

2e2 Networks Limited

Report and Financial Statements

31 December 2010



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 annual report on the affairs of the company together with the financial statements and auditors' report

Principal activities 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

Results and dividends

The directors do not propose a dividend for 2010 (2009 – £nil)

Directors and their interests

The directors who served during the year ended 31 December 2010 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 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, 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

By order of the Board



T W Burt
Director
28 April 2011

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). 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 and 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.

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 financial statements of 2e2 Networks 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 (continued)

to the members of 2e2 Networks Limited

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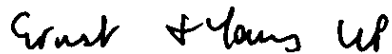
Opinion on other matter prescribed by the Companies Act 2006

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



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

The company has not traded during the year or the preceding year. During these years, the company received no income and incurred no expenditure and therefore made neither profit nor loss.

Balance sheet

at 31 December 2010

	Note	2010 £	2009 £
Current assets			
Debtors	4	1	1
Net assets		<u>1</u>	<u>1</u>
Capital and reserves			
Called up share capital	5	<u>1</u>	<u>1</u>
Shareholders' funds	7	<u>1</u>	<u>1</u>

Approved 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

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

2 Directors' emoluments

T W Burt, M S McVeigh and N P Grossman were directors of the company throughout 2010. All were employed by 2e2 Holdings Limited and hence no charge is made in these financial statements to cover their cost.

3. Taxation on profit on ordinary activities

The company did not have any taxable activities the period

4. Debtors

	2010 £	2009 £
Amounts owed by fellow group undertakings	1	1
	<u>1</u>	<u>1</u>

5. Authorised and issued share capital

	2010 £	2009 £
<i>Authorised</i>		
50,000 ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

Notes to the financial statements

at 31 December 2010

6. Reserves

Profit and loss account
£

Balance at 1 January 2010 and
at 31 December 2010

—

7. Reconciliation of movements in shareholders' funds

	2009	2008
	£	£
Balance at beginning of year	1	1
Dividend	—	—
Shareholders' funds at end of year	1	1

8 Financial commitments

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

9. Related party transactions

As a wholly owned subsidiary of 2e2 Group Limited, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group and related parties on the grounds that financial statements are publicly available from Companies House

10. 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.