

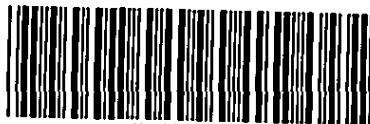
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NETSTORE (UK) LIMITED

Report and Accounts

30 June 2006

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COMPANIES HOUSE

Netstore (UK) Limited

Company Number 3202152

DIRECTORS

P Barry-Walsh

P Calvert

A Edwards

I Daly

SECRETARY

I Daly

AUDITORS

Baker Tilly UK Audit LLP

2 Bloomsbury Street

London

WC1B 3ST

BANKERS

Barclays Bank plc

Blackwater Valley Group

PO Box 191

Camberley

Surrey

GU15 3GS

SOLICITORS

Norton Rose

Kempson House

Camomile Street

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EC3A 7AN

REGISTERED OFFICE

1 Transcentral

Bennet Road

Reading

Berkshire

RG2 0QX

Netstore (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors present their report and accounts for the year ended 30 June 2006

RESULTS AND DIVIDENDS

The retained profit for the year, after taxation amounted to £1,926,775 (2005 £33,659,742)

The directors paid a dividend of £5,800,000 in respect of the 30 June 2005 year end

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity during the year was the provision of managed application software services and related consultancy services. The directors expect the company to trade profitably for the foreseeable future

TANGIBLE FIXED ASSETS

The changes in tangible fixed assets during the year are summarised in note 12

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows -

P Barry-Walsh

N Lloyd (Resigned 6th October 2006)

D Blundell (Resigned 27th July 2006)

S Sugunasingha (Resigned 28th February 2006)

P Calvert (appointed 13th September 2005)

A Edwards (appointed 13th September 2005)

M Wood (appointed 15th September 2005 and resigned 30th April 2007)

I Daly (appointed 1st March 2006)

C Henderson (appointed 14th September 2005 and resigned 15th May 2006)

None of the directors held interests in the share capital of the company at 30 June 2006. Details of the directors' interest in the share capital of the parent undertaking, Netstore plc, are disclosed in the accounts of that company

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

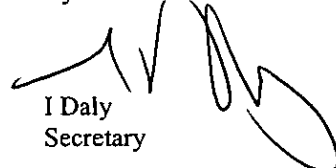
The directors who were in office on the date of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

AUDITORS

The company, having been notified of the cessation of the partnership known as Baker Tilly, consented to extend the appointment to Baker Tilly UK Audit LLP with effect from 1 April 2007, in accordance with the provisions of S 26(5) Companies Act 1989. Accordingly, the audit report has been signed in the name of Baker Tilly UK Audit LLP. Baker Tilly UK Audit LLP has indicated its willingness to continue in office as auditors

A resolution to re-appoint Baker Tilly UK Audit LLP as auditors will be put to members at the Annual General Meeting

By order of the Board



I Daly
Secretary

5 July 2007

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

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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 requirements of 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 NETSTORE (UK) LIMITED

We have audited the financial statements on pages 5 to 18

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 auditor's 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 law and United Kingdom 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 30 June 2006 and of its profit for the year then ended and 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.


BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

5 July 2007

Netstore (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 June 2006

	<i>Notes</i>	<i>2006</i> £	<i>2005</i> £
TURNOVER	2	14,690,598	14,234,203
Cost of sales		(7,121,903)	(6,842,185)
Gross profit		7,568,695	7,392,018
Other operating expenses	3	(6,437,446)	(7,086,524)
Release of parent company loan	4	-	32,656,796
Restructuring Costs		(147,695)	-
OPERATING PROFIT		983,554	32,962,290
Investment income	7	196,447	98,234
Interest payable	8	(241,046)	(74,451)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		938,955	32,986,073
Tax on profit on ordinary activities	9	987,820	673,669
RETAINED PROFIT FOR THE YEAR	19	1,926,775	33,659,742

