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2e2 Storage Limited

Report and Financial Statements

31 December 2007

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COMPANIES HOUSE

2e2 Storage Limited

Registered No 2686986

Directors

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 year ended 31 December 2007

Principal activities and review of the business

On 1 January 2007, the assets and liabilities of 2e2 Storage Limited were transferred in full to 2e2 UK Limited

Results and dividends

A dividend of £394,860 was declared in December 2007 (2006 £1,231,000)

Directors and their interests

The directors who served during the year ended 31 December 2007 were

T W Burt
M S McVeigh
N P Grossman

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

T W Burt, N P Grossman and M S McVeigh are also directors of 2e2 Holdings Limited, the company's ultimate holding company, and their interests in the share capital of that company are disclosed in its financial statements

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)

Principal risks and uncertainties

Discussed below are the company's major business risks, together with systems and initiatives in place to address them

Market

The IT services market is subject to fluctuations of demand by customers. These fluctuations are linked to the economic cycle and changes in the spending patterns of customers. In addition, the company works with a number of key vendors and it is important to maintain strong relationships and terms of business with these partners.

Operational

This relates to the risk of financial loss resulting from internal processes, people and systems. The company manages this risk through appropriate internal controls and proactive intervention, such as management reporting systems, insurances, business interruption and disaster recovery planning.

Liquidity

This relates to the risk that the company is unable to fund its requirements because of insufficient banking facilities. This risk is reduced as 2e2 Group's banking facilities are available on a committed basis.

Key performance indicators

The senior management of the company focus on a number of key performance indicators. These include sales bookings and billings, the value of contracted annuity revenues, gross margins and staff utilisation. These, along with other measures, are monitored regularly with explanations sought for variances against expectations.

Corporate governance

The directors recognise the importance of adopting good corporate governance practices in the best interests of shareholders as a whole. The principles of good corporate governance, set out in the Combined Code, have been followed as far as possible given the size of the company.

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



T W Burt
Director

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 2e2 Storage Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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 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

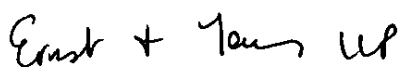
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2e2 Storage 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 results 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
Reading

Date

13 NOV 2008

Profit and loss account

for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Turnover	2	-	2,652
Cost of sales		-	(1,175)
		<hr/>	<hr/>
Gross profit		-	1,477
Distribution costs		-	(260)
Administrative expenses		-	(770)
		<hr/>	<hr/>
Operating profit	3	-	447
Interest receivable and similar income	6	-	4
		<hr/>	<hr/>
Profit on ordinary activities before taxation		-	451
Tax on profit on ordinary activities	7	-	-
		<hr/>	<hr/>
Profit for the financial year		-	451
Dividends		(395)	(1,231)
		<hr/>	<hr/>
Retained profit for the financial year	14	(395)	(780)
		<hr/>	<hr/>

All results arose from discontinued operations

There are no recognised gains and losses other than as stated in the profit and loss account

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

Balance sheet

at 31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	8	-	67
Current assets			
Stocks	9	-	8
Debtors	10	459	1,771
Cash at bank and in hand		-	77
		459	1,856
Creditors amounts falling due within one year	11	(395)	(1,464)
Net current assets		64	392
Total assets less current liabilities		64	459
Net assets		64	459
Capital and Reserves			
Called up share capital	13	64	64
Profit and loss account	14	-	395
Shareholders' funds	14	64	459

Approved by the Board


T W Burt
DirectorDate **12 NOV 2008**

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below

Basis of accounting

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

Cash flow statement

2e2 Holdings Limited, the ultimate parent company, has included a group cash flow statement in its financial statements in accordance with Financial Reporting Standard No 1 (Revised). Accordingly, no cash flow statement is included in these financial statements

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Fixtures, fittings, tools and equipment	-	20-25% per annum
Computer equipment	-	25-33% per annum

Leases

Expenditure on operating leases is charged to the profit and loss account on a straight-line basis over the term of the lease.

Turnover

Turnover comprises the value of sales of goods and services despatched to or accepted by customers, in the normal course of business and is stated net of credit notes, allowances, trade discounts and value added tax. Service revenues invoiced in advance are taken to income evenly over the period of delivery of the service.

Pension costs

The company contributes to a defined contribution pension scheme which is open to all of its employees. Pension costs are charged to the profit and loss account when the contributions accrue.

Taxation

Current tax, including UK corporation tax and foreign taxes, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to arise in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 December 2007

2. Turnover

An analysis of turnover by geographical market has been omitted because substantially all turnover arose in the United Kingdom from the company's sole principal activity

3 Operating profit

Operating profit is stated after charging

	2007 £000	2006 £000
Auditors' remuneration - audit fees	-	5
Depreciation - owned assets	-	188
Hire of plant and machinery	-	-
Operating lease rentals - plant and machinery	-	110
- land and buildings	-	57
Administrative expenses	-	770
Net foreign exchange losses	-	2
	<u>-</u>	<u>1052</u>

Auditors' remuneration for audit services is borne by 2e2 Group Limited, the company's parent undertaking

Administrative expenses include a charge of £nil relating to the transfer of tax losses (2006 £243,000)

4. Directors' emoluments

T W Burt N P Grossman and M S McVeigh were directors of the company throughout 2007. They are employed by 2e2 Holdings Limited and hence no charge is made in these financial statements to cover their costs.

