charged during the year	99
At 31 December 2009	<u>288</u>
<b>Net book value at 31 December 2009</b>	<b><u>1,687</u></b>
Net book value at 31 December 2008	<u>1,786</u>

### 11. FIXED ASSETS INVESTMENTS

#### Investment in subsidiary undertaking

	<i>Company</i> 2009 £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.

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.

The Company also subscribed to one share worth £1 of BIS Estates Limited, which was incorporated in England and Wales on 1 August 2007. The principal activity of BIS Estates Limited is an investment holding company. BIS Estates Limited owns 25% of the share capital of Mervay Bay Limited, which is incorporated in the British Virgin Islands. On 15 February 2008, Mervay Bay Limited purchased a data centre in south London and then leased it to BIS Limited. The Group does not exercise significant influence over the operations of Mervay Bay Limited. This is the reason why the results of Mervay Bay Limited are not recorded as an associate of the Company.

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### 12. DEBTORS

#### *Group*

	2009 £000	2008 £000
Trade debtors	1,643	1,902
Other debtors	1,558	1,127
Deferred tax (see note 13)	1,396	1,277
Prepayments and accrued income	1,119	1,156
	<u>5,716</u>	<u>5,462</u>

#### *Company*

	2009 £000	2008 £000
Trade debtors	1,488	1,788
Other debtors	412	54
Amounts owed by Group undertaking	1,698	1,392
Deferred tax (see note 13)	1,396	1,277
Prepayments and accrued income	825	866
	<u>5,819</u>	<u>5,377</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

### 13. DEFERRED TAX

#### *Group & Company*

	2009 £000
At beginning of year	1,277
Credit to the profit and loss for the year	119
At end of year	<u>1,396</u>

The elements of deferred taxation are as follows

	2009 £000	2008 £000
Difference between accumulated depreciation and capital allowances	886	719
Tax losses	510	558
	<u>1,396</u>	<u>1,277</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



# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 14. CREDITORS: amounts falling due within one year

#### Group

	2009 £000	2008 £000
Bank overdraft	146	-
Bank loan	2	30
Obligations under finance leases	853	469
Trade creditors	2,391	2,208
Taxation and social security	271	582
Other creditors	96	36
Accruals and deferred revenue	3,374	3,953
	<u>7,133</u>	<u>7,278</u>

#### Company

	2009 £000	2008 £000
Bank loan	2	30
Obligations under finance leases	853	469
Trade creditors	1,998	1,743
Taxation and social security	271	573
Other creditors	50	11
Accruals and deferred revenue	3,055	3,613
	<u>6,229</u>	<u>6,439</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 10 August 2011. Interest on the overdraft facility is charged at 3% per annum above Barclays' base rate.

The Company had 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.

### 15. CREDITORS: amounts falling due after more than one year

#### Group

	2009 £000	2008 £000
Bank loan	-	1
Obligations under finance leases	13,034	13,799
Other creditors	102	126
Accruals and deferred revenue	-	50
	<u>13,136</u>	<u>13,976</u>

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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

*Company*

	2009 £000	2008 £000
Bank loan	-	1
Obligations under finance leases	13,034	13,799
Accruals and deferred revenue	-	50
	<u>13,034</u>	<u>13,850</u>

### 16. OBLIGATIONS UNDER FINANCE LEASE LIABILITIES

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

	2009 £000	2008 £000
Amounts payable		
Within one year	1,655	1,469
In the second to fifth years	5,565	5,282
Later than five years	<u>12,113</u>	<u>13,889</u>
	19,333	20,640
Less future finance charges	<u>(5,446)</u>	<u>(6,372)</u>
	<u>13,887</u>	<u>14,268</u>

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i> 2009 £000
At 1 January 2009	338
Transfer to profit and loss account	<u>(338)</u>
At 31 December 2009	<u>-</u>

In prior periods, the Company's subsidiary, BIS Datacentres Limited, made a provision against future rents and service costs for onerous leased property Anchorage House. During the year, the Company has relocated its head office to Anchorage House. The onerous lease provision was appropriately released to profit and loss account.

