

DELIVERY OF ADVANCED NETWORK TECHNOLOGY TO EUROPE LIMITED  
("DANTE")

Report and Financial statements

31 December 2005

# DANTE

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Registered No. 2806796

## **DIRECTORS**

J Boland  
T Brunner  
J Gruntorad  
K Ullmann  
D Vandromme

## **SECRETARY**

M J Scott

## **AUDITORS**

Ernst & Young LLP  
Compass House  
80 Newmarket Road  
Cambridge  
CB5 8DZ

## **BANKERS**

Barclays Bank plc  
Bene't Street Branch  
P.O. Box 2  
Cambridge  
CB2 3PZ

## **SOLICITORS**

Manches  
9400 Garsington Road  
Oxford Business Park  
Oxford  
OX4 2HN

## **REGISTERED OFFICE**

9400 Garsington Road  
Oxford Business Park  
Oxford  
OX4 2HN

The directors present their report and financial statements for the year ended 31 December 2005.

**RESULTS AND DIVIDENDS**

The deficit of expenditure over income for the year, before taxation amounted to €31,000 (2004: €6,000 surplus). The surplus on ordinary activities after taxation amounted to €32,000 (2004: €200,000) which has been transferred to reserves. The Articles of Association of the company do not permit the payment of a dividend.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company's principal activity is the research into, and the development and provision of, advanced electronic international telecommunication facilities, primarily for the research, academic and educational community in Europe.

**FUTURE DEVELOPMENTS**

The main activity for 2006 is to finalise the roll out and implementation of the next generation of Pan European network, GEANT2. This new network will increase the capability and reach of the network and represents a significant step forward in the development of Pan European networking. In addition DANTE will continue the ongoing development of the regional networking activities covering the south and eastern Mediterranean, Latin America and South East Asia.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were as follows:

- J Boland
- T Brunner (appointed 18 January 2005)
- J Gruntorad (re-elected 18 January 2005)
- E Valente (term of office expired 18 January 2005)
- K Ullmann (appointed 18 January 2005)
- D Vandromme (re-elected 18 January 2005)

The Articles of Association do not permit directors to hold any interests in the share capital of the company.

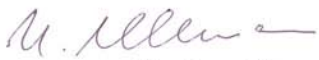
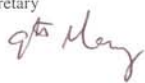
**AUDITORS**

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



M J Scott  
Secretary

  
24 May 2006

2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 DELIVERY OF ADVANCED NETWORK TECHNOLOGY TO EUROPE LIMITED**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Income and Expenditure Account, Balance Sheet, Statement of Cash Flows and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

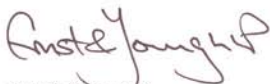
### **Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Cambridge

5 June 2006

# DANTE

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2005

	<i>Notes</i>	<i>2005</i> €'000	<i>2004</i> €'000
<b>TURNOVER</b>	2	46,683	48,968
Cost of sales		43,183	45,421
		<hr/>	<hr/>
<b>GROSS SURPLUS</b>		3,500	3,547
Administrative expenses	3	(3,824)	(3,758)
Foreign exchange loss		(62)	(1)
		<hr/>	<hr/>
<b>OPERATING DEFICIT</b>	4	(386)	(212)
Interest receivable		355	218
		<hr/>	<hr/>
<b>(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(31)	6
Tax on (deficit)/surplus on ordinary activities	6	63	194
		<hr/>	<hr/>
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	13	32	200
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses which have not been reflected in the above results for the current or prior period.