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account

Netstore (UK) Limited

BALANCE SHEET

30 June 2006

	Notes	2006 £	Restated 2005 £
FIXED ASSETS			
Intangible fixed assets	11	-	63,753
Tangible assets	12	5,723,131	5,284,387
Investments	13	2,447,556	2,447,556
		<u>8,170,687</u>	<u>7,795,696</u>
CURRENT ASSETS			
Debtors – due within one year	14	9,523,948	4,804,919
Debtors – due after more than one year (deferred tax)	14	1,876,489	888,669
Cash at bank and in hand		12,725	2,480,267
		<u>11,413,162</u>	<u>8,173,855</u>
CREDITORS amounts falling due within one year			
Deferred income		(3,398,696)	(3,371,911)
Other creditors	15	(11,914,479)	(4,064,693)
		<u>(15,313,175)</u>	<u>(7,436,604)</u>
NET CURRENT (LIABILITIES) /ASSETS		<u>(3,900,013)</u>	<u>737,251</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,270,674</u>	<u>8,532,947</u>
CREDITORS amounts falling due after more than one year	16	(796,416)	(1,185,464)
TOTAL ASSETS		<u><u>3,474,258</u></u>	<u><u>7,347,483</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	612,733	612,733
Share premium account	19	475,327	475,327
Profit and loss account	19	2,386,198	6,259,423
SHAREHOLDERS' FUNDS – equity interests		<u><u>3,474,258</u></u>	<u><u>7,347,483</u></u>

Approved and authorised for issue by the Board on 5 July 2007

Director



Netstore (UK) Limited

NOTES TO THE ACCOUNTS

at 30 June 2006

1 ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards

The accounts present information about the company itself and do not include information regarding its subsidiary undertakings. The company is exempt from producing consolidated accounts under Section 228 of the Companies Act 1985

The directors have received undertakings from the parent company that it will not withdraw or restrict funds to the company until all third party creditors have been paid in full

Revenue recognition

Revenue is largely derived from managed application services under long-term contracts. Other revenues are derived from consultancy and implementation services and software and hardware sales

For managed application services, revenue is credited to the profit and loss account over the period to which the sales obligations are fulfilled under the related sales contract. Revenue from consultancy and implementation services is recognised on a percentage to completion basis, comparing at each period end the actual time spent on the project with total estimated time to completion

Revenues from software and hardware are recognised at the time of shipping to the customer

Deferred income

Certain amounts are invoiced to customers in advance of services being provided. These amounts are treated as deferred income, and are reflected on the face of the balance sheet

Cash flow statement

The company has relied on the exemptions conferred under Financial Reporting Standard No 1 as a wholly owned subsidiary undertaking of a group whose consolidated financial statements are publicly available and has not presented a cash flow statement

Depreciation

Fixed assets are stated at historical cost. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Fittings and set up costs	-	over 1 to 3 years
Office and computer equipment	-	20% to 50 % on cost
Leasehold improvements	-	over the shorter of the lease term and 4 years
Long leasehold property	-	over 50 years

Finance costs directly attributable to the development of tangible fixed assets are capitalised as part of the cost of those assets

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised on a straight line basis over its useful economic life of four years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the Profit and Loss Account is taken into account in determining the profit or loss on sale or closure

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

Research and Development

Research and development expenditure is written off as incurred

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to profit and loss on a straight line basis over the lease term.

Pensions

The company operates a defined contribution scheme whose assets are held separately from the company in an independently administered fund. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds.

2 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to customers and is credited to the profit and loss account over the period to which the obligation arises under the related sales contracts. Turnover and profit before taxation is wholly attributable to the one continuing activity of the company. All sales take place within the United Kingdom and Europe.

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

3 OTHER OPERATING EXPENSES

	2006	2005
	£	£
Selling and distribution expenses	4,675,166	5,108,553
Administrative expenses	1,762,280	1,977,971
	<u>6,437,446</u>	<u>7,086,524</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging / (crediting)	2006	2005
	£	£
Auditor's remuneration - audit services UK	31,544	50,000
- non audit services UK	26,400	50,000
Depreciation of tangible fixed assets - owned	1,080,053	1,075,755
- held on finance leases	449,706	80,522
Amortisation of intangible fixed assets	63,753	142,011
Operating lease rentals - land and buildings	266,002	214,896
- plant and machinery	-	13,215
- motor vehicles	58,770	51,712
Foreign exchange loss	19,084	8,570
Release of parent company loan	-	(32,656,796)
	<u></u>	<u></u>

During the prior year the group undertook a share restructuring exercise which included the release of a loan balance due to the parent undertaking, Netstore Plc

