

Registered No. 05929340

2e2 Holdings Limited

Report and Financial Statements

For the period ended 31 December 2007

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COMPANIES HOUSE

2e2 Holdings Limited

Registered No 05929340

Directors

E Priestley (Non-Executive Chairman)
T Burt (Chief Executive)
M McVeigh
N Grossman
S Burt
J Harper
J Loveland
K Mullord

Secretary

S Burt

Auditors

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

Bankers

Bank of Scotland
155 Bishopsgate
London
EC2M 3YB

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

Lloyds TSB Bank plc
25 Gresham Street
London
EC2V 7HN

Alpstar UK Limited
33 St James Square
London
SW1Y 4JS

Solicitors

DLA Piper UK LLP
3 Noble Street
London
EC2V 7EE

Registered Office

The Mansion House
Benham Valence
Newbury
Berkshire
RG20 8LU
United Kingdom

Directors' report

The directors' present their report and financial statements for the period from 8 September 2006, the date of incorporation, to 31 December 2007

2e2 Holdings Limited acquired 2e2 Group Limited and subsidiary companies on 22 September 2006

Principal activity

The principal activity of the group is the delivery of outsourced computer services, focusing on the Unified Communications, Technology Solutions, Managed Services and Business Applications Solutions. These services are delivered to customers in the UK, Channel Islands, Isle of Man and The Netherlands. The group continues to expand its activities through a combination of organic growth and acquisitions.

Review of the business

There was an operating profit for the period of £6.3m.

During the period, the group completed the acquisition of Compel Group plc and subsidiary companies. Compel is a specialist in business critical technology solutions and business application solutions.

The retained loss for the period after taxation amounted to £21.3m. Included within operating profits, certain exceptional one-off costs have been highlighted on the face of the profit and loss account to give a better understanding of the underlying performance of the group. These costs amount to £6.3m and relate to the integration and consequent restructuring of the UK and Dutch trading companies into single operating companies, and the restructuring of the Compel Group following its acquisition.

The directors are delighted with the performance of the group during the period. They do not recommend the payment of a dividend.

Directors and their interests

The directors who served during the period ended 31 December 2007 were:

Eric Priestley	(appointed 22 September 2006)
Terry Burt	(appointed 20 September 2006)
Mark McVeigh	(appointed 20 September 2006)
Nick Grossman	(appointed 20 September 2006)
Simon Burt	(appointed 20 September 2006)
John Harper	(appointed 22 September 2006)
Kate Mullord	(appointed 26 April 2007)
John Loveland	(appointed 25 October 2006)

Directors and their interests

The directors' interests in the share capital and loan stock of 2e2 Holdings Limited, the ultimate holding company, are as follows:

	<i>Number of A Ord shares</i>	<i>Number of C Ord shares</i>	<i>Number of D Ord shares</i>	<i>Number of Preference shares</i>	<i>Amount of loan stock</i>
E Priestley	-	-	66,657	-	-
T Burt	133,582	534,694	-	2,351,079	2,351,079
M McVeigh	106,671	430,932	-	1,894,832	1,894,832
N Grossman	66,840	58,855	-	258,788	258,788
S Burt	93,576	58,855	-	258,788	258,788
J Loveland	-	5,763	13,334	25,338	25,338
J Harper	-	-	-	-	-
K Mullord	-	-	-	-	-

Directors' report (continued)

Directors and their interests (continued)

No director had, during or at the end of the period, a material interest in any contract, which was significant in relation to the group's business

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 group'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 group'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 group's auditors are aware of that information

Employee involvement

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

Disabled employees

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 retrain them in order that their employment with the group may continue

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

Supplier payment policy

It is the policy of the group to pay all amounts due to suppliers as they fall due. As at 31 December 2007, trade creditors of the group were equivalent to 49 days purchases

Directors' report (continued)

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. This risk is reduced as the group's banking facilities are available on a committed basis.

Cash flow

This relates to the risk of exposure to variability in cash flows that is attributable to a particular risk of future interest payments on variability rate debt. The group manages this risk, where significant, by the use of derivatives as explained below.

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.

Use of derivatives

The group uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements. Hedge accounting is used when certain criteria are met as explained in the accounting policy note.

Key performance indicators

The senior management of the group 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.

