

Delivery of Advanced Network Technology to Europe Limited ('DANTE')

Report and Financial Statements

31 December 2008

Registered No: 2806796

Directors

R Buch
T Brunner
R Day
I Maric
K Ullmann

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

Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

Results and dividends

The surplus of income over expenditure for the year, before taxation amounted to €200,000 (2007 - €158,000). The surplus on ordinary activities after taxation amounted to €86,000 (2007 - €179,000) 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.

The GEANT programme is the key activity and object for DANTE representing about €37M (75%) of the total income and expenditure. The network's increased lambda and circuit provisioning capability has seen increased demand for its service during 2008 and has become of significant benefit to the community.

Utilisation of the GEANT backbone showed sustained growth of 19% with peak monthly traffic reaching 6.5 Terabytes/mth during the year (2007 - 5.5 Terabytes/mth peak) over the IP backbone.

Take up of new point to point/ lambda services, facilitated by the lit fibre infrastructure, also increased by 100 % to 58 configured paths across the network (2007 - 29 paths).

Subscribed access capacities for both IP and point to point services also increased, by 16 % and 29 % to 224 Gigabits/s and 200 Gigabits/s, respectively.

Other activities such as Regional development initiatives in North Africa and Eastern Mediterranean (EUMEDCONNECT) and South East Asia (TEIN2) came to their conclusion in 2008 but, because of their contribution to Research Network developments in these areas, were awarded follow on co-funding from the EC in the form of EUMEDconnect 2 and TEIN3. In addition DANTE also took on the coordinator role in a new project for central Asia, CAREN, and commenced early feasibility studies into a similar potential project for South and East Africa.

At around €1.6M the continuing cooperative purchasing exercise of Commodity IP services represented most of the remaining income and expenditure.

From a financial out-turn perspective, the net surplus is small at €200,000, but this is as expected for a not for profit entity. Apart from the highly advanced technical capability and increasing utilisation and demand on the network, the relatively stable operational cost base demonstrates that the National Research and Education Networks benefit from these activities at an economically efficient and sustainable level.

Future developments

The main activities for 2009 are to continue to develop the Pan European network, GEANT2, transition to GEANT3, and to develop and implement new leading edge services that enable, facilitate and enhance research across Europe and between Europe and other world regions.

In addition DANTE will continue the ongoing development of the regional networking activities covering the south and eastern Mediterranean, South East Asia and will provide assistance in the continuity plans for connectivity for Latin America in the second ALICE programme.

Directors' report (continued)

Principal risks and uncertainties

The principal uncertainties for the company relate to the continued interest from the National Research and Education (NREN) community and from the European Commission in supporting the development and provision of advanced network technology services for the research, academic and educational community in Europe. Continuity of support from the European Commission depends largely on the scheduled funding programmes and occasionally these are not always timed to be able to offer continued funding. The Company seeks to address such funding gaps through the support of the NREN partners and the telecom service providers.

Supplier payment policy

It is the company's policy to determine terms of payment with suppliers as part of the contractual arrangements that are put in place.

Disclosure of qualifying third party indemnity provisions for directors

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

Completeness of information to auditors

The directors have taken appropriate steps to ensure that as far as they are aware, there is no relevant audit information of which the company's auditors are unaware.

Directors and their interests

The directors who served during the year were as follows:

J Boland	resigned 29 July 2008
T Brunner	re-appointed 15 January 2009
R Day	appointed 29 July 2008
J Gruntorad	resigned 15 January 2009
I Maric	re-appointed 15 January 2009
K Ullmann	re-appointed 15 January 2009

R Buch was appointed as director of the company on 15 January 2009.

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

1 July 2009

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 DANTE Limited

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

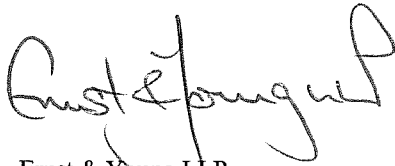
Independent auditors' report

to the members of DANTE Limited (continued)

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 2008 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
Cambridge

3 July 2009

Income and expenditure account

for the year ended 31 December 2008

	<i>Notes</i>	<i>2008</i> €'000	<i>2007</i> €'000
Turnover	2	49,830	54,829
Cost of sales		45,460	50,983
		<hr/>	<hr/>
Gross surplus		4,370	3,846
Administrative expenses	3	(4,548)	(4,081)
Foreign exchange profit		15	6
		<hr/>	<hr/>
Operating deficit	4	(163)	(229)
Interest receivable		363	387
		<hr/>	<hr/>
Surplus on ordinary activities before taxation		200	158
Tax (payable)/recoverable on surplus on ordinary activities	6	(114)	21
		<hr/>	<hr/>
Surplus on ordinary activities after taxation	13	86	179
		<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.

