

Webfusion Limited

Report and Financial Statements

31 December 2010



Webfusion Limited

Report and financial statements 2010

Contents	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10

Webfusion Limited

Officers and professional advisers

Directors

T Mohr
P Pulvermueller
T Vollrath

Secretary

J Shutler

Registered Office

5 Roundwood Avenue
Stockley Park
Uxbridge
UB11 1FF

Auditor

Deloitte LLP
Chartered Accountants
Abbotts House
Abbey Street
Reading
RG1 3BD

Webfusion Limited

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2010

Principal activity

The company provides web hosting and network services, and issues internet domain names, to customers ranging from private individuals to large corporations

Business review

On 28 October the ultimate parent company of Webfusion Limited, Host Europe Corporation Limited, was acquired by HEL Bidco Limited, a subsidiary of HEL Holding Limited. From 28 October the ultimate parent company was HEL Holding Limited and the ultimate controlling party was Montagu Private Equity which holds a controlling interest in HEL Holding Limited.

Turnover on continuing operations is up £3.8m (13.5%) and gross profit on continuing operations is up £2.5m (14.0%) compared to 2009.

The company made an operating profit of £5.9m from continuing operations compared to a loss of £2m during 2009. The company ended the year with £38.9m net current assets compared to £13.6m in 2009.

The company received a dividend of £18.0m in the year (2009 - £18.8m).

The results for the year ended 31 December 2010 and the financial position of the company at that date are set out on pages 8 and 9 of the financial statements.

Key performance indicators

The company has financial KPIs which it monitors on a regular basis at board level and, where relevant, at business unit management meetings as follows:

	2010 £'000	2009 £'000
Revenue	£32.5m	£46.1m
Gross profit	£20.9m	£26.5m
Gross profit margin	64.3%	57.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA) and exceptional items	£11.4m	£10.5m

Financial risk management objectives and policies

Senior management are aware of their responsibility for managing risks within their business units. Each business unit head reports to the board on the status of these risks through management reports. Risk is regularly reviewed at board level to ensure that risk management is being implemented and monitored effectively. The board's policy is to ensure that the business units are empowered to run their business effectively and appropriately, bearing in mind the requirements for timely decision-making and commercial reality. Through management reports, risks are highlighted and monitored to identify potential business risk areas and to quantify and address the risk wherever possible.

Webfusion Limited

Directors' report (continued)

Financial risk management objectives and policies (continued)

Commercial and general risk

Standard form contracts are provided for commercial use and to assist the commercial function to negotiate within approved parameters. Insurance policies are regularly reviewed to ensure these are adequate, appropriate and in line with the nature, size and complexity of the business.

Credit risk

The majority of the company's customers pay in advance for services. Where services are supplied without advance payment, a credit review of the customer is performed when the order is received and subsequently on a periodic basis.

Liquidity risk

The company regularly forecasts cash flow to ensure that sufficient cash is available from trading for future expenses and capital expenditure.

Future developments

The company plans to continue its existing activities.

Dividend

The directors do not recommend the payment of a dividend (2009 - £nil).

Directors

The directors who held office during the year and to the date of approval of the financial statements were:

Alex Collins	(resigned 28 October 2010)
Peter Dubens	(resigned 28 October 2010)
Mark Joseph	(resigned 28 October 2010)
Tobias Mohr	
David Till	(resigned 28 October 2010)
Patrick Pulvermueller	(appointed 28 October 2010)
Thomas Vollrath	

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee participation

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units.

Research and development

The company continues to invest in research and development. This has resulted in improvements in hosting products which will benefit the company in the medium to long term. Costs in respect of the new products have been expensed through the profit and loss account.

Directors' report (continued)

Going concern

In assessing whether the going concern basis is appropriate, the directors take into account all available information about the future, which is at least, but is not limited to, 12 months from the date of approval of these financial statements. The directors have performed this review at a company level and have also performed a review for the entire group as disclosed in the accounts of the ultimate parent company, HEL Holding Limited.

