

Webfusion Limited

(formerly GX Networks Limited)

Report and Financial Statements

Year Ended

31 December 2009

Company Number 05306504

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Webfusion Limited

Report and financial statements for the year ended 31 December 2009

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Directors

A Collins
P Dubens (Chairman)
M Joseph
T Mohr
D Till
T Vollrath

Secretary and registered office

R Wotherspoon
5 Roundwood Avenue, Stockley Park, Uxbridge UB11 1FF

Company number

05306504

Auditors

BDO LLP, 55 Baker Street, London W1U 7EU

Webfusion Limited

Report of the directors for the year ended 31 December 2009

The directors present their report together with the audited financial statements for the year ended 31 December 2009

Change of name

The company changed its name during the year from GX Networks Limited to Webfusion Limited

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 the 28 June 2009 the company sold Vialtus Limited to another group company, Vialtus Solutions Limited for £1

On the 28 June 2009 the company sold the Vialtus Solutions trade and assets to the same group company, Vialtus Solutions Limited in exchange for an intercompany loan of £39.9m

On 30 June 2009, the company assigned its entire receivable of £39.9m from Vialtus Solutions Limited to Host Europe WVS Ltd in exchange for an equal receivable from Host Europe WVS Ltd, in order to consolidate the total receivable from Vialtus Solutions Limited within Host Europe WVS Ltd

The company has achieved significant growth in turnover and gross profit from continuing operations. The sale of the Vialtus Solutions trade and assets has streamlined the business and improved operational efficiency.

The company made an operating loss of £2m from continuing operations compared to a profit of £1.2m during 2008. The company ended the year with £13.6m net current assets compared to £60.8m net current liabilities in 2008.

The company received a dividend of £18.8m in the year (2008 - £Nil)

The result for the year ended 31 December 2009 and the financial position of the company at that date are set out on pages 6 and 7 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

	2009	2008
Revenue	£46.1m	£67.5m
Gross profit	£26.5m	£36.2m
Gross profit margin	57.5%	53.6%
Earning before interest, tax, depreciation and amortisation (EBITDA) and exceptional items	£10.5m	£9.5m

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

Report of the directors for the year ended 31 December 2009 (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 made when the order is received and subsequently on a periodic basis.

Liquidity risk

The company regularly forecasts cashflow 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 (2008 - £Nil).

Directors

The directors who held office during the year were

Alex Collins	
Peter Dubens	(Chairman)
Mark Joseph	
Tobias Mohr	(appointed 2 March 2009)
David Till	
Thomas Vollrath	(appointed 2 March 2009)

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.

Webfusion Limited

Report of the directors for the year ended 31 December 2009 (*Continued*)

Directors' responsibilities

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 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP, who were appointed as first auditors of the company by the directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



R Wotherspoon
Company Secretary

30 April 2010

Webfusion Limited

Independent auditor's report

TO THE MEMBERS OF WEBFUSION LIMITED

We have audited the financial statements of Webfusion Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet 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).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 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 other matters 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.

Webfusion Limited

Independent auditor's report (*Continued*)

Matters on which we are required to report by exception

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

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

BDO LLP

Julian Frost, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

12 April 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Webfusion Limited

Profit and loss account for the year ended 31 December 2009

	Note	Continuing operations 2009 £'000	Discontinued operations 2009 £'000	Total 2009 £'000	Total 2008 £'000
Turnover	2	28,652	17,461	46,113	67,538
Cost of sales		(10,288)	(9,321)	(19,609)	(31,344)
Gross profit		18,364	8,140	26,504	36,194
Exceptional charge	4	(6,600)	(8,870)	(15,470)	(15,216)
Other administrative expenses		(13,750)	(8,543)	(22,293)	(37,182)
Administrative expenses		(20,350)	(17,413)	(37,763)	(52,398)
Operating loss	5	(1,986)	(9,273)	(11,259)	(16,204)
Profit on disposal of discontinued operations	21			35,697	-
Profit/(loss) on ordinary activities before interest and other income				24,438	(16,204)
Income from shares in group undertakings				18,814	-
Loss on disposal of fixed assets				-	(2,217)
Interest receivable and similar income	7			58	283
Interest payable and similar charges	8			(1,464)	(3,429)
Profit/(loss) on ordinary activities before taxation				41,846	(21,567)
Taxation on profit/(loss) from ordinary activities	9			2,488	-
Profit/(loss) on ordinary activities after taxation	19			44,334	(21,567)
Analysis of operating loss				2009 £'000	2008 £'000
Earnings before interest, tax, depreciation, amortisation and exceptional items				10,531	9,527
Less depreciation				(2,820)	(5,716)
Less amortisation				(3,500)	(4,799)
Less exceptional charge				(15,470)	(15,216)
Operating loss				(11,259)	(16,204)