Directors' report (continued)

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 it these will strengthen its offering 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

During the period, Ernst & Young LLP were appointed as 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



S Burt
Director

Date 16 May 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 period. 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 group and the company and of the profit or loss of the group 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 group and 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 group and 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 Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of 2e2 Holdings Limited for the period from 8 September 2006 to 31 December 2007 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 28. 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 group's and 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.

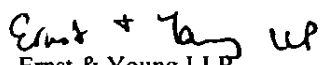
Independent auditors' report

to the members of 2e2 Holdings 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 group's and the parent company's affairs as at 31 December 2007 and of the group'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
Registered Auditor
Reading

Date 16 May 2008

Group profit and loss account

for the period ended 31 December 2007

	<i>Note</i>	<i>Period from 8 September 2006 to 31 December 2007 £'000</i>
Turnover	2	243,805
Cost of sales		(149,657)
Gross profit		94,148
Administration expenses		(70,211)
Operating profit before depreciation, amortisation of goodwill and exceptional items*		23,937
Depreciation of non-rental assets		(1,908)
Amortisation of goodwill	3	(9,424)
Exceptional administration expenses	3	(6,297)
Operating profit		6,308
Net interest and other similar charges	4	(25,980)
Loss on ordinary activities before taxation	3	(19,672)
Tax on profit on ordinary activities	6	(1,617)
Loss for the period attributable to members of the parent company	20	(21,289)

* Non-statutory disclosure, presented for supplementary understanding of the financial statements
All amounts included within operating profit relate to acquisitions

Group statement of total recognised gains and losses

for the period ended 31 December 2007

	<i>Period ended 31 December 2007 £'000</i>
Loss for the period	(21,289)
Currency translation differences on foreign currency net investments	(499)
Total recognised gains and losses related to the period	(21,788)

Group balance sheet

at 31 December 2007

	<i>Note</i>	<i>2007 £'000</i>
Fixed assets		
Intangible assets - goodwill	9	160,686
Tangible assets	10	11,710
		<hr/> 172,396
Current assets		
Stocks	12	8,076
Debtors - amounts due within one year	13	51,844
Debtors - amounts due after more than one year	13	4,607
Cash at bank and in hand		11,489
		<hr/> 76,016
Creditors: amounts falling due within one year	14	(56,962)
Net current assets		<hr/> 19,054
Total assets less current liabilities		<hr/> 191,450
Financed by		
Creditors - amounts falling due after more than one year	15	190,831
Deferred income - falling due within one year	16	15,442
		<hr/> 206,273
Capital and Reserves		
Called up share capital	19	70
Share premium account	20	6,895
Profit and loss account	20	(21,788)
Shareholders' funds		<hr/> 14,823
		<hr/> 191,450

Approved by the Board



S Burt

Director

Date 16 May 2008

Company balance sheet

at 31 December 2007

	Note	2006 £'000
Fixed assets		
Tangible assets	10	-
Investments	11	31,024
		<u>31,024</u>
Current assets		
Debtors - amounts due within one year	13	11
Cash at bank		61
		<u>72</u>
Creditors: amounts falling due within one year	14	(2,591)
Net current assets		<u>(2,519)</u>
Total assets less current liabilities		<u>28,505</u>
Financed by		
Creditors amounts falling due after more than one year	15	29,012
		<u>29,012</u>
Capital and Reserves		
Called up share capital	19	70
Share premium account	20	6,895
Profit and loss account	20	(7,472)
		<u>(507)</u>
Shareholders' funds		<u>28,505</u>

Approved by the Board



S Burt

Director

Date 16 May 2008

Group cash flow statement

for the period from 8 September 2006 to 31 December 2007

	<i>Note</i>	<i>2007 £'000</i>
Net cash inflow from operating activities	21	22,922
Returns on investments and servicing of finance		
Interest received		(14,145)
Interest paid		485
Finance lease interest paid		(7)
Net cash outflow from returns on investments and servicing of finance		(13,667)
Taxation		(1,009)
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(14,958)
Sale of tangible fixed assets		6,493
Net cash outflow from capital expenditure and financial investment		(8,465)
Acquisitions and disposals		
Purchase of subsidiary undertakings		(176,166)
Net cash from purchase of subsidiary undertakings		5,324
Net cash outflow from acquisitions and disposals		(170,842)
Financing		
Receipts of borrowings		178,238
Issue of share capital		4,465
Finance leases		(153)
Net cash inflow from financing		182,550
Increase in cash	23	11,489

Notes to the financial statements

For the period ended 31 December 2007

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

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 11), drawn up to 31 December 2007. These financial statements present the results for the period from 8 September 2006.