The directors have a reasonable expectation that despite the current economic uncertainty the Company has adequate resources to continue in operational existence for the foreseeable future.

Thus they continue to adopt the going concern basis in preparing these financial statements.

Further details on the adoption of the going concern basis can be found in note 1 to the financial statements.

Auditor and disclosures of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J Shutler
Company Secretary

20 APRIL 2011

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, and
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Webfusion Limited

We have audited the financial statements of Webfusion Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of financial statements

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

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit 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 matters prescribed in the Companies Act 2006

In our opinion the information 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 Webfusion Limited (continued)

Matters on which we are required to report by exception

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

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



Kerr Mitchell FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading, United Kingdom

20 April 2011

Webfusion Limited

Profit and loss account Year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover	2		
Continuing operations		32,526	28,652
Discontinuing operations		-	17,461
		<u>32,526</u>	<u>46,113</u>
Cost of sales		(11,595)	(19,609)
		<u>20,931</u>	<u>26,504</u>
Gross profit			
Exceptional charge	4	(1,212)	(15,470)
Other administrative expenses		(13,892)	(22,293)
		<u>(15,104)</u>	<u>(37,763)</u>
Administrative expenses			
Operating profit / (loss)	5		
Continuing operations		5,827	(1,986)
Discontinuing operations		-	(9,273)
		<u>5,827</u>	<u>(11,259)</u>
Profit on disposal of discontinued operations	22	-	35,697
		<u>5,827</u>	<u>24,438</u>
Profit on ordinary activities before interest and other income			
Income from shares in group undertakings		18,007	18,814
Interest receivable and similar income	7	339	58
Interest payable and similar charges	8	(709)	(1,464)
		<u>23,464</u>	<u>41,846</u>
Profit on ordinary activities before taxation			
Taxation on profit on ordinary activities	9	(219)	2,488
		<u>23,245</u>	<u>44,334</u>
Profit for the financial year	19		

All recognised gains and losses are included in the profit and loss account in the current and prior year. Accordingly, no statement of total recognised gains and losses is presented.

Webfusion Limited

Balance sheet 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Goodwill	10	11,007	13,486
Tangible assets	11	2,814	3,027
Investments	12	30,854	30,854
		<u>44,675</u>	<u>47,367</u>
Current assets			
Debtors	13	102,773	61,699
Cash at bank and in hand		2,116	2,486
		<u>104,889</u>	<u>64,185</u>
Creditors: amounts falling due within one year	14	<u>(65,951)</u>	<u>(50,572)</u>
Net current assets		<u>38,938</u>	<u>13,613</u>
Total assets less current liabilities		<u>83,613</u>	<u>60,980</u>
Creditors: amounts falling due after more than one year	15	(16)	(275)
Provisions for liabilities	16	<u>(2,464)</u>	<u>(2,817)</u>
Net assets		<u>81,133</u>	<u>57,888</u>
Capital and reserves			
Called up share capital	18	-	-
Share premium account	19	37,453	37,453
Profit and loss account	19	43,680	20,435
Shareholders' funds	20	<u>81,133</u>	<u>57,888</u>

The financial statements of Webfusion Limited, registered number 05306504, were approved by the Board of Directors and authorised for issue on 20 April 2011

Signed on behalf of the Board of Directors


T Mohr
Director

Notes to the financial statements Year ended 31 December 2010

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

The following principal accounting policies have been applied.

Consolidated financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by s400 of the Companies Act 2006, as it and its subsidiary undertakings are included in full in the consolidated financial statements of its ultimate parent company.

Cash flow statement

Under Financial Reporting Standard 1 (revised) 'Cash Flow Statements', the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements.

Going concern

In assessing whether the going concern basis is appropriate, the directors take into account all available information about the future, which is at least, but is not limited to, 12 months from the date of approval of these financial statements. The directors have performed this review at a company level and have also performed a review for the entire group as disclosed in the accounts of the ultimate parent company, HEL Holding Limited.