All recognised gains and losses are included in the profit and loss account
There is no difference between the profit reported and its historical cost equivalent

The notes on pages 8 to 20 form part of the financial statements

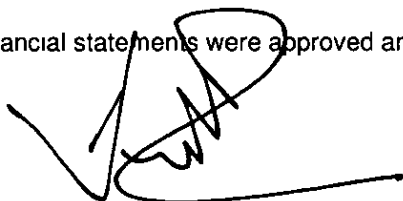
Webfusion Limited

Balance sheet at 31 December 2009

<i>Company number 05306504</i>	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Fixed assets					
Intangible assets	10		13,486		25,938
Tangible assets	11		3,027		9,454
Investments	12		30,854		45,964
			<hr/>		<hr/>
			47,367		81,356
Current assets					
Debtors	13	61,699		20,530	
Cash at bank and in hand		2,486		7,294	
		<hr/>		<hr/>	
		64,185		27,824	
Creditors amounts falling due within one year	14	(50,571)		(88,601)	
		<hr/>		<hr/>	
Net current assets/(liabilities)			13,614		(60,777)
			<hr/>		<hr/>
Total assets less current liabilities			60,981		20,579
			<hr/>		<hr/>
Creditors amounts falling due after more than one year	15		(275)		(421)
Provisions for liabilities	16		(2,817)		(6,603)
			<hr/>		<hr/>
Net assets			57,889		13,555
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	18		1		1
Share premium account	19		37,453		37,453
Profit and loss account	19		20,435		(23,899)
			<hr/>		<hr/>
Total shareholders' funds			57,889		13,555
			<hr/>		<hr/>

These financial statements were approved and authorised for issue by the Board of Directors on **30** April 2010

David Till
Director



The notes on pages 8 to 20 form part of the financial statements

Webfusion Limited

Notes forming part of the financial statements for the year ended 31 December 2009

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

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

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 signing these financial statements

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 £10.5m EBITDA (Earnings before interest, tax, depreciation and amortisation) pre-exceptional items in 2009 and this is forecast to increase in 2010
- It had a positive cash balance at 31 December 2009 of £2.5m and the directors forecast positive cashflows for 2010

The directors continue to monitor the company's funding strategy and have prepared detailed forecasts for future years to 2012. 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

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

Webfusion Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (*Continued*)

1 Accounting policies (*Continued*)

Impairment reviews are undertaken

- At the end of the first full financial year following acquisition
- In other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Other Intangible fixed assets

Separately identifiable intangible assets are capitalised and amortised on a straight line basis over the directors' estimate of the useful economic life of each asset. The annual rates used are as follows

Telecommunications license - 20 years

This license related to Vialtus and was disposed of with the sale of the subsidiary during 2009

Where there is an indication of impairment, the directors carry out an impairment review in accordance with Financial Reporting Standard 11. Provisions for impairment are taken to the profit and loss account

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Network Infrastructure	- 2 to 10 years
Fixtures, fittings and office equipment	- 3 to 7 years
Motor Vehicles	- 2 to 10 years
Leasehold Improvements	- Over useful life of the lease

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 of 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

Webfusion Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (Continued)

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.

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.

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.

Webfusion Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (*Continued*)

2 Segmental information

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

3 Discontinued Operations

The analysis between continuing operations and discontinued operations for 2009 is presented on the face of the profit and loss account. Acquisitions made in the year ended 31 December 2009 are shown as part of continuing activities and activities discontinued in the year ended 31 December 2009 are shown as part of discontinued operations. Further details on discontinued operations are given in note 21. The analysis for 2008 is as follows:

	Continuing operations 2008 £'000	Discontinued operations 2008 £'000	Total 2008 £'000
Turnover	24,985	42,553	67,538
Cost of sales	(9,108)	(22,236)	(31,344)
Gross profit	15,877	20,317	36,194
Exceptional charge	(2,209)	(13,007)	(15,216)
Other administrative expenses	(12,454)	(24,728)	(37,182)
Administrative expenses	(14,663)	(37,735)	(52,398)
Operating profit/(loss)	1,214	(17,418)	(16,204)

4 Exceptional charge

	2009 £'000	2008 £'000
Property, relocation and staff costs in relation to reorganisation	(360)	(8,308)
Fixed asset impairments	-	(8,787)
Provisions released in relation to group balances	-	1,879
Impairment of investments	(15,110)	-
	(15,470)	(15,216)

Webfusion Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (Continued)

5 Operating loss

	2009 £'000	2008 £'000
Operating loss is stated after charging		
Auditors' remuneration - statutory audit services	41	133
- other services	148	12
Depreciation - owned assets	2,673	4,317
- assets held under finance leases	147	1,399
Amortisation - goodwill	3,500	4,799
Rentals payable under operating leases - plant and machinery	-	1,491
- other	295	3,040
Research and development expenditure	297	493
	<hr/>	<hr/>

