Registered No 4090390

2e2 UK Limited

Report and Financial Statements

31 December 2011

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

Secretary
N P Grossman

Auditors
Ernst & Young LLP
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2011

Results and dividends

The profit after taxation for the year was £17 8 million (2010 Restated £8 5 million) The directors are satisfied with the performance of the company during the year The directors do not recommend a final dividend (2010 £nil) 2010 figures were restated to reflect a change in the accounting policy for revenue recognition on managed service contracts The background and impact on the results is detailed in Note 1 to the accounts

Principal activity and review of the business

The principal activity of the company is the provision of a range of IT services, including training, business applications and technology solutions As part of the commercial rationalisation of the group, on 31 December 2010 the company acquired the assets of the following companies for the sum of £18 6 million

- Morse Group Limited
- Diagonal Solutions Limited

The results for the year ended 31 December 2011 therefore include the impact of the operations of these trading entities which are now fully integrated into the 2e2 UK Limited business.

On 1 January 2012 the trade and assets of Diagonal Consulting Limited were hived up into the company

Directors

The directors who served during the year ended 31 December 2011 were·

T W Burt	
M S McVeigh	
Nick Grossman	(appointed 21 February 2011)
Simon Burt	(appointed 5 December 2011)

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 Management have reviewed the key performance indicators during the year and are satisfied with the results

Future developments

The company continues to expand its activities through organic growth and acquisitions, and to rationalise sub-optimal operations through divestment or disposal

During the year the organisational structure was re-aligned to an industry-aligned go-to-market structure.

Principal risks and uncertainties

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

Directors' report (continued)

Principal risks and uncertainties (continued)

Market risk

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 The company manages its cost base tightly in order to ensure that it is aligned to the level of demand

Operational risk

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 During the year the company updated its service management tools and is in the process of updating its ERP systems

Liquidity risk

This relates to the risk that the company is unable to fund its requirements because of insufficient banking facilities The company manages liquidity risk via revolving credit facilities, long term debt and invoice factoring facilities The company maintains and reviews short term and long term cash flow forecasts on a regular basis to identify on going cash requirements

Interest rates

This relates to the risk of fluctuations in LIBOR, on which the interest charges for the company's bank facilities are based The company manages interest rate risk by entering into interest rate hedging agreements in relation to its bank borrowings

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 Company 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

Foreign exchange risk

A number of transactions are denominated in currencies other than the functional currency, which is £ sterling There is a risk that the exchange rate moves between the date of the transaction and the date of settlement resulting in a financial loss. To mitigate this risk, material assets and liabilities not denominated in the functional currency are hedged by means of forward currency contracts

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 Section 234 of 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

Directors' report (continued)

Employee involvement

The company maintains a practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the company may continue

It is the policy of the company that training, career development and promotion opportunities be available to all employees

Corporate governance

The directors' recognise the importance of adopting good corporate governance practices in the best interests of shareholders as a whole

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, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself 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

On behalf of the Board

S Burt
Director
30 April 2012

Statement of directors' responsibilities

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) 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 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 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 2e2 UK Limited

We have audited the financial statements of 2e2 UK Limited for the year ended 31 December 2011 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 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 set out on page 5, 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 (APB'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 In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the 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 2011 and of its profit 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

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

Independent auditors' report (continued)

to the members of 2e2 UK Limited

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 LLP

Kevin Harkin (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Reading
30 April 2012

Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £000	Restated 2010 £000
Turnover	2	279,027	170,946
Cost of sales		(207,522)	(101,368)
Gross profit		71,505	69,578
Administrative expenses			
Before exceptional items		(43,982)	(54,652)
Restructuring and integration costs	4	(4,370)	(1,227)
Operating profit	3	23,153	13,699
Costs of fundamental restructuring	4	(3,409)	(4,875)
Interest payable	7	(2,016)	(226)
Profit on ordinary activities before taxation		17,728	8,598
Tax	8	141	(69)
Profit for the financial year	18	17,869	8,529

All results arose from continuing operations.

