

Netstore Limited

Registered number 03449409

Report and Financial Statements

31 December 2010

TUESDAY



A5ZMVXWO

A57

27/09/2011

311

COMPANIES HOUSE

Netstore Limited

Registered No 03449409

Directors

M McVeigh
N Grossman
T Burt

Secretary

N P Grossman

Auditors

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

Registered Office

The Mansion House
Benham Valence
Newbury
Berkshire
RG20 8LU

Directors' report

The directors present their report and accounts for the year ended 31 December 2010

Results and dividends

The retained loss for the year after taxation amounted to £nil (2009 £32,639,132 loss)

Principal activity and review of the business

During the period the company has not traded and the directors do not envisage that the company will trade in the foreseeable future

Directors

The directors during the year were as follows -

T Burt

N Grossman

M McVeigh

None of the directors held interests in the share capital of the company at 31 December 2009. Details of the directors' interest in the share capital of the parent undertaking, 2e2 Holdings Limited, are disclosed in the accounts of that company.

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 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Going concern

The directors, after making appropriate enquiries, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

28 April 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 Limited

We have audited the financial statements of Netstore Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related note 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- Give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its result for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report

to the members of Netstore Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- The financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit

Ernst & Young UK

Kevin Harkin (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

28 April 2011

Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £	2009 £
Turnover		–	–
Cost of sales		–	–
		<hr/>	<hr/>
Gross profit		–	–
Administration expenses		–	–
		<hr/>	<hr/>
Operating loss		–	–
Provision against fixed asset investment		–	(32,639,132)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		–	(32,639,132)
Tax on ordinary activities	3	–	–
		<hr/>	<hr/>
Loss on ordinary activities after taxation	7	–	(32,639,132)
		<hr/>	<hr/>

All results arise from the company's discontinued operations

There were no recognised gains or losses other than the loss for each financial year, and accordingly no statement of total recognised gains and losses is presented

Balance sheet

at 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Investments	4	—	—
Current assets			
Debtors – due within one year	5	13,817,424	13,817,424
Net assets		<u>13,817,424</u>	<u>13,817,424</u>
Capital and reserves			
Called up share capital	6	36,062,204	36,062,204
Share premium account	7	8,384,405	8,384,405
Profit and loss account	7	(30,629,185)	(30,629,185)
Shareholders' funds		<u>13,817,424</u>	<u>13,817,424</u>

Approved and authorised for issue by the Board



T W Burt
Director
28 April 2011

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

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

Group financial statements

The company has not prepared group financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a wholly owned subsidiary of 2e2 Holdings Limited, registered in England and Wales, and its results are included in the consolidated financial statements of that company. Accordingly these financial statements present information about the company on an individual basis and not as a group

Statement of cash flows

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 statement of cash flows

Investments

Investments are included at cost less amounts written off

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

2. Directors' emoluments

The emoluments of T W Burt, N Grossman and M S McVeigh are satisfied by another company. There is no director to whom retirement benefits are accruing under a defined contribution scheme

The highest paid director received emoluments of £nil during the year (2009 – £nil)

Notes to the financial statements

at 31 December 2010

3. Tax

(a) Tax on (losses) on ordinary activities

	2010 £	2009 £
<i>Current tax</i>		
UK corporation tax	—	—
Deferred tax	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

(b) Factors affecting current tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before taxation	—	(32,639,132)
	<u>—</u>	<u>—</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 – 28%)	—	(9,138,957)
<i>Effects of</i>		
Expenses not deductible for tax purposes	—	9,138,957
	<u>—</u>	<u>—</u>
Total current tax	<u>—</u>	<u>—</u>

Notes to the financial statements

at 31 December 2010

4. Investments

	<i>Shares in group undertakings £</i>
Cost	
At 1 January 2010 and 31 December 2010	34,066,000
Provision	
At 1 January 2010 and 31 December 2010	34,066,000
Net book value	
At 31 December 2010	-
At 31 December 2009	-

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

<i>Name of company</i>	<i>Holdings</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Netstore Group Ltd	Ordinary shares	100%	Dormant
2e2 Managed Operations Ltd	Ordinary shares	100%	IT Hosting Services
2e2 Technologies Ltd	Ordinary shares	100%	IT Consultancy
2e2 MS Ltd	Ordinary shares	100%	IT Hosting Services

5 Debtors

	<i>2010 £</i>	<i>2009 £</i>
Amount due from subsidiary undertakings	13,817,424	13,817,424

6. Authorised and issued share capital

	<i>2010 £</i>	<i>2009 £</i>
<i>Authorised</i>		
200,000,000 Ordinary shares of 20p each	40,000,000	40,000,000
<i>Allotted, called up and fully paid</i>		
180,311,023 Ordinary shares of 20p each	36,062,204	36,062,204

Notes to the financial statements

at 31 December 2010

7. 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>
At 31 December 2009				
And 31 December 2010	36,062,204	8,384,405	(30,629,185)	13,817,424

8. Related party transactions

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

9. Ultimate parent undertaking

The ultimate parent company, controlling party and the largest company, which consolidates these financial statements, is 2e2 Holdings Limited, which is incorporated in the United Kingdom. Copies of the group financial statements of 2e2 Holdings Limited can be obtained from The Mansion House, Benham Valence, Newbury, RG20 8LU

The smallest undertaking, which consolidates these financial statements, is 2e2 group Limited. Copies of the group financial statements of 2e2 Limited can be obtained from The Mansion House, Benham Valence, Newbury, RG20 8LU

The immediate parent company is 2e2 Limited

10. Commitments and contingencies

Following the acquisition of Morse plc by 2e2 Ltd on 21 June 2010, the company entered into a cross guarantee on 21 June 2010 for the amount of £85,000,000, in favour of certain investors