

NETSTORE LIMITED  
(formerly Netstore PLC)  
Report and Accounts  
31 December 2008

THURSDAY



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29/10/2009  
COMPANIES HOUSE

Company Number 3449409

**Netstore Limited**  
**DIRECTORS, OFFICERS AND ADVISERS**

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**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

## Netstore Limited

### DIRECTORS' REPORT

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The directors present their report and accounts for the 18 months ended 31 December 2008.

2e2 Limited acquired Netstore Limited and its subsidiary companies on 3<sup>rd</sup> October 2008. Following acquisition the year end of the company was extended to 31<sup>st</sup> December, in line with other companies within the 2e2 Holdings Limited Group.

#### 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.

#### RESULTS AND DIVIDENDS

The retained loss for the year after taxation amounted to £5,367,170 (2007: loss £7,321).

#### DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:-

P Barry-Walsh	(resigned 3 <sup>rd</sup> October 2008)
T Burt	(appointed 3 <sup>rd</sup> October 2008)
N Grossman	(appointed 3 <sup>rd</sup> October 2008)
M Jackson	(resigned 3 <sup>rd</sup> October 2008)
G Kingsmill	(resigned 3 <sup>rd</sup> October 2008)
M McVeigh	(appointed 3 <sup>rd</sup> October 2008)
D Memory	(appointed 17 <sup>th</sup> September 2007, resigned 3 <sup>rd</sup> October 2008)
R Wirszyecz	(resigned 3 <sup>rd</sup> October 2008)

None of the directors held interests in the share capital of the company at 31 December 2008. 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 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.

# Netstore Limited

## DIRECTORS' REPORT

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### PRINCIPAL RISKS AND UNCERTAINTIES

Discussed below are the group'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 group 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 group 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 group is unable to fund its requirements because of insufficient banking facilities. The group manages liquidity risk via a revolving credit facilities and long term debt. During the year the group refinanced its bank facilities to fund the acquisition of Netstore.

#### Credit risk

This relates to the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

### 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.

### FUTURE DEVELOPMENTS

In the future the group will continue to investigate suitable acquisition opportunities where it feels these will strengthen its offerings to customers. The group is also planning to continue the integration activities in order to maximise the benefits of the increasing scale of the group.

### 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 Burt  
Director

30th April 2009

## Netstore Limited

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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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 LIMITED**

We have audited the financial statements (the "financial statements") of Netstore Limited for the period ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. 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 NETSTORE LIMITED**

## **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 2008 and of the company's loss 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: 30th April 2009

Netstore Limited  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2008

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	<i>Notes</i>	<i>18 Months ended 31 December 2008</i>	<i>Year ended 30 June 2007</i>
		<i>£</i>	<i>£</i>
TURNOVER	2	-	-
Cost of sales		-	-
Gross profit		-	-
Other operating expenses	3	(428,072)	(118,995)
OPERATING LOSS BEFORE RESTRUCTURING COSTS		(428,072)	(118,995)
Cost of Restructuring	4	(4,232,506)	-
OPERATING LOSS		(4,660,578)	(118,995)
Investment income	8	2,361	862,223
Interest payable	9	-	(145,115)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(4,658,217)	598,113
Tax on ordinary activities	10	-	-
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	19	(4,658,217)	598,113
Dividends Paid		(708,953)	(605,434)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(5,367,170)	(7,321)

The operating loss before restructuring costs for the year arises from the company's continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no other recognised gains or losses other than the loss for the year.



Netstore Limited  
BALANCE SHEET  
31 December 2008

	Notes	31 Dec 2008	Restated 30 Jun 2007
		£	£
<b>FIXED ASSETS</b>			
Investments	12	32,639,132	32,639,132
		<u>32,639,132</u>	<u>32,639,132</u>
<b>CURRENT ASSETS</b>			
Debtors – due within one year	13	31,769,548	12,625,606
Cash at bank and in hand		3,994	19,336
		<u>31,773,542</u>	<u>12,644,942</u>
<b>CREDITORS: amounts falling due within one year</b>	14	(17,931,198)	(158,832)
		<u>(17,931,198)</u>	<u>(158,832)</u>
<b>NET CURRENT ASSETS</b>		<u>13,842,344</u>	<u>12,486,110</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>46,481,476</u>	<u>45,125,242</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	-	(3,250,000)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(24,920)	(24,920)
		<u>46,456,556</u>	<u>41,850,323</u>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	36,062,204	28,852,130
Share premium account	19	8,384,405	7,897,730
Investment in own shares	19	-	(808,303)
Share based payment reserve	19	-	375,525
Profit and loss account	19	2,009,947	5,533,241
<b>SHAREHOLDERS' FUNDS</b>		<u>46,456,556</u>	<u>41,850,323</u>

Approved and authorised for issue by the Board on 30th April 2009

T Burt  
Director



Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

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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.