The directors have a reasonable expectation that despite the current economic uncertainty the Company has adequate resources to continue in operational existence for the foreseeable future. The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons:

- The company achieved £11.4m EBITDA (Earnings before interest, tax, depreciation and amortisation) pre-exceptional items in 2010 and this is forecast to increase in 2011.
- It had a positive cash balance at 31 December 2010 of £2.1m and the directors forecast positive cash flows for 2011.
- The directors continue to monitor the company's funding strategy and have prepared detailed forecasts for future years to 2017. These forecasts underpin the going concern basis for the company.
- At the date of approval of these financial statements the directors believe that the company will continue to operate successfully for the foreseeable future and be able to meet its liabilities as and when they fall due.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing these financial statements.

Notes to the financial statements Year ended 31 December 2010

1. Accounting policies (continued)

Turnover

Turnover comprises the value of web hosting and network services provided, and internet domain names issued, net of value added tax. Fees for web hosting and network services are deferred and recognised evenly over the period of the contract. Income from the issue of domain names is recognised in full on registration of the domain names.

Goodwill

When the fair value of the consideration for an acquired undertaking exceeds the fair value of its separable net assets, the difference is treated as purchased goodwill and is capitalised and amortised on a straight-line basis through the profit and loss account over its estimated useful life. The economic life of goodwill has been estimated by the directors to be 10 years.

At the end of the first full financial year following acquisition goodwill is assessed for impairment. Thereafter, goodwill is monitored for indicators of impairment and a test for impairment is performed should indicators be identified.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

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

Leasehold improvements	-	shorter of the lease term or useful economic life
Network infrastructure	-	2 to 10 years
Fixtures, fittings and office equipment	-	3 to 7 years

Gains and losses on disposal of fixed assets

The profit and loss on disposal of a tangible fixed asset is accounted for in the profit and loss account in the period in which the disposal occurs as the difference between the net sale proceeds and the carrying amount, whether carried at historical cost (less any provision made) or at a valuation.

Valuation of investments

Investments held as fixed assets are stated at cost less any provisions for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

Foreign currencies

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

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements Year ended 31 December 2010

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is provided in full at the anticipated tax rates on timing differences arising from the different treatment of items for accounting and taxation purposes. A deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The company has elected not to discount the deferred tax assets and liabilities.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred 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 on 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 to the extent that, on the basis of all 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.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold as it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leased assets

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of the capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Notes to the financial statements Year ended 31 December 2010

1. Accounting policies (continued)

Research and development

The company continues to invest in research and development. This has resulted in improvements in hosting products which will benefit the group in the medium to long term. Costs in respect of the new products have been expensed through the profit and loss account.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease applying a discount rate equivalent to the company's cost of capital.

Pension contributions

The company contributes to the personal pension schemes of certain employees. Amounts charged in the profit and loss account represent amounts payable in the period.

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial instruments are measured initially and subsequently at cost. Where an instrument contains a feature of a financial liability, a liability is recognised initially only to the extent that future obligations to the holder are either fixed or can be determined.

Non-recurring and other items

Non-recurring and other items are material items of income or expense that are disclosed separately due to their nature or amount. They are disclosed and described separately in the accounts where it is necessary to do so to provide further understanding of the financial performance of the group.

2 Segmental information

The company had a single class of business during both periods reported on and consequently does not present a segmental analysis. The net assets of the company at the end of both years were all attributable to the United Kingdom. The profit before tax of the company during each year was attributable to the United Kingdom.

