

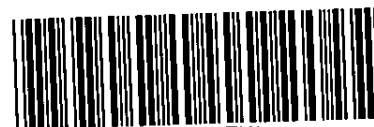
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2e2 Networks Limited

Report and Financial Statements

31 December 2007

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COMPANIES HOUSE

2e2 Networks Limited

Registered No 4179263

Directors

T W Burt
M S McVeigh
N P Grossman

Secretary

N P Grossman

Auditors

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

Registered Office

The Mansion House
Benham Valence
Speen
Newbury
Berkshire
RG20 8LU

Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

Principal activities and review of the business

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

Results and dividends

A dividend of £51,305 was declared in December 2007 (2006 £200 000)

Directors and their interests

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

T W Burt
M S McVeigh
N P Grossman

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

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

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirm that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Directors' report (continued)

Principal risks and uncertainties

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

Market

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

Operational

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

Liquidity

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

Key performance indicators

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


Corporate governance

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

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



T W Burt
Director

Date **12 NOV 2008**

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of 2e2 Networks Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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 2e2 Networks Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Reading

Date

11 3 NOV 2008

Profit and loss account

for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover	2	-	1,565
Cost of sales	3	-	(1,144)
		<hr/>	<hr/>
Gross profit		-	421
Operating expenses		-	(172)
		<hr/>	<hr/>
Operating profit		-	249
Interest receivable and similar income		-	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	-	249
Tax on profit on ordinary activities	6	-	-
Dividends		(53)	(200)
		<hr/>	<hr/>
Profit transferred to reserves	12	(53)	49
		<hr/>	<hr/>

All results arose from discontinued operations

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

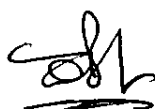
There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

Balance sheet

at 31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	7	-	22
Current assets			
Stocks		-	248
Debtors amounts due within one year	8	53	354
		53	602
Creditors amounts falling due within one year	9	(53)	(511)
Net current assets		-	91
Total assets less current liabilities		-	113
Creditors amounts falling due after more than one year	10	-	(60)
Net assets		-	53
Capital and Reserves			
Called up share capital	11	-	-
Profit and loss account	12	-	53
Shareholders' funds	13	-	53

Approved by the Board



T W Burt
Director

Date 12 NOV 2008

Notes to the financial statements

at 31 December 2007

1 Accounting policies

Basis of preparation

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

Basis of accounting

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

Cash flow statement

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

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts

Tangible fixed assets

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

Computer equipment	-	3-4 years
Motor vehicles	-	4 years

2 Turnover

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

3 Cost of sales, gross profit and operating expenses

	2007 £000	2006 £000
Cost of sales	-	1,144
Gross profit	-	421
Administrative expenses -	-	172
Operating expenses	-	172

The above includes staff costs and directors' remuneration (see note 6)

Notes to the financial statements

at 31 December 2007

4. Staff costs and directors' remuneration

Staff costs

The aggregate remuneration comprised

	2007 £000	2006 £000
Wages and salaries	-	245
Social security costs	-	34
Other pension costs	-	4
	<u>-</u>	<u>283</u>

Staff numbers

The average number of persons employed by the company was

	2007 No	2006 No
Management and administration	-	3
Operations	-	6
	<u>-</u>	<u>9</u>

Directors' remuneration

The remuneration of the directors was as follows

	2007 £000	2006 £000
Directors' emoluments	-	49

The highest paid director received emoluments of £nil during the year (2006 £48,667)

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

Notes to the financial statements

at 31 December 2007

5. Profit on ordinary activities before taxation

	2007	2006
	£000	£000
Depreciation and amounts written-off tangible fixed assets - owned	-	8
Auditors' remuneration - audit fees	-	4
	<u> </u>	<u> </u>

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

6 Taxation on profit on ordinary activities

	2007	2006
	£000	£000
United Kingdom corporation tax	-	-
Origination and reversal of timing differences	-	-
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	-	-
	<u> </u>	<u> </u>

Factors affecting the tax charge for the year

	2007	2006
	£000	£000
Profit on ordinary activities before taxation	-	249
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	-	75
<i>Effects of</i>		
Decelerated capital allowances	-	2
Expenses not deductible for tax purposes	-	1
Group relief received for nil payment	-	(78)
	<u> </u>	<u> </u>
Current tax charge for the year	-	-
	<u> </u>	<u> </u>
<i>Deferred taxation not recognised in the financial statements</i>		
Decelerated capital allowances	-	19
	<u> </u>	<u> </u>

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%. It is estimated that as a result, the unrecognised deferred tax asset will decrease by £6,104.

Notes to the financial statements

at 31 December 2007

7. Tangible fixed assets

	<i>Motor vehicles £000</i>	<i>Computer equipment £000</i>	<i>Total £0000</i>
<i>Cost</i>			
At 1 January 2007	71	31	102
Transferred to group companies	(71)	(31)	(102)
At 31 December 2007	-	-	-
<i>Depreciation</i>			
At 1 January 2007	56	24	80
Transferred to group companies	(56)	(24)	(80)
At 31 December 2007	-	-	-
<i>Net book value</i>			
At 31 December 2007	-	-	-
At 1 January 2007	15	7	22

8 Debtors, amounts falling due within one year

	<i>2007 £000</i>	<i>2006 £000</i>
Trade debtors	-	73
Amounts owed by fellow group undertakings	53	276
Other debtors	-	3
Prepayments and accrued income	-	2
	53	354

Notes to the financial statements

at 31 December 2007

9. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Bank overdraft (see note 15)	-	151
Trade creditors	-	47
Amounts owing to fellow subsidiary undertakings	-	276
Taxation and social security	-	10
Other creditors and accruals	-	27
Proposed dividend	53	-
	<u>53</u>	<u>511</u>

10 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amounts owing to fellow subsidiary undertakings	-	60
	<u>-</u>	<u>60</u>

11. Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
50,000 ordinary shares of £1 each	50	50
	<u>50</u>	<u>50</u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	-	-
	<u>-</u>	<u>-</u>

12 Reserves

	<i>Profit and loss account</i> £000
Balance at 1 January 2007	53
Result for the year	-
Proposed dividend	(53)
	<u>-</u>
Balance at 31 December 2007	<u>-</u>

Notes to the financial statements

at 31 December 2007

13 Reconciliation of movements in shareholders' funds

	2007	2006
	£000	£000
Balance at beginning of year	53	4
Result for the year	-	49
Proposed dividend	(53)	-
Shareholders' funds at end of year	-	53

14 Financial commitments

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

15. Ultimate parent company and controlling party

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

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

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