6 Employees

	2009 £'000	2008 £'000
a) Staff costs consist of		
Wages and salaries	8,396	15,305
Social security costs	850	1,653
Pension costs	148	289
	<hr/>	<hr/>
	9,394	17,247
	<hr/>	<hr/>

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

	Number	Number
Technical and customer operations	168	211
Sales and marketing	38	58
Management and administration	51	60
	<hr/>	<hr/>
	257	329
	<hr/>	<hr/>

b) Directors' emoluments

	2009 £'000	2008 £'000
Directors' remuneration consists of		
Emoluments for qualifying services	249	-
	<hr/>	<hr/>

The total amount payable to the highest paid director in respect of emoluments was £164,000
(2008 - £Nil)

Webfusion Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (*Continued*)

7 Interest receivable and similar income

	2009 £'000	2008 £'000
Bank interest	58	262
Other	-	21
	<u>58</u>	<u>283</u>

8 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest on loans from group undertakings	1,040	2,339
Interest payable on finance leases	10	582
Other	414	508
	<u>1,464</u>	<u>3,429</u>

9 Taxation on ordinary activities

	2009 £'000	2008 £'000
(a) Analysis of tax charge for the year		
Current tax on income for the year	-	-
Adjustments in relation to prior periods	-	-
	<u>-</u>	<u>-</u>
Current tax charge	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(2,488)	-
	<u>(2,488)</u>	<u>-</u>
Total tax credit	(2,488)	-

Webfusion Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (Continued)

9 Taxation on ordinary activities (Continued)

(b) Factors affecting tax charge for the year

The tax charge for the period is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £'000	2008 £'000
Profit/(loss) on ordinary activities before tax	41,846	(21,567)
Current tax at 28% (2008 - 28.5%)	11,717	(6,147)
Effects of:		
Income not taxable	(11,373)	(633)
Expenses not deductible for tax purposes	1,586	2,230
Depreciation in excess of capital allowances	464	3,945
Other short term timing differences	(220)	95
Chargeable gains	-	1,053
Tax losses surrendered within the group	-	436
Utilisation of tax losses brought forward	(2,458)	(979)
Unrelieved tax losses and other deductions arising in the year	284	-
Total current tax charge for year	-	-

(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 2009, there were unrelieved losses in the company of approximately £7,384,000 (2008 - £21,896,000). 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 £3,975,000 (2008 - £14,420,000).

A deferred tax asset of £2,488,000 (2008 - £Nil) 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.

Webfusion Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (*Continued*)

10 Intangible assets

	Goodwill £'000	Other £'000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2009	36,725	4,891	41,616
Additions	2,365	-	2,365
Disposals	(13,244)	(4,891)	(18,135)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	25,846	-	25,846
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 January 2009	13,911	1,767	15,678
Disposals	(5,051)	(1,767)	(6,818)
Charge for the year	3,500	-	3,500
	<hr/>	<hr/>	<hr/>
At 31 December 2009	12,360	-	12,360
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2009	13,486	-	13,486
	<hr/>	<hr/>	<hr/>
At 31 December 2008	22,814	3,124	25,938
	<hr/>	<hr/>	<hr/>

Other intangible assets consists of purchased customer lists

Webfusion Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (*Continued*)

11 Tangible assets

	Leasehold improvements £'000	Network infrastructure £'000	Fixtures, fittings, and office equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 2009	5,406	29,797	873	13	36,089
Additions	61	922	1	-	984
Disposals	-	(92)	-	-	(92)
Disposed with discontinued operations	(2,869)	(5,836)	(126)	(13)	(8,844)
At 31 December 2009	2,598	24,791	748	-	28,137
<i>Depreciation</i>					
At 1 January 2009	712	25,302	608	13	26,635
Charge for the year	651	2,139	30	-	2,820
Disposal	-	(5)	-	-	(5)
Disposed with discontinued operations	(389)	(3,885)	(53)	(13)	(4,340)
At 31 December 2009	974	23,551	585	-	25,110
<i>Net book value</i>					
At 31 December 2009	1,624	1,240	163	-	3,027
At 31 December 2008	4,694	4,495	265	-	9,454

Included in the total net book value of Network Infrastructure is £292,000 (2008 - £1,018,000) in respect of assets held under finance leases. The related depreciation charge for the year on these assets was £147,000 (2008 - £1,399,000). In addition an impairment of £Nil (2008 - £2,554,000) was recorded against these assets.