# DANTE

## BALANCE SHEET

as at 31 December 2005

	<i>Notes</i>	2005 €'000	2004 €'000
<b>FIXED ASSETS</b>			
Tangible assets	7	7,827	2,668
<b>CURRENT ASSETS</b>			
Debtors	8	18,090	25,686
Cash at bank and in hand	9	56,156	42,468
<b>CREDITORS: amounts falling due within one year</b>			
	10	74,246	68,154
		74,782	63,915
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			
		(536)	4,239
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		7,291	6,907
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	11	352	-
		6,939	6,907
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	1,576	1,576
Capital contributions	13	35	35
Income and expenditure account	13	5,328	5,296
<b>TOTAL SHAREHOLDERS' FUNDS</b>			
		6,939	6,907



K Ullmann  
Director

9 May 2006



# DANTE

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## STATEMENT OF CASH FLOWS

For the year ended 31 December 2005

	<i>Notes</i>	<i>2005</i> <i>€'000</i>	<i>2004</i> <i>€'000</i>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	14(a)	19,238	26,780
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	14(b)	355	218
<b>TAXATION</b>	14(b)	(4)	(6)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	14(b)	(5,934)	(1,620)
<b>MANAGEMENT OF LIQUID RESOURCES</b>	14(b)	(7,947)	(16,612)
<b>INCREASE IN CASH</b>		<u>5,708</u>	<u>8,760</u>

A reconciliation of net cash flow to total changes in cash at bank and in hand and short term deposits is given in note 14(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

**1. ACCOUNTING POLICIES**

***Accounting convention***

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

***Fixed assets***

All fixed assets are recorded at cost.

***Depreciation***

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 evenly over its expected useful life, as follows:

Short leasehold property	-	over the lease term
Furniture	-	over 5 years
Equipment	-	over 3 years

***Foreign currencies***

The company's functional currency is the euro. Transactions in currencies other than the euro are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the Euro are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income and expenditure account.

***Deferred taxation***

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

***Operating lease commitments***

Rentals paid under operating leases are charged on a straight-line basis over the lease term.

***Research and development***

Research and development expenditure is written off as incurred.

***Reclassification of comparative amounts***

Certain items within GEANT and within other trade debtors and creditors in the 2004 comparative figures have been reclassified for consistency with the classifications adopted in 2005.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

**2. TURNOVER**

Turnover, which is stated net of value added tax and arises from one activity, represents amounts derived from the provision of services which fall within the company's principal activity.

An analysis of turnover by geographical market is given below.

	<i>2005</i>	<i>2004</i>
	<i>€'000</i>	<i>€'000</i>
Europe	45,373	48,080
Outside Europe	1,310	888
	<u>46,683</u>	<u>48,968</u>

**3. ADMINISTRATIVE EXPENSES**

	<i>2005</i>	<i>2004</i>
	<i>€'000</i>	<i>€'000</i>
Wages and salaries	1,921	1,609
Social security costs	353	281
Other staff costs	391	525
Depreciation	79	66
Premises	570	410
Exceptional relocation expenses	–	323
Professional services	161	201
Financial charges	18	22
Other administrative expenses	331	321
	<u>3,824</u>	<u>3,758</u>

The average weekly number of employees during the year was as follows:

	<i>2005</i>	<i>2004</i>
	<i>No.</i>	<i>No.</i>
Administration	33	30

**4. OPERATING DEFICIT**

	<i>2005</i>	<i>2004</i>
	<i>€'000</i>	<i>€'000</i>
This is stated after charging:		
Auditors' remuneration - audit services	27	22
- non audit services	19	32
Operating lease rentals - land and buildings	432	323
- plant and machinery	332	–
Depreciation of owned fixed assets	2,314	3,694

**5. DIRECTORS' REMUNERATION**

No director received any remuneration from the company during the year (2004: €nil).