Statement of total recognised gains and losses

for the year ended 31 December 2011

	2011 £000	2010 Restated £000
Profit for the financial year	17,869	8,529
Total recognised gains and losses related to the year	17,869	8,529
Prior year adjustment (as explained in Note 1)	(2,903)	
Total gains and losses since last annual report	14,966	

Balance sheet

at 31 December 2011

	Notes	2011 £000	Restated 2010 £000
Fixed assets			
Intangible fixed assets	9	13,701	13,288
Tangible assets	10	11,968	13,623
		25,669	26,911
Current assets			
Stocks	11	2,262	2,775
Debtors	12	154,451	164,656
Cash at bank and in hand		38,127	34,008
		194,840	201,439
Creditors: amounts falling due within one year	13	(164,780)	(189,290)
Net current assets		30,060	12,149
Total assets less current liabilities		55,729	39,060
Creditors amounts falling due after more than one year	14	(1,674)	(2,616)
Provisions for liabilities	16	(5,349)	(5,607)
Net assets		48,706	30,837
Capital and reserves			
Called up share capital	17	16,476	16,476
Profit and loss account	18	32,230	14,361
Shareholders' funds	19	48,706	30,837

Approved by the Board

S Burt
Director
30 April 2012

Notes to the financial statements

at 31 December 2011

1. Accounting policies

Basis of preparation and change in accounting policy

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

In preparing the financial statements for the current year, The Company has changed its accounting policy for revenue recognition on managed service contracts

The business had historically recognised revenue at the point a contract was awarded to a value reflecting the work carried out, but before the finalisation of the final terms and conditions of the contract As projects have become larger and more complex, contract terms and conditions often take longer to negotiate The Company has adjusted its policy and now recognises revenues only where a contractual relationship is established Evidence might take the form of a signed contract, purchase order, or an invoice to the customer for services In the event that a contractual relationship is not established during the period, the Company will recognise revenue associated with the contract where there is a reasonable expectation that the Company will recover the pre-contract costs

In order to determine the prior year adjustment value, The Company reviewed each contract relevant to the revenue taken and identified the date that the contractual relationship was established An adjustment has been made where the contractual relationship was established outside of the prior year period In these cases, The Company does not consider it prudent to recognise any revenue to recover pre-contract costs due to the amount of time that has passed and the difficulty in identifying any costs incurred

In light of the materiality of the amounts involved, the directors are of the opinion that it is appropriate to adjust the comparatives for the year ended 31 December 2010 retrospectively and therefore the effect has been treated as a prior year adjustment The directors believe this will ensure that the results for the current period are not distorted and that the prior periods have the correct amount of revenue and profits

The effect of this adjustment is to decrease the profit after tax by £1 8m for the year ended 31 December 2010 and reduce accrued income by £2 9m as at that date, including a £2 9 million reduction to retained reserves brought forward at 1 January 2011

Statement of cash flows

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

Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the 2e2 group

Goodwill

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life, generally 20 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

Notes to the financial statements

at 31 December 2011

1. Accounting policies (continued)

Intangible assets- development costs

An internally generated intangible asset arising from The Company's development activities is recognised if all of the following conditions are met

- An asset is created that can be separately identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably

Internally generated intangible assets are amortised on a straight-line basis over their useful lives The carrying value of intangible assets are reviewed for impairment if events or changes in circumstances indicate the carrying value is not recoverable

Turnover

Sales of Goods

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer usually on despatch

Rendering of Services

Revenue from the provision of services is recognised on a time and materials basis in the period in which the services are provided

Managed service contracts

Where the outcome cannot be estimated reliably, revenue is recognised to the extent that costs incurred will probably be recovered When it is probable that total contract costs will exceed total contract revenues, the expected loss is recognised as an expense immediately

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of 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 or lease term if shorter The rates generally applicable are

Leasehold improvements	–	Term of the lease
Computer equipment	–	3 – 4 years
Fixtures and fittings	–	4 years
Motor vehicles	–	4 years
Rental assets	–	2 – 3 years

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

Investments

Investments are included at cost less amounts written off.

