1488044

Compelsolve Limited

Report and Financial Statements

18 month period ended 31 December 2007

Registered No 1488044

Directors
D P Franklin
T W Burt
M S McVeigh
N P Grossman

Secretary
N P Grossman

Auditors
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1YE

Registered Office
The Mansion House
Benham Valence
Speen
Newbury
Berkshire
RG20 8LU

Directors' report

The directors present their report and financial statements for the 18 month period ended 31 December 2007

Principal activity and review of the business

The principal activity of the company is the provision of enterprise computing solutions

The company performed well during the year, increasing turnover, profit and operating margin

We have continued to develop the sophistication and increase the value quotient and services content of the solutions we offer, enabling us to win business that is increasingly strategic and important to our substantial and growing customer base

The directors consider the following measures to represent the key performance indicators (KPIs) of the company

	18 month period ended 31 December 2007	*Year ended 30 June 2006*
Gross margin	18%	19%
Profit before tax (£'000) *	3,835	2,664

* Excluding share-based payments

Like most businesses, there are a range of risks and uncertainties facing the company The principal risks and uncertainties which might have a significant impact are a general downturn in the UK economy, a reduction in expenditure on IT in the markets the company addresses, the loss of, or a material decline in business with, a major customer, a significant change in trading terms with a key partner or supplier

Results and dividends

The profit for the year is £3,948,000 (year ended 30 June 2006 £1,779,000)

An interim dividend of £nil was paid during the period (year ended 30 June 2006 £1,000,000)

The directors do not propose the payment of a final dividend for the period (year ended 30 June 2006 £nil)

The profit for the period retained in the company after payment of dividends is £3,948,000 (year ended 30 June 2006 £779,000)

Directors' report (continued)

Directors and their interests

The directors who held office during the period were as follows

D P Frankling	
N J Lee	(resigned 13 July 2007)
P N Berry	(resigned 31 August 2006)
N Davis	(resigned 28 March 2007)
T W Burt	(appointed 28 March 2007)
M S McVeigh	(appointed 28 March 2007)
N P Grossman	(appointed 28 March 2007)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any directors or their immediate family, or exercised by them during the financial period

T W Burt, M S McVeigh and N P Grossman were directors of the company's ultimate parent undertaking, 2e2 Holdings Limited, at the period end and their interests and rights to subscribe for shares therein are shown in the annual report of that company A copy of the financial statements of 2e2 Holdings Limited can be obtained from the address given in note 21

Directors' qualifying third party indemnity provision

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 provision remains in force as at the date of approving the directors' report

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirm that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Directors' report (continued)

Charitable contributions

The company made charitable contributions totalling £2,059 in the period (year ended 30 June 2006 £2,702)

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the Board

N P Grossman
Secretary

Date 12 NOV 2008

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 judgments and 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 proper accounting records that 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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report

to the members of Compelsolve Limited

We have audited the company's financial statements for the period ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24 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 Compelsolve 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 2007 and of its profit for the period 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

Ernst & Young LLP
Registered Auditor
Reading

Date 13 NOV 2008

Profit and loss account

for the 18 month period ended 31 December 2007

	Note	18 month period ended 31 December 2007 £'000	Year ended 30 June 2006 Restated £'000
Turnover	2	111,049	72,410
Cost of sales		(90,910)	(58,542)
Gross profit		20,139	13,868
Administrative expenses		(16,441)	(11,658)
Operating profit		3,698	2,210
Interest receivable and similar income	3	195	1
Interest payable and similar charges	4	(58)	(7)
Profit on ordinary activities before taxation	5	3,835	2,204
Taxation on profit on ordinary activities	8	170	(425)
Profit for the financial period		4,005	1,779

All results arise from continuing operations

There were no recognised gains or losses during the current period or prior year other than those shown above, and accordingly no statement of total recognised gains and losses is presented