5. Staff costs

The average number of persons employed by the company (including directors) during the year, analysed by category, were as follows

	2007 No	2006 No
Administration	-	3
Sales	-	4
Engineering	-	17
	<u>-</u>	<u>24</u>

Notes to the financial statements

at 31 December 2007

5 Staff costs (continued)

The aggregate payroll costs of these persons was as follows

	2007 £000	2006 £000
Wages and salaries	-	269
Social security costs	-	29
Other pension costs (see note 18)	-	9
	<u>-</u>	<u>307</u>

6. Interest receivable and similar income

	2007 £000	2006 £000
Bank interest receivable	-	4
	<u>-</u>	<u>4</u>

7. Tax on profit on ordinary activities

	2007 £000	2006 £000
Current tax	-	-
Deferred tax	-	-
Tax credit on profit on ordinary activities	<u>-</u>	<u>-</u>

Notes to the financial statements

at 31 December 2007

7 Tax on profit on ordinary activities (continued)

The differences between current tax and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2007 £000	2006 £000
Profit on ordinary activities before taxation	-	451
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	-	135
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	24
Increase in general provisions/other timing differences	-	-
Decelerated capital allowances	-	23
Release of investment impairment provision	-	-
Depreciation on assets now qualifying for capital allowances	-	-
Adjustment to tax credit in respect of previous years	-	-
Utilisation of brought forward tax losses	-	(182)
Current tax for the year	-	-

8. Tangible fixed assets

	Computer equipment £000	Total £000
<i>Cost</i>		
At 1 January 2007	298	298
Transferred to group companies	(298)	(298)
At 31 December 2007	-	-
<i>Depreciation</i>		
At 1 January 2007	231	231
Transferred to group companies	(231)	(231)
At 31 December 2007	-	-
<i>Net book value</i>		
At 31 December 2007	-	-
At 1 January 2007	67	67

Notes to the financial statements

at 31 December 2007

9. Stocks

	2007 £000	2006 £000
Finished goods and stock for resale	-	8

10. Debtors: amounts falling due within one year

	2007 £000	2006 £000
Trade debtors	-	5
Amounts owed by group undertakings	459	1,528
Prepayments and accrued income	-	206
Deferred tax asset	-	32
	459	1,771

All intercompany balances are unsecured, interest free and have no fixed repayment date

11. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	-	41
Other taxes and social security costs	-	16
Accruals	-	121
Deferred income	-	186
Dividends payable	395	1,100
	395	1,464

12 Deferred tax

The movement in the deferred tax asset during the year was as follows

	£000
At 1 January 2007	32
Deferred tax charge in profit and loss account	-
Transferred to group companies	(32)
At 31 December 2007	-

Notes to the financial statements

at 31 December 2007

12. Deferred tax (continued)

Deferred tax comprises

	2007 £000	2006 £000
Decelerated capital allowances	-	32
Other short-term timing differences	-	-
	<u>-</u>	<u>32</u>

Deferred tax not recognised in the financial statements amounts to £83,769 in relation to brought forward tax losses

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%. It is estimated that as a result the recognised deferred tax asset will decrease by £2,140 and unrecognised deferred tax asset by £5,584

13 Called up share capital

	2007 £000	2006 £000
<i>Authorised, allotted, called up and fully paid</i>		
64,000 ordinary shares of £1 each	64	64

14. Reconciliation of movements in shareholders' funds

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2006	64	1,175	1,239
Loss for the year	-	(780)	(780)
At 31 December 2006	64	395	459
Proposed dividend	-	(395)	(395)
At 31 December 2007	64	-	64

Notes to the financial statements

at 31 December 2007

15 Financial commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Operating lease which expire</i>				
- within one year	-	-	-	13
- between two and five years	-	-	-	-
	-	-	-	13

The company has entered into a cross guarantee in conjunction with its parent company, 2e2 Holdings Limited and other members of the 2e2 group, in favour of the group's bankers in respect of the borrowings of the group

16. Ultimate parent company and controlling party

The immediate parent company of 2e2 Storage Limited is 2e2 Limited, a company incorporated in the United Kingdom. The ultimate holding company and controlling party is 2e2 Holdings Limited, a company incorporated in the United Kingdom.

The smallest undertaking into which the results of the company are consolidated is 2e2 Group Limited, and the largest undertaking into which the results of the company are consolidated is 2e2 Holdings Limited. Copies of financial statements for 2e2 Holdings Limited can be obtained from the company's registered office at The Mansion House, Benham Valence, Newbury, Berkshire RG20 8LU.

The company has not disclosed related party transactions with group entities as permitted by the exemption under Financial Reporting Standard No. 8.