### 18. SHARE CAPITAL

<i>Authorised</i>	2009 £000	2008 £000
847,380 Ordinary A shares of £1.00 each	847	847
3,000,000 Ordinary X shares of £0.01 each	<u>30</u>	<u>30</u>
	<u>877</u>	<u>877</u>

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### 18. SHARE CAPITAL (continued)

<i>Allotted, called up and fully paid</i>	2009 £000	2008 £000
408,727 (2008 408,727) Ordinary A shares of £1 00 each	409	409
542,521 (2008 531,020) Ordinary X shares of £0 01 each	5	5
	<u>414</u>	<u>414</u>

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

### 19. RESERVES

#### *Group*

	Share premium account £000	Profit and loss account £000
At 1 January 2009	6,248	(5,315)
FRS 20 reserve movement		8
Loss for the year	-	(664)
At 31 December 2009	<u>6,248</u>	<u>(5,971)</u>

#### *Company*

	Share premium account £000	Profit and loss account £000
At 1 January 2009	6,248	(4,693)
FRS 20 reserve movement		8
Loss for the year	-	(481)
At 31 December 2009	<u>6,248</u>	<u>(5,166)</u>

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 20. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2009 £000	2008 £000
Operating profit	49	344
Share based payments	8	10
Depreciation	1,695	1,443
Amortisation of goodwill	99	99
Increase in debtors	(135)	(1,244)
(Decrease)/ increase in creditors/provisions	(1,059)	1,871
Net cash flow from operating activities	657	2,523

#### (b) Analysis of net debt

	At 1 January 2009 £000	Net Cash flow £000	Other non-cash movements £000	At 31 December 2009 £000
Cash	762	(762)	-	-
Bank overdraft	-	(146)	-	(146)
	762	(908)	-	(146)
Bank loan	(31)	29	-	(2)
Finance leases within 1 year	(469)	441	(825)	(853)
Finance leases greater than 1 year	(13,799)	-	765	(13,034)
	(13,537)	(438)	(60)	(14,035)

### 21. FINANCIAL COMMITMENTS

Neither the Group nor the Company had any capital commitments at the end of the financial year  
At 31 December 2009 the Group and Company had annual commitments under non-cancellable operating leases as set out below

#### Group

	Land and buildings		Other	
	2009 £000	2008 £000	2009 £000	2008 £000
Operating leases which expire				
Within one year	255	16	2,686	2,939
Between two and five years	-	463	2,811	2,148
Over five years	935	899	-	-
Total	1,190	1,378	5,497	5,087

# BIS Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

### 21. FINANCIAL COMMITMENTS (continued)

#### *Company*

	Land and buildings		Other	
	2009	2008	2009	2008
	£000	£000	£000	£000
Operating leases which expire				
Within one year	33	16	2,686	2,939
Between two and five years	-	240	2,811	2,124
Total	33	256	5,497	5,063

### 22. 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 2009, 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
<b><i>Grant Dawe LLP</i></b>				
31 December 2009	-	-	-	-
31 December 2008	1	20	-	-
<b><i>Amphone Telecommunications Limited</i></b>				
31 December 2009	-	1	-	-
31 December 2008	-	3	-	-
<b><i>Mervy Bay Limited</i></b>				
31 December 2009	-	1,299	-	367
31 December 2008	1,939	646	-	215
<b><i>John Newbery Limited</i></b>				
31 December 2009	-	1	-	1
31 December 2008	-	-	-	-

## **BIS Limited**

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### **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2009

#### **22. RELATED PARTIES TRANSACTIONS (continued)**

D Pyemont, chairman of BIS Limited, owns 100% of the ordinary shares of Amphone Telecommunications Limited. Also he is the chairman and a shareholder of John Newbery Limited.

At 31 December 2009 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.

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 in the prior year. Amphone Telecommunications Limited received commission on business they refer to BIS Limited.

BIS Limited has a lease with Mervey Bay Limited for the data centre in Greenwich. BIS Estates Limited holds 25% of the equity in Mervey Bay Limited. John Newbery Limited supplied cricket equipment for a BIS Limited sponsored event.

#### **23. ULTIMATE CONTROLLING PARTY**

David Pyemont owns 73% of the total issued share capital of the Company. He is the ultimate controlling party of BIS Limited.