	2010 £'000	2009 £'000
Earnings before interest, tax, depreciation, amortisation and exceptional items	11,358	10,531
Less depreciation	(1,506)	(2,820)
Less amortisation	(2,813)	(3,500)
Less exceptional charge		
- Impairment of investments	-	(15,470)
- Property, relocation and staff costs in relation to reorganisations	-	(360)
- Dilapidation charge	(1,212)	-
Operating profit/(loss)	5,827	(11,259)

Notes to the financial statements
Year ended 31 December 2010

3. Discontinued operations

The analysis for 2009 is as follows

	Continuing operations 2009 £'000	Discontinued operations 2009 £'000	Total 2009 £'000
Turnover	28,652	17,461	46,113
Cost of sales	(10,288)	(9,321)	(19,609)
Gross profit	18,364	8,140	26,504
Exceptional charge	(6,600)	(8,870)	(15,470)
Other administrative expenses	(13,750)	(8,543)	(22,293)
Administrative expenses	(20,350)	(17,413)	(37,763)
Operating loss	(1,986)	(9,273)	(11,259)

4 Exceptional charge

	2010 £'000	2009 £'000
Property, relocation and staff costs in relation to reorganisation	-	(360)
Dilapidations	(1,212)	-
Impairment of investments	-	(15,110)
	(1,212)	(15,470)

5. Operating profit/(loss)

	2010 £'000	2009 £'000
Operating loss is stated after charging		
Auditors' remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts	35	41
- other services	-	148
Depreciation		
- owned assets	1,356	2,673
- assets held under finance leases	150	147
Amortisation – goodwill	2,813	3,500
Rentals payable under operating leases – land and buildings	697	295
Research and development expenditure	-	297

Webfusion Limited

Notes to the financial statements Year ended 31 December 2010

6. Employees

(a) Staff costs consist of

	2010 £'000	2009 £'000
Wages and salaries	4,302	8,396
Social security costs	454	850
Pension costs	53	148
	<u>4,809</u>	<u>9,394</u>

The average number of employees (including directors) during the year was

	Number	Number
Technical and customer operations	101	168
Sales and marketing	19	38
Management and administration	37	51
	<u>157</u>	<u>257</u>

(b) Directors' emoluments

	£'000	£'000
Directors' remuneration consists of		
Emoluments for qualifying services	<u>352</u>	<u>249</u>

The total amount payable to the highest paid director in respect of emoluments was £227,000 (2009 - £164,000)

7 Interest receivable and similar income

	2010 £'000	2009 £'000
Bank interest	2	58
Interest on loans to group undertakings	337	-
	<u>339</u>	<u>58</u>

Webfusion Limited

Notes to the financial statements Year ended 31 December 2010

8. Interest payable and similar charges

	2010 £'000	2009 £'000
Interest on loans from group undertakings	426	1,040
Interest payable on finance leases	18	10
Other	265	414
	<u>709</u>	<u>1,464</u>

9. Taxation on ordinary activities

(a) Analysis of tax charge/(credit) for the year

	2010 £'000	2009 £'000
Current tax on income for the year	-	-
Adjustments in relation to prior periods	-	-
Current tax charge	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	219	(2,488)
Total tax charge/(credit)	<u>219</u>	<u>(2,488)</u>

(b) Factors affecting tax charge for the year

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	<u>23,464</u>	<u>41,846</u>
Current tax at 28% (2009 - 28%)	<u>6,570</u>	<u>11,717</u>
Effects of		
Income not taxable	(5,042)	(11,373)
Expenses not deductible for tax purposes	697	1,586
Depreciation in excess of capital allowances	363	464
Other short term timing differences	13	(220)
Tax losses surrendered within the group	(2,035)	-
Utilisation of tax losses brought forward	(566)	(2,458)
Unrelieved tax losses arising in the year	-	284
Total current tax charge for year	<u>-</u>	<u>-</u>

Notes to the financial statements
Year ended 31 December 2010

9. Taxation on ordinary activities (continued)

(c) Factors that may affect tax charge for future periods:

The future tax charge will be reduced to below the UK standard rate by the availability of tax losses