Balance sheet

at 31 December 2007

	Note	*18 month period ended 31 December 2007*	*Year ended 30 June 2006 Restated*
		£'000	*£'000*
Fixed assets			
Tangible assets	10	99	10
Investments	11	2,660	2,660
		2,759	2,670
Current assets			
Stock	12	369	476
Debtors	13	14,813	16,789
Cash at bank and in hand		6,052	2,058
		21,234	19,323
Creditors: amounts falling due within one year	14	(12,669)	(15,438)
Net current assets		8,565	3,885
Provisions for liabilities and charges	15	(679)	(23)
Deferred income	16	(2,524)	(2,416)
Net assets		8,121	4,116
Capital and Reserves			
Called up share capital	17	-	-
Profit and loss account	18	8,121	4,116
Equity shareholders' funds	19	8,121	4,116

Approved by the Board

T W Burt
Director

Date 12 NOV 2008

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and applicable Accounting standards

The company's parent undertaking will continue to provide the necessary financial support for the foreseeable future Accordingly, the financial statements have been prepared on a going concern basis

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

Change in accounting policy

The company revised its policy for recognition of ongoing maintenance contracts during the period Revenues and costs associated with contracts were previously taken to profit in the month of invoice, they are now taken evenly over the period of the contract This has resulted in a restatement of the 2006 results, reflected in this report

As part of the acquisition of the Compel group in March 2007 by 2e2 Limited, all share options were vested and hence there were no outstanding options at the balance sheet date

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 (Revised), to prepare a cash flow statement as it is a wholly owned subsidiary undertaking, and its cash flows are included within the consolidated cash flow statement of 2e2 Holdings Limited a company incorporated in the UK whose financial statements are publicly available from the address given in note 21

Group financial statements

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to financial statements present information about the company as an individual undertaking and not about its group

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured

Revenue from product sales is recognised on delivery of the equipment Revenue from consultancy and other professional services is recognised as the services are performed

Revenue from software support and hardware maintenance provided by the company is recognised over the term of the agreement on a straight line basis Any unrecognised revenue element is shown separately in the balance sheet as deferred income

For contracts involving a combination of products and services, revenue is recognised on each element in accordance with the above policy, unless all elements are considered to be interdependent and not separately deliverable, in which case revenue is recognised based on the stage of completion The stage of completion is determined by reference to employee timesheets or to measurement against agreed milestones, depending on the nature of the contract with the customer On major contracts extending over more than one accounting period, revenue is recognised based on the stage of completion when the outcome of the contract can be foreseen with reasonable certainty and after allowing for costs to completion

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Revenue recognition (continued)

Revenues, expenses, assets and liabilities are recognised net of the amount of sales tax except

- where the sales tax incurred on purchases of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- trade receivables and trade payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authority The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date

Deferred tax

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 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 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

Leases

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are charged directly against income

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term

Operating lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term

Foreign currency

The functional and presentation currency of the company is pounds sterling (£) Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Pension costs

The company participates in defined contribution pension schemes operated by its ultimate parent undertaking Contributions are recognised as an expense in the profit and loss account as they become payable in accordance with the rules of the schemes The assets of the schemes are held separately from those of the company in independently administered funds

Tangible fixed assets and depreciation

Tangible fixed assets are stated at original cost less depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less the estimated residual value, of each asset by equal instalments over their estimated useful economic lives as follows

Office furniture, fixtures and equipment - 10% - 50%

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

Fixed asset investments

Investments are held at cost less provision for impairment

The carrying value of fixed asset investments is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

Stocks

Stocks are stated at the lower of cost and net realisable value Cost consists of invoice value less applicable trade discounts Net realisable value represents the combined proceeds from the sale or use of items of stock less all further costs directly relating to their disposal

2. Turnover

Turnover comprises sales of computer systems and services to major computer users, net of value added tax and trade discounts, and is derived wholly within the United Kingdom

3. Interest receivable and similar income

	18 month period ended 31 December 2007 £'000	*Year ended 30 June 2006 £'000*
Interest on bank deposits	195	1

Notes to the financial statements

at 31 December 2007

4. Interest payable and similar charges

	18 month period ended 31 December 2007 £'000	Year ended 30 June 2006 £'000
Bank loans and overdrafts	(58)	(7)