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

**6. TAX ON SURPLUS ON ORDINARY ACTIVITIES**

	2005 €'000	2004 €'000
Current tax:		
UK corporation tax	(445)	542
Tax overprovided in prior periods	(1,024)	(252)
Total current tax	(1,469)	290
Deferred taxation (note 11)	1,406	(484)
	(63)	(194)
Factors affecting the tax charge for the period:		
	2005 €'000	2004 €'000
(Deficit)/surplus on ordinary activities before taxation	(31)	6
(Deficit)/surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(9)	2
Effect of:		
Disallowed expenses and non-taxable invoice	41	36
Accelerated capital allowances	(550)	504
Adjustment in respect of prior periods	(1,024)	(252)
Difference in tax and exchange rates on losses carried back	73	–
Current tax charge for the period	(1,469)	290

**7. TANGIBLE FIXED ASSETS**

	<i>Short leasehold property</i> €'000	<i>Furniture</i> €'000	<i>Equipment</i> €'000	<i>Total</i> €'000
Cost:				
At 1 January 2005	218	178	15,971	16,367
Additions	–	–	7,473	7,473
At 31 December 2005	218	178	23,444	23,840
Depreciation:				
At 1 January 2005	62	98	13,539	13,699
Provided during the year	17	19	2,278	2,314
At 31 December 2005	79	117	15,817	16,013
Net book value:				
At 31 December 2005	139	61	7,627	7,827
At 1 January 2005	156	80	2,432	2,668

# DANTE

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

### 8. DEBTORS

	2005	2004
	€'000	€'000
GÉANT debtors	7,256	5,269
Other trade debtors	1,584	1,900
Other debtors	5,198	11,832
Prepayments and accrued income	3,452	5,247
UK VAT repayable	600	384
Deferred tax (note 11)	–	1,054
	<u>18,090</u>	<u>25,686</u>

### 9. CASH AT BANK AND IN HAND

On 2 December 2003, the Company granted a counter-indemnity to an EU special funded account relating to funds transferred to DANTE for the EUMEDCONNECT project, in favour of Crown Agents Financial Services Limited. At 31 December 2005 the balance of cash and short term deposits covered by the indemnity was €4,130,623 (2004: €1,864,233)

On 20 May 2004, the Company granted a counter-indemnity to an EU special funded account relating to funds transferred to DANTE for the ALICE project, in favour of Crown Agents Financial Services Limited. At 31 December 2005 the balance of cash and short term deposits covered by the indemnity was €5,003,892 (2004: €2,570,931)

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	€'000	€'000
GÉANT creditors	5,167	3,602
Rebates in respect of GÉANT service subscriptions	5,900	2,515
Rebates in respect of DWS service subscriptions	–	280
Other trade creditors	2,292	2,810
UK corporation tax	19	1,492
Other taxes and social security costs	57	52
Other creditors	45,240	36,586
Accruals and deferred income	16,107	16,578
	<u>74,782</u>	<u>63,915</u>

### 11. PROVISIONS FOR DEFERRED TAXATION

The deferred tax liability/(asset) recognised arising from accelerated capital allowances is as follows:

	2005	2004
	€'000	€'000
At 1 January	(1,054)	(570)
Charge for the year (note 6)	550	(504)
Adjustment in respect of prior years (note 6)	856	20
At 31 December	<u>352</u>	<u>(1,054)</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

**12. CALLED UP SHARE CAPITAL**

	<i>Authorised</i>	
	2005	2004
	<i>No.</i>	<i>No.</i>
Ordinary shares of £1 each	2,500,000	2,500,000
	=====	=====
	<i>Allotted, called up and fully paid</i>	
	2005	2004
	€'000	€'000
Ordinary shares of £1 each	1,576	1,576
	=====	=====
	<i>No.</i>	<i>No.</i>
Ordinary shares of £1 each	1,171,500	1,171,500
	=====	=====

**13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	<i>Share capital</i>	<i>Income and Capital expenditure contributions</i>	<i>account</i>	<i>Total shareholders' funds</i>
	€'000	€'000	€'000	€'000
At 1 January 2004	1,576	35	5,096	6,707
Surplus for the year	–	–	200	200
	-----	-----	-----	-----
At 31 December 2004	1,576	35	5,296	6,907
Surplus for the year	–	–	32	32
	-----	-----	-----	-----
At 31 December 2005	1,576	35	5,328	6,939
	=====	=====	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