(d) Timing differences for which deferred tax asset is recognised

At 31 December 2010, there were unrelieved losses in the company of approximately £5,270,000 (2009 - £7,384,000). On the basis of the relevant tax rates the company has an unrecognised deferred tax asset in relation to unrelieved losses, fixed asset timing differences and short term timing differences of £1,423,000 (2009 - £3,975,000)

A deferred tax asset of £2,269,000 (2009 - £2,488,000) has been recognised in relation to trading losses as, in the opinion of the directors, these losses will be utilised in the near future. A deferred tax asset in relation to non-trade losses has not been recognised as the directors do not believe these losses will be utilised in the short term

10. Goodwill

	£'000
Cost	
At 1 January 2010	25,846
Additions	334
	<hr/>
At 31 December 2010	26,180
	<hr/>
Amortisation	
At 1 January 2010	12,360
Charge for the year	2,813
	<hr/>
At 31 December 2010	15,173
	<hr/>
Net book value	
At 31 December 2010	<u>11,007</u>
At 31 December 2009	<u>13,486</u>

Notes to the financial statements
Year ended 31 December 2010

11. Tangible fixed assets

	Leasehold improvements £'000	Network infrastructure £'000	Fixtures fittings, and office equipment £'000	Total £'000
Cost				
At 1 January 2010	2,598	24,791	748	28,137
Additions	-	1,062	231	1,293
Disposals	(202)	(19,540)	(307)	(20,049)
At 31 December 2010	<u>2,396</u>	<u>6,313</u>	<u>672</u>	<u>9,381</u>
Accumulated depreciation				
At 1 January 2010	974	23,551	585	25,110
Charge for the year	506	932	68	1,506
Disposals	(202)	(19,540)	(307)	(20,049)
At 31 December 2010	<u>1,278</u>	<u>4,943</u>	<u>346</u>	<u>6,567</u>
Net book value				
At 31 December 2010	<u>1,118</u>	<u>1,370</u>	<u>326</u>	<u>2,814</u>
At 31 December 2009	<u>1,624</u>	<u>1,240</u>	<u>163</u>	<u>3,027</u>

Included in the total net book value of network infrastructure is £148,000 (2009 - £292,000) in respect of assets held under finance leases. The related depreciation charge for the year on these assets was £150,000 (2009 - £147,000).

Webfusion Limited

Notes to the financial statements Year ended 31 December 2010

12. Investments

Share in
subsidiary
undertakings
£'000

Cost and book value*

At 1 January 2010 and 31 December
2010

30,854

Webfusion Limited or its wholly owned subsidiaries own 100% of the ordinary share capital and voting rights of the following companies, all of which are incorporated in England and Wales except where noted below

Name	Place of incorporation	Principal activity
<i>Directly held</i>		
123-Reg Limited		Dormant
Donhost Limited		Dormant
Host Europe Four Limited		Dormant
Webfusion Internet Limited		Dormant
Webfusion Internet Solutions SL	Spain	Telecommunications
Webfusion Internet Solutions Limited		Intermediate holding company
<i>Held by Webfusion Internet Solutions Limited</i>		
Webfusion SRL	Romania	Telecommunications
Webfusion Internet Solutions Inc	United States of America	Telecommunications

13. Debtors

	2010 £'000	2009 £'000
Trade debtors	682	450
Amounts owed by other group undertakings	99,018	57,916
Other debtors	2,657	2,846
Prepayments and accrued income	416	487
	<u>102,773</u>	<u>61,699</u>

All amounts shown under debtors above fall due within one year, with the exception of other debtors which contains an amount of £2,269,000 (2009 - £2,488,000) of deferred tax assets

Webfusion Limited

Notes to the financial statements Year ended 31 December 2010

14. Creditors, amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	1,589	958
Amounts owed to other group undertakings	59,409	44,346
Finance leases (note 15)	117	-
Taxation and social security	628	213
Other creditors	238	277
Accruals and deferred income	3,970	4,778
	<u>65,951</u>	<u>50,572</u>