The above results are from continuing activities.

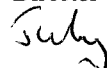
Balance sheet

at 31 December 2008

	<i>Notes</i>	<i>2008</i>	<i>2007</i>
		<i>€'000</i>	<i>€'000</i>
Fixed assets			
Tangible assets	7	6,204	6,501
Current assets			
Debtors	8	18,643	15,607
Cash at bank and in hand	9	18,431	16,528
		37,074	32,135
Creditors: amounts falling due within one year	10	35,548	31,174
Net current assets		1,526	961
Total assets less current liabilities		7,730	7,462
Provisions for liabilities and charges			
Deferred taxation	11	457	275
		7,273	7,187
Capital and reserves			
Called up share capital	12	1,576	1,576
Capital contributions	13	35	35
Income and expenditure account	13	5,662	5,576
Total shareholders' funds		7,273	7,187



K Ullmann
Director

1  2009

Statement of cash flows

for the year ended 31 December 2008

	<i>Notes</i>	<i>2008</i> €'000	<i>2007</i> €'000
<i>Net cash inflow/(outflow) from operating activities</i>	14(a)	7,188	(622)
<i>Returns on investments and servicing of finance</i>	14(b)	363	387
<i>Taxation</i>	14(b)	(66)	487
<i>Capital expenditure and financial investment</i>	14(b)	(5,557)	(2,301)
<i>Management of liquid resources</i>	14(b)	(3,680)	(2,055)
<i>Decrease in cash</i>		<u>(1,752)</u>	<u>(4,104)</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 2008

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

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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 it is considered 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 to the income and expenditure account as incurred.

Research and development

Research and development expenditure is written off as incurred.

Revenue recognition

Revenue represents consideration for services provided and is measured net of VAT. Revenue is recognised in the period in which the services are provided.

Pension costs

The company makes contributions to personal pension schemes. Pension contributions are charged to the profit and loss account as they become payable.

Notes to the financial statements

at 31 December 2008

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.

	2008	2007
	€'000	€'000
Europe	46,230	50,533
Outside Europe	3,600	4,296
	<u>49,830</u>	<u>54,829</u>

3. Administrative expenses

	2008	2007
	€'000	€'000
Wages and salaries	2,329	2,031
Social security and pension costs	603	486
Other staff costs	454	445
Depreciation	102	83
Premises	551	639
Professional services	189	104
Financial charges	24	28
Other administrative expenses	296	265
	<u>4,548</u>	<u>4,081</u>

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

	2008	2007
	No.	No.
Administration	45	37

4. Operating deficit

	2008	2007
	€'000	€'000
This is stated after charging:		
Auditors' remuneration - audit services	37	34
- non audit services - taxation	31	17
Operating lease rentals - land and buildings	407	485
- plant and machinery	3,221	4,759
Depreciation of owned fixed assets	5,853	5,210

Notes to the financial statements

at 31 December 2008

5. Directors' remuneration

No director received any remuneration from the company during the year (2007 - €nil).

6. Tax on surplus on ordinary activities

	2008 €'000	2007 €'000
<i>Current tax:</i>		
UK corporation tax	(70)	74
Tax overprovided in prior periods	2	(20)
Total current tax	<u>(68)</u>	<u>54</u>
Deferred taxation (note 11)	182	(75)
	<u>114</u>	<u>(21)</u>

Factors affecting the tax charge for the period:

	2008 €'000	2007 €'000
Surplus on ordinary activities before taxation	<u>200</u>	<u>158</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007 - 30%)	57	47
<i>Effect of:</i>		
Disallowed expenses and non-taxable invoice (Accelerated)/decelerated capital allowances	21	-
Adjustment in respect of prior periods	(182)	375
Losses utilised	2	(20)
Marginal relief	-	(319)
Difference in tax rate on losses carried back	-	(42)
Foreign exchange loss on tax repayment	31	-
	3	-
Current tax (credit)/charge for the period	<u>(68)</u>	<u>54</u>

Notes to the financial statements

at 31 December 2008

7. Tangible fixed assets

	<i>Short leasehold property €'000</i>	<i>Furniture €'000</i>	<i>Equipment €'000</i>	<i>Total €'000</i>
Cost:				
At 1 January 2008	206	135	31,315	31,656
Additions	80	21	5,455	5,557
Disposals	-	-	(10,563)	(10,563)
At 31 December 2008	287	156	26,207	26,650
Depreciation:				
At 1 January 2008	61	69	25,025	25,155
Provided during the year	22	28	5,803	5,853
On disposals	-	-	(10,563)	(10,563)
At 31 December 2008	83	97	20,265	20,446
Net book value:				
At 31 December 2008	203	59	5,942	6,204
At 1 January 2008	145	66	6,290	6,501