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

		18 month period ended 31 December 2007 £'000	Year ended 30 June 2006 £'000
Auditors' remuneration		38	14
Operating lease costs	- land and buildings	248	114
	- plant, machinery and motor vehicles	223	120

6. Directors' emoluments

The directors' emoluments are borne by another group company It is not practical to allocate across the group

7. Staff numbers and costs

The average number of persons employed by the company during the period was as follows

	18 month period ended 31 December 2007 No	Year ended 30 June 2006 No
Sales and distribution	85	83
Technical	102	103
Administration	32	32
	219	218

Notes to the financial statements

at 31 December 2007

7. Staff numbers and costs (continued)

	18 month period ended 31 December 2007 £'000	*Year ended 30 June 2006 £'000*
Wages and salaries	20,988	12,117
Social security costs	2,489	1,412
Other pension costs	472	421
	23,949	13,950

8. Taxation on profit on ordinary activities

Taxation on profit on ordinary activities	*18 month period ended 31 December 2007 £'000*	*Year ended 30 June 2006 Restated £'000*
Current tax		
UK corporation tax at 30% (2006 30%)	-	576
Adjustment in respect of prior periods	(218)	(103)
Deferred tax		
Origination and reversal of timing differences	48	(48)
Total tax on profit on ordinary activities	(170)	425

Notes to the financial statements

at 31 December 2007

8. Taxation on profit on ordinary activities (continued)

Factors affecting current tax charge

The difference between the current tax charge shown and the amount calculated by applying the standard rate of corporation tax to the profit on ordinary activities before tax is as follows

	18 month period ended 31 December 2007 £'000	*Year ended 30 June Restated 2006 £'000*
Profit on ordinary activities before tax	3,835	2,204
Profit on tax on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	1,151	661
Effects of		
Expenses not deductible for tax purposes	62	55
Other temporary differences	(16)	(5)
Tax relief on share-based payments	-	34
Group relief	(1,043)	(273)
Adjustment in respect of prior periods	(218)	(103)
Utilisation of brought forward tax losses	(154)	-
Current tax charge for the period	(218)	369

Deferred tax

The deferred tax included in the profit and loss account is as follows

	18 month period ended 31 December 2007 £'000	*Year ended 30 June 2006 £'000*
Tax losses carried forward	-	30
Share-based payments	-	18
Deferred tax credit	-	48

The tax losses relate to the trade transferred from a fellow subsidiary undertaking, Sysao Limited, in 2005, and are available indefinitely for offset against future taxable profits of that trade A deferred tax asset has been recognised only in respect of those tax losses which are considered recoverable at this time No deferred tax asset has been recognised in respect of additional tax losses amounting to £Nil (year ended 30 June 2006 £392,000) relating to the trade transferred from Sysao Limited as these were not considered recoverable at 30 June 2006

Notes to the financial statements

at 31 December 2007

8 Taxation on profit on ordinary activities (continued)

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28% This rate change will both affect the amount of future cash tax payments to be made by the company and will also reduce the size of the company's deferred tax asset Changes to the UK capital allowance regime have also been proposed, the most significant of these changes for the company is the reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum on a reducing balance basis from 1 April 2008 The effect on the company of these proposed changes to the UK tax system will be fully reflected in the company's financial statements for the year ending 31 December 2008

9. Dividends paid

	18 month period ended 31 December 2007	*Year ended 30 June 2006*
	£'000	*£'000*
Equity shares		
Interim dividends paid	-	1,000

10. Tangible fixed assets

	Office furniture, fixtures and equipment
	£'000
Cost	
At 30 June 2006	17
Additions	156
At 31 December 2007	173
Depreciation	
At 30 June 2006	7
Charge for the year	67
At 31 December 2007	74
Net book value	
At 31 December 2007	99
At 30 June 2006	10

Notes to the financial statements

at 31 December 2007

11. Investments

	Shares in group undertakings
	£'000
Cost at 30 June 2006 and 31 December 2007	2,660

Compelsolve Limited owns all of the ordinary share capital of Compelsysao Limited, a company incorporated in Great Britain and registered in England and Wales Compelsysao Limited is dormant and has not traded during the current or preceding periods