5 DIRECTORS' EMOLUMENTS

	2006	2005
	£	£
Emoluments	1,055,142	745,137
Compensation for loss of office	27,038	-
	<u></u>	<u></u>

Company contributions paid to money purchase pension schemes	48,948	35,596
	<u></u>	<u></u>

Number of Directors who are members of money purchase pension schemes	4	4
	<u></u>	<u></u>

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

5 DIRECTORS' EMOLUMENTS (CONTINUED)

The amounts paid in respect of the highest paid director are as follows	2006	2005
	£	£
Emoluments	256,306	304,283
	<u> </u>	<u> </u>
Company contributions paid to money purchase pension schemes	17,866	17,346
	<u> </u>	<u> </u>

6 STAFF COSTS

	2006	2005
	£	£
Wages and salaries	4,767,474	4,134,959
Social security costs	565,396	470,573
Other pension costs	129,870	120,918
	<u> </u>	<u> </u>
	5,462,740	4,726,450
	<u> </u>	<u> </u>

The average monthly number of employees during the year, including directors, was made up as follows

	2006	2005
	No	No
Selling and distribution	74	73
Administration	14	16
	<u> </u>	<u> </u>
	88	89
	<u> </u>	<u> </u>

7 INVESTMENT INCOME

	2006	2005
	£	£
Deposit account interest	13,358	98,234
Interest receivable from group undertaking	168,739	-
Other interest received	14,350	-
	<u> </u>	<u> </u>
	196,447	98,234
	<u> </u>	<u> </u>

8 INTEREST PAYABLE

	2006	2005
	£	£
Bank interest	51,167	49,688
Interest payable under finance leases and hire purchase agreements	53,891	24,274
Interest payable to group undertakings	115,865	-
Other interest	20,123	489
	<u> </u>	<u> </u>
	241,046	74,451
	<u> </u>	<u> </u>

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£	£
(a) Tax on profit on ordinary activities		
Current tax		
UK corporation tax	-	-
Deferred tax	(987,820)	(673,669)
	<u>(987,820)</u>	<u>(673,669)</u>

(b) Factors affecting current tax charge

The current tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 30%), for the reasons set out below

	2006	2005
	£	£
Profit on ordinary activities before taxation	938,955	32,986,073
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	281,687	9,895,822
Expenses not deductible for tax purposes /(income not taxable)	97,978	(9,743,192)
Depreciation in excess of capital allowances	(249,579)	(320,488)
Utilisation of tax losses	(73,226)	104,704
Movement on general provision	-	790
Group Relief	(52,956)	62,364
Other adjustment	(3,904)	-
Total current tax	<u>-</u>	<u>-</u>

The company has significant tax losses available for carry forward to set against future taxable profits and consequently expects to pay less tax in future years

(c) Deferred Tax

The company has created a deferred tax asset relating to losses which are more likely than not to be realised in the foreseeable future

The company has approximately £4.5m (2005 £5.5m) of unrecognised deferred tax losses carried forward

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

10 DIVIDENDS

	2006 £	2005 £
Paid in year		
2005 Final Proposed - £9 36 per share	5,800,000	-

11 INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £	<i>Patents and Licences</i> £	<i>Total</i> £
Cost			
At 1 July 2005 and at 30 June 2006	568,042	61,350	629,392
Amortisation			
At 1 July 2005	504,289	61,350	565,639
Provided during the year	63,753	-	63,753
At 30 June 2006	568,042	61,350	629,392
Net book value			
At 30 June 2006	-	-	-
At 30 June 2005	63,753	-	63,753

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

12 TANGIBLE FIXED ASSETS

	<i>Long Leasehold Land & Buildings</i>	<i>Leasehold Improvements</i>	<i>Fittings & Set Up Costs</i>	<i>Office & Computer Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	£	£	£	£	£	£
Cost						
At 1 July 2005	1,642,900	349,280	88,003	11,230,742	5,123	13,316,048
Additions	-	182,042	-	1,802,024	-	1,984,066
Disposals	-	(200,198)	-	-	-	(200,198)
At 30 June 2006	1,642,900	331,124	88,003	13,032,766	5,123	15,099,916
Depreciation						
At 1 July 2005	82,145	277,021	88,003	7,579,369	5,123	8,031,661
Provided during the year	32,858	42,031	-	1,454,870	-	1,529,759
Disposals	-	(184,635)	-	-	-	(184,635)
At 30 June 2006	115,003	134,417	88,003	9,034,239	5,123	9,376,785
Net book value						
At 30 June 2006	1,527,897	196,707	-	3,998,527	-	5,723,131
At 30 June 2005	1,560,755	72,259	-	3,651,373	-	5,284,387