The 2007 balance sheet on page 8 was restated following the identification of discrepancies related to prior reporting period, full details of which were disclosed in the Netstore Interim Report 2008. The amount by which prior years' cumulative profits had been overstated was £2.3 million, of which £1.6 million related to the financial year ended 30 June 2007. The balance related to prior periods.

The restatements can be categorised as follows:

Cost accruals (£1.3 million) – a number of expenses had been identified which should have been charged in prior periods.

Income recognition (£1.1 million) – the Group is often able to invoice for services in advance of delivery and the majority of this error related to early recognition of revenue for consulting services.

Other (£0.1 million) – a number of adjustments were made in respect of the accounting for share options.

*Subsidiary undertakings*

The acquisition method of accounting has been adopted for acquisitions. Under this method the results of the subsidiary undertakings acquired or disposed of in the year are included in the profit and loss account from the date of acquisition or up to the date of disposal.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any provisions for diminution in value.

In accordance with section 230 of the Companies Act 1985, 2e2 Group Limited is exempt from the requirement to present its own profit and loss account.

*Turnover*

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts. Service revenues invoiced in advance are taken to income evenly over the period of delivery of the service.

In the case of long-term contracts, turnover reflects the contract activity during the year and represents the proportion of total contract value which costs incurred to date bear to total expected contract costs.

Revenue from equipment rentals 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 certain rental equipment arrangements, the company receives a discount against the purchase of products from the suppliers of this rental equipment. For these arrangements, revenue is equal to the discount received by the company which is recognised over the term of the rental agreement.

*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.

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

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1. ACCOUNTING POLICIES (CONTINUED)

*Tangible fixed assets and 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.

*Leased assets*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

*Deferred taxation*

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

*Foreign currencies*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

*Research and development*

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

*Pensions*

The group operates a number of defined contribution pension schemes. Contributions are charged in the profit and loss account as they become payable.

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

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1. ACCOUNTING POLICIES (CONTINUED)

*Share options*

The group issues equity-settled share-based payments to certain employees and advisers. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions at the date of grant). The fair value so determined has been expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of shares that will eventually vest, and adjusted for the effect of non-market vesting conditions.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Fair value is measured using a Black-Scholes-Merton option pricing model. The key assumptions used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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.

3. OTHER OPERATING EXPENSES

	2008	2007
	£	£
Selling and distribution expenses	-	-
Administrative expenses	428,072	118,995
	<u>428,072</u>	<u>118,995</u>

4. COST OF RESTRUCTURING

	2008	2007
	£	£
Restructuring Costs	41,495	-
Share Option Costs	3,099,809	-
Professional fees related to sale of Company	1,091,202	-
	<u>4,232,506</u>	<u>-</u>

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

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5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:	2008	2007
	£	£
Auditor's remuneration - audit services UK	15,000	10,000
- non audit services UK	-	-
	<u>15,000</u>	<u>10,000</u>

6. DIRECTORS' EMOLUMENTS

Directors whose activities were mainly focused on the Netstore companies were paid through Netstore (UK) Limited during the period. The relevant directors' emoluments have therefore been disclosed in the accounts of Netstore (UK) Limited.

7. STAFF COSTS

	2008	2007
	£	£
Wages and salaries	230,648	-
Social security costs	20,845	-
Other pension costs	-	-
Share based payment	-	-
	<u>251,493</u>	<u>-</u>

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

	2008	2007
	No.	No.
Selling and distribution	-	-
Administration	4	-
	<u>4</u>	<u>-</u>

2007 headcount and associated costs were disclosed in the accounts of Netstore (UK) Ltd.