Stocks

Stocks are stated at the lower of cost and net realisable value Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Notes to the financial statements

at 31 December 2011

1. Accounting policies (continued)

Long-term contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty The profit recognised reflects the proportion of work completed to date on the project

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account

Full provision is made for losses on all contracts in the year in which the loss is first foreseen

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

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.

Leasing and hire purchase commitments

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 periodic rate of charge on the remaining balance of the obligation for each accounting period 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.

Notes to the financial statements

at 31 December 2011

Provisions

A provision is recognised when The Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

Pensions

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

2. Turnover

An analysis of turnover by geographical market has been omitted because substantially all turnover arose in the United Kingdom and the company acts as agent only in respect of these transactions All turnover is earned from the company's sole principal activity

3. Operating profit

This is stated after charging/(crediting)

	2011	*2010*
	£000	*£000*
Auditors' remuneration – audit fees	280	377
Operating lease rentals – land and buildings	1,467	1,306
Depreciation and amortisation – goodwill (Note 9)	641	684
– development costs (Note 9)	1,356	-
– tangible assets owned	4,823	5,440
– held under finance leases	832	595
Foreign exchange losses	111	30
Exceptional restructuring and integration costs (See Note 4)	7,779	6,102

The tax service costs have been borne at group level

4. Exceptional items

	2011	*2010*
	£000	*£000*
Restructuring and redundancy costs	4,370	1,227
Fundamental restructuring costs	3,409	4.875
Restructuring and redundancy costs	7,779	6,102

In 2011, the Group continued to incur restructuring and integration costs as part of the completion of the integration of Morse plc, acquired in 2010 and the offshoring of certain services to Patni Computer Systems In 2010, the restructuring and integration costs were incurred as a result of the reorganisation of the management and operations within the UK business following the acquisition and subsequent integration of Morse plc The businesses had previously been organised as separately managed corporate entities The reorganisation of the operations included the transfer of certain services to Patni Computer Systems, our offshore service provider

Notes to the financial statements

at 31 December 2011

5. Directors' emoluments

Directors' remuneration have been borne by fellow group company 2e2 Holdings Limited It is impractical to apportion directors' salaries to 2e2 UK Limited Further details of the director remuneration are disclosed in the financial statements of 2e2 Holdings Limited.

6. Staff costs

	2011	*2010*
	£000	*£000*
Wages and salaries	47,211	32,629
Social security costs	7,680	4,138
Other pension costs	1,369	664
	56,260	37,431

The average number of persons employed by the company during the year were as follows

	No	*No*
Management and administration	168	122
Sales and marketing	232	137
Operations	1,012	539
	1,412	798

7. Interest payable

	2011	*2010*
	£000	*£000*
Bank loans, overdrafts and other loans	2,016	226

Notes to the financial statements

at 31 December 2011

8. Tax

(a) Tax on profit on ordinary activities

The tax charge / (credit) is made up as follows

	2011	*2010*
	£000	*£000*
Current tax		
United Kingdom corporation tax		
Prior period adjustment	(141)	69
Deferred tax		
Origination and reversal of timing differences	-	-
	(141)	69

(b) Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 26 5% (2010 – 28%) The differences are explained below

	2011	*2010*
	£000	*£000*
Profit on ordinary activities before taxation	17,728	10,366
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 5% (2010 – 28%)	4,698	2,902
Effects of		
Expenses not deductible	554	584
Depreciation in excess of capital allowances	1,138	1,360
Group relief received for nil payment	(4,367)	(3,218)
Adjustment in respect of previous periods	(141)	69
Utilisation of brought forward tax losses	(1,685)	(1,628)
Other timing differences	(338)	–
Current tax for the year	(141)	69

Notes to the financial statements
at 31 December 2011

8. Tax (continued)

(c) Deferred tax

	2011	*2010*
	£	*£*
Deferred taxation assets recognised in the financial statements		
Decelerated capital allowances	5,503	4,200
Other timing differences	825	28
Trading losses available to offset against future profits	–	2,100
	6,328	6,328