8. Debtors

	<i>2008 €'000</i>	<i>2007 €'000</i>
GÉANT debtors	3,693	4,438
Other trade debtors	2,968	4,646
Other debtors	7,892	2,683
Prepayments and accrued income	3,304	2,906
UK VAT repayable	737	934
UK Corporation tax	49	-
	18,643	15,607

Notes to the financial statements

at 31 December 2008

9. Cash at bank and in hand

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 2008 the balance of cash and short term deposits covered by the indemnity was €39,455 (2007 - €162,710)

On 2 December 2004, Barclays Bank issued a bank guarantee on behalf of DANTE to the EC relating to funds transferred to DANTE for the TEIN2 project. At 31 December 2008 the balance of cash and short term deposits covered by the guarantee was €1,285,198 (2007 - €1,599,673).

On 26 June 2008, Barclays Bank issued a bank guarantee on behalf of DANTE to the EC relating to funds transferred to DANTE for the TEIN3 project. At 31 December 2008 the balance of cash and short term deposits covered by the guarantee was €1,285,198 (2007 - NIL).

10. Creditors: amounts falling due within one year

	2008	2007
	€'000	€'000
GÉANT creditors	6,062	3,272
Rebates in respect of GÉANT service subscriptions	2,500	2,500
Rebates in respect of DWS service subscriptions	1,000	500
Other trade creditors	627	1,316
UK corporation tax	-	74
Other taxes and social security costs	72	62
Other creditors	11,280	7,279
Accruals and deferred income	14,007	16,171
	<u>35,548</u>	<u>31,174</u>

11. Provisions for liabilities and charges

The deferred tax liability recognised arising from accelerated capital allowances is as follows:

	2008	2007
	€'000	€'000
At 1 January	275	350
Charge/(credit) for the year (note 6)	182	(75)
At 31 December	<u>457</u>	<u>275</u>

Notes to the financial statements

at 31 December 2008

12. Called up share capital

<i>Authorised</i>		2008	2007
		No.	No.
Ordinary shares of £1 each		2,500,000	2,500,000
		<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		2008	2007
		No.	No.
		€'000	€'000
Ordinary shares of £1 each	1,171,500	1,576	1,576
		<u> </u>	<u> </u>

13. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Capital contributions</i>	<i>Income and expenditure account</i>	<i>Total shareholders' funds</i>
	€'000	€'000	€'000	€'000
At 31 December 2006	1,576	35	5,397	7,008
Surplus for the year	-	-	179	179
At 31 December 2007	1,576	35	5,576	7,187
Surplus for the year	-	-	86	86
At 31 December 2008	1,576	35	5,662	7,273
		<u> </u>	<u> </u>	<u> </u>

14. Notes to the statement of cash flows

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

	2008	2007
	€'000	€'000
Operating deficit	(173)	(229)
Depreciation	5,853	5,210
Increase in debtors	(2,891)	(895)
Increase/(decrease) in creditors	4,374	(4,714)
Exchange rate movements on cash and short term deposits	25	6
Net cash inflow/(outflow) from operating activities	7,188	(622)
		<u> </u>

Notes to the financial statements

at 31 December 2008

14. Notes to the statement of cash flows (continued)

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

	2008 €'000	2007 €'000
Returns on investments and servicing of finance:		
Interest received	363	387
	<u>363</u>	<u>387</u>
	2008 €'000	2007 €'000
Taxation:		
UK corporation tax (paid)/received	(66)	487
	<u>(66)</u>	<u>487</u>
	2008 €'000	2007 €'000
Capital expenditure and financial investment:		
Payments to acquire tangible fixed assets	(5,557)	(2,301)
	<u>(5,557)</u>	<u>(2,301)</u>
	2008 €'000	2007 €'000
Management of liquid resources:		
Increase in short term deposits	(3,680)	(2,055)
	<u>(3,680)</u>	<u>(2,055)</u>

c) Analysis of changes in net debt

	<i>At 1 January 2008 €'000</i>	<i>Cashflow €'000</i>	<i>Exchange rate movements €'000</i>	<i>At 31 December 2008 €'000</i>
Cash	7,628	(1,752)	(25)	5,851
Short term deposits	8,900	3,680	-	12,580
	<u>16,528</u>	<u>1,928</u>	<u>(25)</u>	<u>18,431</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 2008

17. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to €Nil (2007 - €3,282,033).

18. Pension contributions

The company contributes to various personal pension schemes. There were no outstanding amounts owing at the year end.