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

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8. INVESTMENT INCOME

	2008	2007
	£	£
Bank interest	2,361	-
Interest from group undertaking	-	862,223
	<u>2,361</u>	<u>862,223</u>
	<u><u>2,361</u></u>	<u><u>862,223</u></u>

9. INTEREST PAYABLE

	2008	2007
	£	£
Bank interest	-	145,115
	<u>-</u>	<u>145,115</u>
	<u><u>-</u></u>	<u><u>145,115</u></u>

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

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10. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2008	2007
	£	£
(a) Tax on (loss)/profit on ordinary activities		
Current tax:		
UK corporation tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
(b) Factors affecting current tax charge		
The current tax assessed on the result on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 29% (2007: 30%), for the reasons set out below.		
	2008	2007
	£	£
(Loss)/profit on ordinary activities before taxation	(4,658,217)	598,113
	<u>-</u>	<u>-</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29% (2007: 30%)	(1,350,883)	179,434
Expenses not deductible for tax purposes	989,833	96,472
Depreciation in excess of capital allowances	-	-
Utilisation of tax losses	-	-
Group Relief	-	(275,906)
Group interest relating 30.06.07 recognised in 2008	-	-
FRS 20 share based payments	-	-
Adjustment in respect of prior year	-	-
Sch 23 deduction/SIP/Executive directors	-	-
Unrelieved tax losses carried forward	361,050	-
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

11. DIVIDENDS

	2008 £	2007 £
Final paid re: 2008 0.30p per share (2007: 0.28p per share)	432,782	393,873
Interim paid re: 2008 0.16p per share (2007: 0.15p per share)	276,171	211,561
	<u>708,953</u>	<u>605,434</u>

12. INVESTMENTS

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 (UK) Ltd	Ordinary shares	100%	IT Hosting Services
Netstore Systems Ltd	Ordinary shares	100%	Dormant
Cassium Technologies Ltd	Ordinary shares	100%	IT Consultancy
Netstore Managed Services Ltd	Ordinary shares	100%	IT Hosting Services

13. DEBTORS

	2008 £	2007 £
Recoverable amounts due within one year from subsidiary undertakings	31,769,548	12,611,023
Prepayments	-	14,583
	<u>31,769,548</u>	<u>12,625,606</u>

14. CREDITORS: amounts falling due within one year

	2008 £	2007 £
Amount due to parent undertaking	16,132,228	-
Other taxes and social security	1,798,970	-
Other creditors and accruals	-	158,832
	<u>17,931,198</u>	<u>158,832</u>



Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

15. CREDITORS: amounts falling due after more than one year

	2008	2007
	£	£
Bank loans (secured)	-	3,250,000
	<u>-</u>	<u>3,250,000</u>
	<u>-</u>	<u>3,250,000</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

	National Insurance	Total
	£	£
Balance at 1 July 2007	24,920	24,920
Transfer from profit and loss account	-	-
Balance at 31 December 2008	<u>24,920</u>	<u>24,920</u>

17. SHARE CAPITAL

AUTHORISED

	At 31 Dec 2008	At 30 Jun 2007
	£	£
Ordinary shares of 20p each	40,000,000	40,000,000

ALLOTTED, CALLED UP AND FULLY PAID

	At 31 Dec 2008 No.	At 30 Jun 2007 No.	At 31 Dec 2008 £	At 30 Jun 2007 £
Ordinary shares of 20p each	180,311,023	144,260,652	36,062,204	28,852,130

During the period 28,346,152 ordinary shares of 20p each were issued at a value of 26p per share to raise cash for the purpose of developing a second data centre at the Reading facility.

During the period 2,839,684 ordinary shares of 20p each were issued at a par value except for 2,151,208 shares which were issued at between 20.5p and 31p per share to satisfy exercised share options.

During the period 4,927,000 ordinary shares of 20p each were issued at a value of 32p per share to satisfy LTIPs for senior management.

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

The table below sets out the details of all options outstanding as at 31 December 2008. Note that all options were exercised following the acquisition.