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

	2010 £'000	2009 £'000
Obligations under finance leases	<u>16</u>	<u>275</u>

The maturity profile of the finance lease creditor is as follows

	£'000	£'000
Within one year	117	-
In more than one year, but not more than two years	<u>16</u>	<u>275</u>
	<u>133</u>	<u>275</u>

16 Provisions for liabilities

	Onerous leases £'000
At 1 January 2010	2,817
New provisions	546
Utilised in year	(1,102)
Unwinding of discounting	<u>203</u>
At 31 December 2010	<u>2,464</u>

The onerous lease provisions relate to the leases on unutilised office space which expire at various dates up to 2021 and dilapidation provisions. Their duration of exposure on unutilised office space is uncertain and will depend on whether the space can be successfully sub-let. Where relevant, sub-letting income has been reasonably estimated and accrued for.

Notes to the financial statements
Year ended 31 December 2010

17. Commitments under operating leases

As at 31 December 2010 and 2009, the company had annual commitments under non-cancellable operating leases as set out below

	2010 Land and buildings £'000	2009 Land and buildings £'000
Operating leases which expire		
Within one year	-	269
Within two to five years	620	621
After five years	79	173
	<u>699</u>	<u>1,063</u>

18. Share capital

	2010 £'000	2009 £'000
Authorised 1,000,000 ordinary shares		
Called up and fully paid 376,540 ordinary shares of 0.1p each	<u>-</u>	<u>-</u>

19. Reserves

	Share capital £'000	Share premium account £'000	Profit and loss account £'000
At 1 January 2010	-	37,453	20,435
Profit for the year	-	-	23,245
At 31 December 2010	<u>-</u>	<u>37,453</u>	<u>43,680</u>

20 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the year	23,245	44,334
Net additions to shareholders' funds	23,245	44,334
Opening shareholders' funds	57,888	13,554
Closing shareholders' funds	<u>81,133</u>	<u>57,888</u>

Notes to the financial statements Year ended 31 December 2010

21 Pension

The company does not operate an occupational pension scheme but makes a percentage contribution of qualifying salary to certain employees' personal pension schemes. The amount charged to the profit and loss account in respect of such contributions was £53,000 (2009 - £148,000). The outstanding contributions to the pension scheme at the balance sheet date were £Nil (2009 - £8,000).

22 Disposal of business

On 28 June 2009, the company sold the Vialtus Solutions division trade and assets to another group company, Vialtus Solutions Limited in exchange for an inter-company loan of £39,923,000.

The profit on sale was as follows:

	£'000
Consideration	39,923
Less: Costs of disposal	<u>(1,218)</u>
Net consideration received	38,705
Add: net liabilities disposed (excluding goodwill)	5,185
Less: goodwill disposed	<u>(8,193)</u>
Profit on disposal	<u>35,697</u>
Net liabilities sold consisted of:	
Tangible fixed assets	4,504
Intangible fixed assets	3,124
Debtors	7,126
Cash	1,241
Creditors: amounts falling due within one year	(18,827)
Provisions for liabilities	<u>(2,353)</u>
	<u><u>(5,185)</u></u>

23 Related party transactions

The company has taken advantage of the exemptions permitted under FRS 8 not to disclose transactions between members of the group which eliminate on consolidation.

24. Immediate and ultimate parent company and controlling party

The immediate parent company during the year ended 31 December 2010 was Host Europe WVS Limited.

The ultimate parent company until 28 October 2010 was Host Europe Corporation Limited. From 28 October 2010 the ultimate parent company has been HEL Holding Limited which is the parent company of the largest group to consolidate these financial statements. The smallest group to consolidate these financial statements is HEL Bidco Limited, an intermediate holding company in the HEL Holding Limited group. The consolidated financial statements of both these groups can be obtained from Companies House.

The ultimate controlling party is Montagu Private Equity, which holds the majority of the shares in the company's ultimate parent company.