**14. NOTES TO THE STATEMENT OF CASH FLOWS**

a) Reconciliation of operating deficit to net cash inflow from operating activities:

	2005	2004
	€'000	€'000
Operating deficit	(386)	(212)
Depreciation	2,314	3,694
Increase/(decrease) in debtors	6,541	(6,943)
Increase in creditors	10,801	30,239
Exchange rate movements on cash and short term deposits	(32)	2
	<u>19,238</u>	<u>26,780</u>

b) Analysis of cash flows for headings netted in the statement of cash flows

	2005	2004
	€'000	€'000
Returns on investments and servicing of finance:		
Interest received	355	218
	<u>355</u>	<u>218</u>

	2005	2004
	€'000	€'000
Taxation:		
UK corporation tax paid	(4)	(6)
	<u>(4)</u>	<u>(6)</u>

	2005	2004
	€'000	€'000
Capital expenditure and financial investment:		
Payments to acquire tangible fixed assets	(5,934)	(1,620)
	<u>(5,934)</u>	<u>(1,620)</u>

	2005	2004
	€'000	€'000
Management of liquid resources:		
Increase in short term deposits	(7,947)	(16,612)
	<u>(7,947)</u>	<u>(16,612)</u>

c) Analysis of changes in net debt

	<i>At 1</i>		<i>Exchange</i>	<i>At 31</i>
	<i>January</i>	<i>Cashflow</i>	<i>rate</i>	<i>December</i>
	2005	€'000	movements	2005
	€'000	€'000	€'000	€'000
Cash	11,456	5,708	32	17,196
Short term deposits	31,013	7,947	–	38,960
	<u>42,469</u>	<u>13,655</u>	<u>32</u>	<u>56,156</u>

Short term deposits are included within cash at bank and in hand in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

**15. RELATED PARTY TRANSACTIONS**

Under UK accounting standards, transactions between a company and a significant shareholder with common management, or directly with its shareholders, are deemed to be related party transactions. All related party transactions were made on a fully arms length basis. During the year €24,519,000 of sales was derived from shareholders (2004: €27,942,000). Sales during the year and amounts due from/(owed to) related parties at year end, are as follows.

<i>Related Party</i>	<i>Relationship</i>	<i>Sales to Related Party</i>		<i>Amounts (Due)/Owed (to)/by Related Party</i>	
		<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
		<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
D Vandromme	Director of GIP RENATER, which holds 165,000 ordinary shares in DANTE	1,602	1,704	233	466
J Boland	Chief Executive of HEAnet, which holds 22,000 ordinary shares in DANTE	1,306	1,433	995	233
R Arak	Chief Executive of UKERNA, (who represent HEFC-E); HEFC-E holds 165,000 ordinary shares in DANTE	1,175	1,353	(55)	–
J Gruntorad	Director of CESNET which holds 22,000 ordinary shares in DANTE	1,461	1,641	–	–
E Valente	Director of Consortium GARR which holds 165,000 ordinary shares in DANTE	1,764	2,319	29	617
K Ullmann	Director of DFN, which holds 165,000 ordinary share in DANTE	1,853	2,405	60	–



## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

**16. OPERATING LEASE COMMITMENTS**

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

	<i>Land and buildings</i>	
	<i>2005</i>	<i>2004</i>
	<i>€'000</i>	<i>€'000</i>
Operating leases which expire:		
After five years	432	415
	=====	=====
<i>Annual commitments:</i>		
	<i>Plant and machinery</i>	
	<i>2005</i>	<i>2004</i>
	<i>€'000</i>	<i>€'000</i>
During the year ending 31 December 2006	3,994	–
During the year ending 31 December 2007	4,515	–
During the year ending 31 December 2008	2,951	–
	=====	=====

**17. CAPITAL COMMITMENTS**

Amounts contracted for but not provided in the financial statements amounted to €4,821,564 (2004: €nil).