	Date granted	Option price p	At 1 July 2007	New share issues	Exercised by current employees	Exercised by employees leaving the group	Cancelled on employees leaving group /lapsed	At 31 Dec 2008
<b>Enterprise Management Incentive Plan</b>								
	25/11/2002	20.00	28,100	-	28,100	-	-	-
	31/03/2003	20.50	475,000	-	400,000	75,000	-	-
	01/09/2003	36.75	213,780	-	-	-	213,780	-
	27/01/2004	37.25	237,075	-	-	-	237,075	-
	21/09/2004	28.00	160,225	-	89,006	-	71,219	-
	23/12/2004	32.75	167,200	-	-	-	167,200	-
	02/02/2005	37.25	78,325	-	-	-	78,325	-
	08/02/2005	37.25	70,318	-	-	-	70,318	-
			<b>1,430,023</b>	-	<b>517,106</b>	<b>75,000</b>	<b>837,917</b>	-
<b>Unapproved Netstore UK Scheme</b>								
	01/01/1998	1.00	34,000	-	-	-	34,000	-
			<b>34,000</b>	-	-	-	<b>34,000</b>	-
<b>Unapproved Plc Pre-IPO Scheme</b>								
	11/04/2000	31.00	278,200	-	-	-	278,200	-
			<b>278,200</b>	-	-	-	<b>278,200</b>	-
<b>Unapproved Plc Post-IPO Scheme</b>								
	15/02/2001	32.50	36,000	-	-	-	36,000	-
	26/04/2001	31.00	13,000	-	13,000	-	-	-
	05/06/2001	32.50	124,000	-	-	-	124,000	-
	11/03/2002	20.00	534,501	-	532,376	-	2,125	-
	01/06/2002	20.00	75,000	-	75,000	-	-	-
	19/09/2002	20.00	53,000	-	53,000	-	-	-
	31/03/2003	20.50	-	-	75,000	-75,000	-	-
	01/07/2003	28.75	90,000	-	-	-	90,000	-
	27/06/2006	34.00	905,736	-	-	-	905,736	-
	04/12/2006	28.50	1,663,438	-	692,530	-	970,908	-
	26/03/2007	32.00	643,802	-	-	-	643,802	-
	05/10/2007	26.75	-	1,229,305	881,672	-	347,633	-
			<b>4,138,477</b>	<b>1,229,305</b>	<b>2,322,578</b>	<b>-75,000</b>	<b>3,120,204</b>	-

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

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18. SHARE BASED PAYMENTS

**Enterprise Management Incentive Scheme (EMI)**

The exercise price of the options is determined by the directors but is not below the market value of the share at the date of grant. The contractual life of each option granted is 10 years. There are no cash settlement alternatives.

**Unapproved Schemes**

The exercise price of the options is determined by the directors but is not below the market value of the share at the date of grant. 25% of the options vest on the first anniversary of the grant date, and then in equal monthly instalments over a 3 year period. The contractual life of each option granted is 10 years. There are no cash settlement alternatives.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at the beginning of period	5,880,700	29.14p	5,734,347	27.26p
Granted during the period	1,229,305	26.75p	2,307,240	29.48p
Forfeited during the period	-	-	-	-
Exercised during the period	(2,839,684)	24.55p	(1,403,195)	19.68p
Expired during the period	(4,270,321)	34.77p	(757,692)	33.42p
Outstanding at the period end	-	-	5,880,700	29.14p
Exercisable at the period end	-	-	2,894,158	27.74p

In determining the fair value of the share options issued the directors have applied the Black-Scholes valuation method as they consider that is most appropriate to the option schemes operated by the Company.

The key inputs to the model to assess the fair value for share options issued in the period are as follows:

	2008 £'000	2007 £'000
Expected term of the option (months)	-	24-120
Share price at which option will be exercised	-	0-37.25p
Weighted average share price at the date the options were granted	-	32p
Volatility	-	29%
Dividend yield	-	1.332%
Risk-free interest rate	-	4.54%

All options were exercised on acquisition by 2e2 Limited.

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital	Share Premium Account	Capital Contributi on Reserve	Investment in own shares	Profit and Loss Account	Total
	£	£	£	£	£	£
At 30 June 2007 as previously reported	28,852,130	7,897,730	538,525	(988,303)	5,706,241	42,006,323
Share options adjustment	-	-	(163,000)	180,000	(173,000)	(156,000)
At 30 June 2007 as restated	28,852,130	7,897,730	375,525	(808,303)	5,533,241	41,850,323
Loss for the period	-	-	-	-	(5,367,170)	(5,367,170)
Exercise of share options *	7,210,074	486,675	(375,525)	808,303	1,843,876	9,973,403
At 31 December 2008	36,062,204	8,384,405	-	-	2,009,947	46,456,556

\* All options were exercised following the acquisition.

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 £Nil (2007: £17,660).

21. 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.

Netstore Limited  
NOTES TO THE ACCOUNTS  
at 31 December 2008

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22. 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, 2e2 Group Limited.