Deferred taxation assets not recognised in the financial statements·		
Decelerated capital allowances	4,383	5,277
Other timing differences	–	1,160
Tax losses	6,185	6,242
	10,568	12,679

The deferred taxation asset has not been recognised because sufficient profits will not be generated to recover all of the tax losses in the near future

(d) Factors that may affect future tax charges

In Budget 2011 on 23 March 2011, the Chancellor of the Exchequer announced a reduction in the UK rate of corporation tax to 26%. This reduced rate applied from 1 April 2011 and was enacted using secondary legislation, called the Provisional Collection of Taxes Act A further 1% rate reduction to 25% was also announced and it was intended that this would be effective from 1 April 2012 However, in his budget of 21 March 2012, the Chancellor of the Exchequer announced a number of further changes to the UK Corporation Tax rate These included a reduction in the UK corporation tax rate from 25% to 24% effective from 1 April 2012 (substantively enacted as of 26 March 2012 and dealt with by Resolution under the Provisional Collection of Taxes Act). The UK government intends to further reduce the UK corporate income tax rate, to 22%, in annual increments of 1% per annum which will be enacted in successive Finance Bills Consequently, the company will only recognise the impact of the rate change which is substantively enacted at that time in its financial statements However, for indicative purposes only, the company has shown the effect of the proposed reduction in the corporate income tax rate for each year on the gross deferred tax asset recognised as at 31 December 2011 as follows

31 December 2011 (substantively enacted tax rate = 25%)	£6,328,300
31 December 2012 (substantively enacted tax rate = 24%)	£6,075,168
31 December 2013 (substantively enacted tax rate = 23%)	£5,822,036
31 December 2014 (substantively enacted tax rate = 22%)	£5,568,904

Notes to the financial statements

at 31 December 2011

9. Intangible fixed assets

	Goodwill £000	Restated Development costs £000	Restated Total £000
Cost			
At 1 January 2011	12,982	2,135	15,117
Additions	-	1,769	1,769
At 31 December 2011	12,982	3,904	16,886
Depreciation			
At 1 January 2011	1,457	372	1,829
Charge for the year	641	715	1,356
At 31 December 2011	2,098	1,087	3,185
Net book value			
At 31 December 2011	10,884	2,817	13,701
At 1 January 2011	11,525	1,763	13,288

Goodwill is being amortised as follows:

- Goodwill transferred from 2e2 Services Limited £177,903 has been amortised evenly over the directors' estimated remaining useful economic life of 16 months
- Goodwill arising from the acquisition of the net assets of the Netstore Group £12,805,777 is being amortised over the directors' estimate of its economic life of 20 years

Notes to the financial statements

at 31 December 2011

10. Tangible fixed assets

	Leasehold improvements	*Fixtures and fittings*	*Motor vehicles*	*Restated Computer equipment*	*Assets under construction*	*Restated Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cost						
At 1 January 2011	1,907	7,207	26	15,889	410	25,439
Assets brought into use	–	–	–	410	(410)	–
Additions	–	19	–	3,110	40	3,169
Disposals	–	–	(5)	–	–	(5)
At 31 December 2011	1,907	7,226	21	19,409	40	28,603
Depreciation						
At 1 January 2011	317	1,788	19	9,692	–	11,816
Charge for the year	112	941	6	3,764	–	4,823
Elimination on disposal	–	–	(4)	–	–	(4)
At 31 December 2011	429	2,729	21	13,456	–	16,635
Net book value						
At 31 December 2011	1,478	4,497	–	5,953	40	11,968
At 1 January 2011	1,590	5,419	7	6,197	410	13,623

The net book value of fixed assets includes £1,396,500 (2010 – £975,994) for computer and other equipment in respect of assets held under finance leases

11. Stock

	2011	*2010*
	£000	*£000*
Spare parts	1,654	2,035
Goods for resale	608	740
	2,262	2,775

