

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

Report and Financial statements

31 December 2007

# DANTE

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Registered No. 2806796

## **DIRECTORS**

J Boland  
T Brunner  
J Gruntorad  
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

The directors present their report and financial statements for the year ended 31 December 2007.

### **RESULTS AND DIVIDENDS**

The surplus of income over expenditure for the year, before taxation amounted to €158,000 (2006: €67,000). The surplus on ordinary activities after taxation amounted to €179,000 (2006: €69,000) 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 GEANT2 programme is the key activity and object for DANTE representing about €39M (71%) of the total income and expenditure. The network's increased lambda and circuit provisioning capability became an established service during 2007 and has become of significant benefit to the community. Utilisation of the GEANT2 backbone showed sustained growth of 41% with peak monthly traffic reaching 5.5 Terabytes/mth during the year (2006: 3.9 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 240% to 29 configured paths across the network (2006 : 12 paths). Subscribed access capacities for both IP and point to point services also increased by 16% and 52% to 183 Terabits/s and 500 Terabits/s, respectively. Other activities such as Regional development initiatives in Latin America (ALICE), North Africa and Eastern Mediterranean (EUMEDCONNECT) and South East Asia (TEIN2) continued throughout 2007 representing about €4M (7%) each of total income and expenditure. These regional projects are coming to their conclusion in early 2008. There are replacement EC co-funded activities already in place for EUMEDCONNECT and TEIN2 and for ALICE, although the latter is expected to be confirmed towards the end of 2008. At around €2.7M, 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 €179,000, 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 2008 are to continue to develop the Pan European network, GEANT2, 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.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principle 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.

DIRECTORS' REPORT

**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  
T Brunner  
J Gruntorad  
I Maric  
K Ullmann

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

27<sup>th</sup> May 2008

## 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 AUDITOR'S REPORT TO THE MEMBERS OF DANTE LIMITED**

We have audited the company's financial statements for the year ended 31 December 2007 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**

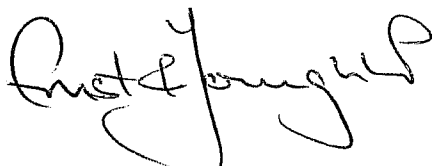
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

## 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 2007 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 June 2008

# DANTE

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2007

	<i>Notes</i>	2007 €'000	2006 €'000
<b>TURNOVER</b>	2	54,829	55,820
Cost of sales		50,983	52,200
		<hr/>	<hr/>
<b>GROSS SURPLUS</b>		3,846	3,620
Administrative expenses	3	(4,081)	(3,953)
Foreign exchange profit/(loss)		6	(31)
		<hr/>	<hr/>
<b>OPERATING DEFICIT</b>	4	(229)	(364)
Interest receivable		387	431
		<hr/>	<hr/>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		158	67
Tax repayable on surplus on ordinary activities	6	21	2
		<hr/>	<hr/>
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	13	179	69
		<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.



# DANTE

## BALANCE SHEET as at 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>€'000</i>	<i>2006</i> <i>€'000</i>
<b>FIXED ASSETS</b>			
Tangible assets	7	6,501	9,410
<b>CURRENT ASSETS</b>			
Debtors	8	15,607	15,252
Cash at bank and in hand	9	16,528	18,583
		<u>32,135</u>	<u>33,835</u>
<b>CREDITORS: amounts falling due within one year</b>	10	31,174	35,887
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>961</u>	<u>(2,052)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,462</u>	<u>7,358</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	11	275	350
		<u>7,187</u>	<u>7,008</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	1,576	1,576
Capital contributions	13	35	35
Income and expenditure account	13	5,576	5,397
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>7,187</u>	<u>7,008</u>



K Ullmann  
Director

27<sup>th</sup> May

2008

# DANTE

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>€'000</i>	<i>2006</i> <i>€'000</i>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	14(a)	(622)	(31,160)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	14(b)	387	431
<b>TAXATION</b>	14(b)	487	(471)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	14(b)	(2,301)	(6,365)
<b>MANAGEMENT OF LIQUID RESOURCES</b>	14(b)	(2055)	32,115
<b>DECREASE IN CASH</b>		<u>(4,104)</u>	<u>(5,450)</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 2007

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.