Webfusion Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (Continued)

12 Investments

	£'000
Shares in subsidiary undertakings	
At 1 January 2009	45,964
Impairment	(15,110)
	<hr/>
At 31 December 2009	30,854
	<hr/>

On the 28 June 2009 the company sold Vialtus Limited to another group company, Vialtus Solutions Limited, for its net book value of £1

As at 31 December 2009, the company's investment in Host Europe Five Limited and Host Europe Three Limited had been written down to a value equal to the net assets of these subsidiaries respectively

The company's subsidiary undertakings are as follows

Name	Principal activity
<i>Directly held</i>	
123-Reg Limited	Dormant
Donhost Limited	Dormant
Host Europe Five Limited	Non trading
Host Europe Four Limited	Intermediate holding company
Webfusion Internet Limited	Dormant
Webfusion Internet Solutions SL	Telecommunications
Webfusion Internet Solutions Limited	Intermediate holding company
Host Europe Three Limited	Dormant
<i>Held by Host Europe Four Limited</i>	
Host Europe Two Limited	Non-trading
Magic Moments Investments Limited	Non trading
<i>Held by Webfusion Internet Solutions Limited</i>	
Webfusion SRL	Telecommunications
Webfusion Internet Solutions Inc	Telecommunications

All subsidiary undertakings are incorporated in England and Wales except Webfusion SRL which is incorporated in Romania, Webfusion Internet Solutions SL which is incorporated in Spain and Webfusion Internet Solutions Inc which is incorporated in the United States of America

13 Debtors

	2009 £'000	2008 £'000
Trade debtors	450	6,400
Amounts owed by other group undertakings	57,916	6,608
Other debtors	2,846	4,365
Prepayments and accrued income	487	3,157
	<hr/>	<hr/>
	61,699	20,530
	<hr/>	<hr/>

All amounts shown under debtors above fall due within one year, with the exception of other debtors which contains an amount of £2,488,000 (2008 - £Nil) of deferred tax assets

Webfusion Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (Continued)

14 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	958	8,204
Amounts owed to other group undertakings	44,346	63,045
Finance leases (note 15)	-	411
Taxation and social security	213	1,021
Other creditors	276	3,411
Accruals and deferred income	4,778	12,509
	<u>50,571</u>	<u>88,601</u>

15 Creditors amounts falling due after more than one year

	2009 £'000	2008 £'000
Obligations under finance leases	<u>275</u>	<u>421</u>
The maturity profile of the finance lease creditor is as follows		
Within one year	-	411
In more than one year, but not more than two years	275	265
In more than two years, but not more than five years	-	156
	<u>275</u>	<u>832</u>

16 Provisions for liabilities

	Onerous leases £'000
At 1 January 2009	6,603
Utilised in year	(1,433)
Disposed with discontinued operations	(2,353)
	<u>2,817</u>
At 31 December 2009	

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. An element of this provision was disposed of during the year with the sale of the discontinued operations.

Webfusion Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (*Continued*)

17 Commitments under operating leases

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

	Land and buildings 2009 £'000	Other 2009 £'000	Land and buildings 2008 £'000	Other 2008 £'000
Operating leases which expire				
Within one year	269	-	-	31
Within two to five years	621	-	825	7
After five years	173	-	2,331	-
	<u>1,063</u>	<u>-</u>	<u>3,156</u>	<u>38</u>

18 Share capital

	2009 Number	2008 Number	2009 £'000	2008 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 0.1p each	<u>376,540</u>	<u>376,540</u>	<u>1</u>	<u>1</u>

19 Reserves

	Share capital £'000	Share premium account £'000	Profit and loss account £'000
At 1 January 2009	1	37,453	(23,899)
Profit for the year	-	-	44,334
	<u>1</u>	<u>37,453</u>	<u>20,435</u>
At 31 December 2009			

20 Pensions

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 £148,000 (2008 - £289,000). The outstanding contributions to the pension scheme at the balance sheet date were £8,000 (2008 - £27,000).

Webfusion Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (Continued)

21 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 intercompany loan of £39,923,000

The profit on sale was as follows

	£'000
Consideration	39,923
Less Costs of disposal	(1,218)
Net consideration received	38,705
Add net liabilities disposed (excluding goodwill)	5,185
Less goodwill disposed	(8,193)
Profit on disposal	35,697
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	(2,353)
	5,185

22 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

23 Immediate and ultimate parent company and controlling party

The immediate parent company until 9 June 2009 was Host Europe WVS Ltd From 9 June 2009 to 30 June 2009, the immediate parent company was Vialtus Solutions Limited From 30 June 2009 the immediate parent company has been Host Europe WVS Ltd

The ultimate parent company is Host Europe Corporation Ltd, which is the parent company of the largest group to consolidate these financial statements The smallest group to consolidate these financial statements is Host Europe Holdings Ltd, an intermediate holding company in the Host Europe Corporation Ltd group The consolidated financial statements of both these groups can be obtained from Companies House

The ultimate controlling party is Oakley Capital Private Equity LP, which holds the majority of the shares in the company's ultimate parent company