12. Stock

	31 December 2007	30 June 2006
	£'000	£'000
Finished goods and goods for resale	369	476

13. Debtors

	31 December 2007	30 June 2006 Restated
	£'000	£'000
Trade debtors	9,159	12,901
Amount owed by ultimate parent undertaking	100	100
Amounts owed by fellow group undertakings	2,471	1,501
Other debtors	626	411
Prepayments and accrued income	2,112	1,828
Deferred tax	-	48
Corporation tax debtor	345	-
	14,813	16,789

Included within the above are debtors falling due after more than one year of £nil (year ended 30 June 2006 £48,000)

Notes to the financial statements

at 31 December 2007

14. Creditors: amounts falling due within one year

	31 December 2007 *£'000*	*30 June 2006 Restated* *£'000*
Trade creditors	8,402	7,990
Amount owed to immediate parent undertaking	343	456
Amounts owed to fellow group undertakings	2,073	1,951
Other taxation and social security	752	1,060
Corporation tax	-	546
Other creditors	30	1,079
Accruals	1,069	2,356
	12,669	15,438

15. Provisions for liabilities and charges

	£'000
At 30 June 2006	23
Arising during the year	656
At 31 December 2007	679

Provision has been made for expenses on properties leased by Compelsolve Limited It is expected that the majority of these expenses will be incurred within two years of the balance sheet date and as a result they have not been discounted

16. Deferred income

	31 December 2007 *£'000*	*30 June 2006 Restated* *£'000*
Income to be recognised within one year	2,524	2,416

17. Share capital

	2007 *£*	*2006* *£*
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

Notes to the financial statements

at 31 December 2007

18. Reserves

	Profit and loss account
	£'000
At 30 June 2006 restated	4,116
Profit for the period	4,005
At 31 December 2007	8,121

19. Reconciliation of movement in shareholders' funds

	31 December 2007	*30 June 2006 Restated*
	£'000	*£'000*
Opening shareholders' funds	4,116	3,223
Profit for the period	4,005	1,779
Dividends (note 7)	-	(1,000)
Share-based payments	-	114
Closing shareholders' funds	8,121	4,116

Following the acquisition of Compel Group plc by 2e2 Holdings Limited, there has been an Accounting Policy alignment for contracted support revenue and associated costs The company now recognises contracted revenue over the period of the contract and not immediately on invoice to the customer to bring the policy in line with 2e2 accounting

The financial statements have therefore been restated in June 2006 in prior years and this has resulted in a reduction in the company's brought forward reserves of £ 346,000 (2005 £90,000, 2006 £256,000)

20. Commitments

The annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2007	*Other 2007*	*Land and buildings 2006*	*Other 2006*
	£'000	*£'000*	*£'000*	*£'000*
Leases which expire				
- within one year	2	-	62	14
- between two and five years	-	-	52	96
- after 5 years	80	-	-	19
	82	-	114	129

Notes to the financial statements

at 31 December 2007

21. Contingent liabilities

The bank holds a cross guarantee and debenture containing charges over all the assets and rights of Compelsolve Limited and its parent undertakings in respect of borrowings by the group companies

The company has therefore guaranteed the overdrafts of other group companies and the amount outstanding at the period end was £nil (year ended 30 June 2006 £nil)

22. Related party transactions

As 100% of the voting rights of the company are controlled within the group headed by 2e2 Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of that group

23. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking as at the balance sheet date was Hamilton Rentals Limited, a company registered in England and Wales As at the date of approval the company's ultimate parent company is 2e2 Limited, a company registered in England and Wales (see note 22)

The smallest group in which the company's results are consolidated is 2e2 Group Limited and a copy of these financial statements can be obtained from the company's registered office at the address below

The company's ultimate parent undertaking and controlling party is 2e2 Holdings Limited, a company registered in England and Wales This is the largest group in which the company's results are consolidated and a copy of these financial statements can be obtained from the company's registered office

The Mansion House
Benham Valence
Speen
Newbury
Berkshire RG20 8LU

24. Post balance sheet events

On 15 May 2008, the entire share capital of the company was transferred to another company in the 2e2 group, 2e2 Limited