Notes to the financial statements

at 31 December 2011

12. Debtors

	2011 £000	Restated 2010 £000
Trade debtors	48,898	51,829
Amounts owed by fellow subsidiary undertakings	37,171	61,093
Other debtors	68,382	51,734
	154,451	164,656

Included in the above are the following amounts which are due after more than one year

	2011 £000	2010 £000
Deferred tax assets	4,200	6,328

13. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	44,965	37,827
Amounts owing to fellow subsidiary undertakings	49,897	89,741
Corporation tax	3,300	2,011
Taxation and social security	11,380	7,590
Accruals and deferred income	54,516	51,701
Finance Leases (Note 15)	722	420
	164,780	189,290

Trade creditors comprise amounts due to suppliers from the company's principals which the company is responsible for paying

14. Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Accruals and deferred income	1,100	2,362
Finance leases (Note 15)	524	254
Amounts owing to fellow subsidiary undertakings	50	–
	1,674	2,616

Notes to the financial statements

at 31 December 2011

15. Obligations under finance leases and hire purchase contracts

	2011	*2010*
	£000	*£000*
Amounts payable		
Withın one year	800	497
In two to five years	540	299
	1,340	796
Less finance charges allocated to future perıods	94	122
	1,246	674

16. Provisions for liabilities

	Refunds	*Accrued ıncome*	*Other*	*Property*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Cost					
At 1 January 2011	504	480	715	3,908	5,607
Arısıng durıng the year	–	–	200	1,118	1,118
Utılısed	–	–	–	(1,096)	(1,096)
Released	–	(480)	–	–	(480)
At 31 December 2011	504	–	915	3,930	5,349

Refunds

A provısıon ıs recognısed for potentıal refund claıms on products sold during the last five years It ıs expected that these costs wıll be ıncurred ın the next 1 to 2 years of the balance sheet date

Accrued ıncome

Followıng the acquısıtıon of the trade and assets of Morse Group Ltd and Dıagonal Consultıng Lımıted a provısıon was recognısed agaınst accrued income for expected ınvoıcıng ıssues The provısıon was released durıng the year

Other

Other provısıons ınclude £0 9m ın respect of potentıal pension lıabılıtıes.

Property

The provısıon ıs ın respect of propertıes to be exıted as part of the Morse ıntegration and restructurıng programme ın 2010 The property provısıons include all rent, rates, securıty and other servıce costs to the end of the respectıve leases along wıth an estımate for antıcıpated dılapidatıon costs on all propertıes currently held under operatıng leases

17. Issued share capital

		2011		*2010*
Allotted, called up and fully paıd	*No*	*£000*	*No*	*£000*
Ordınary share of £1 each	16,475,624	16,476	16,475,624	16,476

Notes to the financial statements

at 31 December 2011

18. Profit and loss account

	£000
Balance 1 January 2011 as reported	17,264
Prior year adjustment (Note 1)	(2,903)
Restated balance at 1 January 2011	14,361
Profit for the year	17,869
Balance at 31 December 2011	32,230

19. Reconciliation of shareholders' funds

	£000
Balance 1 January 2011 as reported	33,740
Prior year adjustment (Note 1)	(2,903)
Restated balance at 1 January 2011	30,837
Profit for the year	17,869
Balance at 31 December 2011	48,706

20. Commitments and contingencies

(a) Operating leases

Minimum annual rentals under non-cancellable operating leases which expire

	2011 £000	2010 £000
Land and buildings		
Within one year	144	76
Within two to five years	1,187	728
After five years	404	524
	1,735	1,328
Plant, machinery and motor cars:		
Within one year	187	95
Within two to five years	573	673
	760	768

(b) Cross guarantee

On 10 October 2008, the company entered into a cross guarantee in the amount of £165,000,000, in favour of its bankers in respect of the borrowings of the group

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.

Notes to the financial statements

at 31 December 2011

21. Related party transactions

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

22. Ultimate parent undertaking and controlling party

The immediate parent company of 2e2 UK 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