Included in the above office and equipment assets are assets held under finance leases and hire purchase contracts with a net book value of £1,321,447 (2005 £730,532)

Finance costs of £Nil (2005 £12,145) have been capitalised in the year

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

13 INVESTMENTS

	<i>Subsidiary Undertakings</i>
	£
Cost	
At 1 July 2005 and 30 June 2006	<u>2,447,556</u>

Details of the significant investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Name of company	Holdings	Proportion of voting rights and shares held	Nature of business
Netstore Group Limited	Ordinary shares	100%	Dormant
Netstore Security Limited	Ordinary shares	100%	Internet Security Provider
NetConnect E-Commerce Limited*	Ordinary shares	100%	Dormant
NetConnects Limited*	Ordinary shares	100%	Dormant
NetConnect (UK) Limited *	Ordinary shares	100%	Dormant
Renaissance Virtual Software Limited*	Ordinary shares	100%	Dormant
ElectricMail Limited *	Ordinary shares	100%	Dormant
NetConnect International Limited*	Ordinary shares	100%	Dormant

* Held by a subsidiary undertaking

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

14 DEBTORS

	2006	2005
	£	£
Due within one year		
Trade debtors	3,484,960	1,686,624
Other debtors	285,847	269,157
Prepayments	1,785,374	1,560,904
Amount due from subsidiary undertakings	3,967,767	1,288,234
	<u>9,523,948</u>	<u>4,804,919</u>
	2006	2005
	£	£
Due after more than one year		
Deferred tax asset	1,876,489	888,669
	<u>1,876,489</u>	<u>888,669</u>
The provision for the deferred tax asset is made up as follows		
Tax losses	1,876,489	888,669
	<u>1,876,489</u>	<u>888,669</u>

15 CREDITORS amounts falling due within one year

	2006	<i>Restated</i> 2005
	£	£
Bank and other loans	159,847	341,991
Trade creditors	1,764,855	1,941,690
Obligations under finance leases and hire purchase contracts (note 17)	333,044	843,236
Other taxes and social security	376,036	406,787
Other creditors and accruals	733,718	530,989
Amount due to parent undertaking	8,546,979	-
	<u>11,914,479</u>	<u>4,064,693</u>

The obligations under finance leases and hire purchase contracts are secured by those related assets

16 CREDITORS amounts falling due after more than one year

	2006	2005
	£	£
Bank loans	616,356	650,000
Obligations under finance leases and hire purchase contracts (note 17)	180,060	535,464
	<u>796,416</u>	<u>1,185,464</u>

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

17 LOANS AND OTHER BORROWINGS

Obligations under finance lease and hire purchase contracts

The maturity of these amounts is as follows

	2006	2005
	£	£
Amounts payable		
Within one year	356,851	897,126
In two to five years	184,028	563,239
	<u>540,879</u>	<u>1,460,365</u>
Less finance charges allocated to future periods	(27,775)	(81,665)
	<u>513,104</u>	<u>1,378,700</u>

Finance leases and hire purchase contracts are analysed as follows

Current obligations (note 15)	333,044	843,236
Non-current obligations (note 16)	180,060	535,464
	<u>513,104</u>	<u>1,378,700</u>

Bank Loans

	2006	2005
	£	£
Bank loans and overdrafts	<u>776,203</u>	<u>991,991</u>

The loan is repayable in quarterly instalments of £25,000 and bears interest at the rate of 1 5% per annum over the bank base rate. The loan is secured on the long leasehold property

Maturity of bank loans -

	£	£
In one year or less or on demand	159,847	341,991
In more than one year, but not more than two years	166,356	100,000
In more than two years, but not more than five years	300,000	300,000
In more than five years	150,000	250,000
	<u>776,203</u>	<u>991,991</u>