# DANTE

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

### 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.

	2007 €'000	2006 €'000
Europe	50,533	51,654
Outside Europe	4,296	4,166
	<u>54,829</u>	<u>55,820</u>

### 3. ADMINISTRATIVE EXPENSES

	2007 €'000	2006 €'000
Wages and salaries	2,031	1,878
Pensions	17	15
Social security costs	469	473
Other staff costs	445	424
Depreciation	83	75
Premises	639	621
Professional services	104	99
Financial charges	28	29
Other administrative expenses	265	339
	<u>4,081</u>	<u>3,953</u>

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

	2007 No.	2006 No.
Administration	37	36

### 4. OPERATING DEFICIT

	2007 €'000	2006 €'000
This is stated after charging:		
Auditors' remuneration - audit services	34	35
- non audit services - taxation	17	26
Operating lease rentals - land and buildings	485	465
- plant and machinery	4,759	3,994
Depreciation of owned fixed assets	5,210	4,782

### 5. DIRECTORS' REMUNERATION

No director received any remuneration from the company during the year (2006: €nil).

# DANTE

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

### 6. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2007 €'000	2006 €'000
Current tax:		
UK corporation tax	74	–
Tax overprovided in prior periods	(20)	–
<b>Total current tax</b>	<u>54</u>	<u>–</u>
Deferred taxation (note 11)	(75)	(2)
	<u>(21)</u>	<u>(2)</u>
<b>Factors affecting the tax charge for the period:</b>		
	2007 €'000	2006 €'000
Surplus on ordinary activities before taxation	158	67
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	47	20
Effect of:		
Disallowed expenses and non-taxable invoice	13	9
Decelerated/(accelerated) capital allowances	375	(958)
Adjustment in respect of prior periods	(20)	–
(Losses utilised)/unrelieved tax losses carried forward	(319)	929
Marginal relief	(42)	–
<b>Current tax charge for the period</b>	<u>54</u>	<u>–</u>

### 7. TANGIBLE FIXED ASSETS

	<i>Short leasehold</i>			
	<i>property</i>	<i>Furniture</i>	<i>Equipment</i>	<i>Total</i>
	€'000	€'000	€'000	€'000
Cost:				
At 1 January 2007	218	195	29,600	30,013
Additions	40	31	2,230	2,301
Disposals	(52)	(91)	(515)	(658)
<b>At 31 December 2007</b>	<u>206</u>	<u>135</u>	<u>31,315</u>	<u>31,656</u>
Depreciation:				
At 1 January 2007	95	136	20,372	20,603
Provided during the year	18	24	5,168	5,210
On disposals	(52)	(91)	(515)	(658)
<b>At 31 December 2007</b>	<u>61</u>	<u>69</u>	<u>25,025</u>	<u>25,155</u>
Net book value:				
At 31 December 2007	<u>145</u>	<u>66</u>	<u>6,290</u>	<u>6,501</u>
At 1 January 2007	<u>123</u>	<u>59</u>	<u>9,228</u>	<u>9,410</u>

# DANTE

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

### 8. DEBTORS

	2007	2006
	€'000	€'000
GÉANT debtors	4,438	2,103
Other trade debtors	4,646	3,642
Other debtors	2,683	3,581
Prepayments and accrued income	2,906	4,673
UK VAT repayable	934	801
UK Corporation tax	–	452
	<u>15,607</u>	<u>15,252</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 2007 the balance of cash and short term deposits covered by the indemnity was nil (2006: €1,048,616)

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 2007 the balance of cash and short term deposits covered by the indemnity was €162,710 (2006: €1,661,879)

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 2007 the balance of cash and short term deposits covered by the guarantee was €1,599,673.09 (2006: €1,832,558.09).

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

	2007	2006
	€'000	€'000
GÉANT creditors	3,272	8,507
Rebates in respect of GÉANT service subscriptions	2,500	1,590
Rebates in respect of DWS service subscriptions	500	141
Other trade creditors	1,316	3,045
UK corporation tax	74	–
Other taxes and social security costs	62	63
Other creditors	7,279	9,987
Accruals and deferred income	16,171	12,554
	<u>31,174</u>	<u>35,887</u>

### 11. PROVISIONS FOR LIABILITIES AND CHARGES

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

	2007	2006
	€'000	€'000
At 1 January	350	352
Charge for the year (note 6)	(75)	29
Adjustment in respect of prior years	–	(31)
At 31 December	<u>275</u>	<u>350</u>