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

18 SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2006 No</i>	<i>2005 No</i>	<i>2006 £</i>	<i>2005 £</i>
Ordinary shares of £1 each	328,232	328,232	321,489	321,489
'A' Ordinary shares of £1 each	291,244	291,244	291,244	291,244
	<u>619,476</u>	<u>619,476</u>	<u>612,733</u>	<u>612,733</u>

The options outstanding at 30 June 2006 are as follows

<i>At 30 June 2006</i>	<i>At 30 June 2005</i>	<i>Exercise Price per £1</i>	<i>Date of Grant</i>
<i>Number</i>	<i>Number</i>	<i>Ordinary Share</i>	
97,900	97,900	£1 00	6 July 1998
18,610	18,610	£1 00	31 January 2000

19 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share Capital</i>	<i>Share Premium Account</i>	<i>Profit and Loss Account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 July 2005 – as previously reported	612,733	475,327	459,423	1,547,483
Prior year adjustment	-	-	5,800,000	5,800,000
At 1 July 2005 – as restated	612,733	475,327	6,259,423	7,347,483
Profit for the year	-	-	1,926,775	1,926,775
Dividend	-	-	(5,800,000)	(5,800,000)
At 30 June 2006	<u>612,733</u>	<u>475,327</u>	<u>2,386,198</u>	<u>3,474,258</u>

Prior period adjustment

In the current year, the company has adopted FRS21 – Post Balance Sheet Events – for the first time. As a result dividends can only be recognised once they have been passed at a General Meeting of the members, in the case of final dividends, and in the period in which they were paid in the case of interim dividends. This has the effect of increasing the brought forward profit and loss reserve by reversing the proposed dividend of £5,800,000 in the 2005 accounts and reducing the creditor (amounts due to parent undertaking) by the same amount.

20 PENSION COMMITMENTS

The company provides a defined contribution pension scheme for certain directors and all employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were unpaid contributions outstanding at the year end of £28,118 (2005: £23,856).

Netstore (UK) Limited

NOTES TO THE ACCOUNTS at 30 June 2006

21 OTHER FINANCIAL COMMITMENTS

At 30 June 2006 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land & Buildings</i>		<i>Other</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Operating leases which expire				
within one year	-	53,724	-	6,663
within two to five years	147,377	-	51,524	31,394
more than five years	105,270	105,270	-	-
	<u>147,377</u>	<u>159,044</u>	<u>51,524</u>	<u>38,057</u>

22 ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking of the company is Netstore plc, a company registered in England and Wales. The largest and smallest consolidated accounts that include the results of the company are those of Netstore Plc, copies of which can be obtained from The Company Secretary, Netstore Plc, 1 Transcentral, Bennet road, Reading, Berkshire, RG2 0QX.

23 RELATED PARTY TRANSACTIONS

Paul Barry-Walsh had an interest throughout the year in the purchase of computer equipment and asset management services through his shareholding in Ascent IT Limited and Enterprise Asset Management Limited, to the value of £1,790,891 (2005 £1,283,589) and £3,014 (2005 £86,350) respectively. At 30 June 2006 £569,679 (2005 £270,188) was outstanding in respect of these purchases.

Paul Barry-Walsh had an interest throughout the year in the purchase of recruitment services through his shareholding in Ratio Search & Selection and The Job Café to the value of £Nil (2005 £47,705) and £46,015 (2005 £172,760) respectively. At 30 June 2006 £nil (2005 £16,891) was outstanding in respect of these services.

Paul Barry-Walsh had an interest throughout the year in the purchase of consultancy and software through his shareholdings in Bluesource and Simera to the value of £Nil (2005 £11,778) and £6,933 (2005 £67,680) respectively. At 30 June 2006 £Nil (2005 £1,586) was outstanding in respect of these services.

All transactions were at normal commercial prices.

There is no provision against any related party transaction at the year end and no amounts have been written off during the year.

The company has taken advantage of the exemptions given under Financial Reporting Standard No. 8, Related Party Transactions, not to disclose transactions with entities that are members of, or investees in, the Netstore plc group.

24 CONTINGENT LIABILITIES

The assets of the company are secured under a cross-guarantee with the parent undertaking's (Netstore Plc) bankers in regard to any indebtedness between the parent and its bankers by fixed and floating charge.