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 period 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.

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.

Negative goodwill is written back to the profit and loss account to match the recovery of the non-monetary assets acquired.

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 period 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.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts for the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Notes to the financial statements

For the period ended 31 December 2007

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 period in which the loss is first foreseen.

Tangible fixed assets and depreciation

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

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.

Investments

Investments are included at cost less amounts written off.

Stocks

Stocks are stated at the lower of cost and net realisable value.

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.

Notes to the financial statements

For the period ended 31 December 2007

1. Accounting policies (continued)

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.

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.

Derivative instruments

The group uses interest rate swaps to adjust interest rate exposures. The group considers its derivative instruments qualify for hedge accounting when the following criteria are met:

- the instrument must be related to an asset or liability, and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the period end. If they are terminated early, the gain / loss is spread over the remaining maturity of the original instrument.

2. Turnover

Turnover is wholly attributable to the provision of Information Technology Solutions. An analysis of turnover by geographical market is given below:

	2007 £'000
United Kingdom (including the Channel Islands and the Isle of Man)	212,212
Europe	31,593
	<u>243,805</u>

Included within turnover is £3.2m relating to barter transactions related to the company's equipment rentals division.

Notes to the financial statements

For the period ended 31 December 2007

3. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging

	2007 £'000
Auditors' remuneration - audit services - UK	352
- Overseas	56
- non-audit services	78
Depreciation and amortisation	9,424
- goodwill (see note 9)	5,554
- tangible fixed assets - owned	51
- held under finance leases and hire purchase contracts	5,846
Other operating lease rentals	6,297
Reorganisation, restructuring and integration costs of the UK group	

The reorganisation, restructuring and integration costs incurred in the period relate to the following activities

	2007 £'000
Integration and restructuring of the UK group	3,443
Integration and restructuring of the Netherlands group	856
Restructuring costs within Compel following acquisition by the group	1,998
	4,223

4. Net interest and other similar charges

	2007 £'000
On bank loans, overdrafts and other loans	21,802
Finance charges in respect of finance leases	7
Other interest payable and similar charges	4,655
Other interest receivable and similar income	(484)
	25,980

Notes to the financial statements

For the period ended 31 December 2007

5. Staff costs

Staff costs during the period were as follows

	2007 £'000
Wages and salaries	67,415
Social security costs	8,912
Other pension costs	1,486
	<u>77,813</u>

The average number of employees of the group during the period was as follows

	2007 No
Management and administration	158
Sales and marketing	247
Operations	939
	<u>1,344</u>

Remuneration in respect of directors during the period was as follows

	2007 £'000
Fees	-
Emoluments	776
Pension contributions to money purchase pension schemes	209
Payments to third parties for directors' services	212
	<u>1,197</u>

The amounts set out above include remuneration in respect of the highest paid director for the period was as follows

	2007 £'000
Emoluments	173
Pension contributions to money purchase pension schemes	166

During the period 4 directors participated in money purchase pension schemes

Notes to the financial statements

For the period ended 31 December 2007

6. Tax on profit on ordinary activities

a) *The tax charge/(credit) represents*

2007
£'000

Overseas taxation	569
Origination and reversal of timing differences	739
Effect of change in tax rates on liability	309
Total deferred tax	1,048
Tax on profit on ordinary activities	1,617

b) *Factors affecting tax charge for the period*

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained as follows

2007
£'000

(Loss)/profit on ordinary activities before tax	(19,672)
Profit on tax on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	(5,901)
<i>Effects of</i>	
Expenses not deductible for tax purposes	6,010
Capital allowances in excess of depreciation	(2,813)
Differences in tax rates	(868)
Unrelieved tax losses	4,141
Current tax charge for the period	569

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%. This rate change will both affect the amount of future cash tax payments to be made by the company and will also reduce the size of the company's deferred tax asset. Changes to the UK capital allowance regime have also been proposed, the most significant of these changes for the company is the reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum on a reducing balance basis from 1 April 2008. The effect on the company of these proposed changes to the UK tax system will be fully reflected in the company's financial statements for the year ending 31 December 2008.

Notes to the financial statements

For the period ended 31 December 2007

7. Profit for the financial period

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's loss for the period was £7.5m.

8. Dividends

No dividends were paid or declared during the period.

9. Intangible fixed assets

		<i>Group</i> <i>2007</i> <i>£'000</i>	<i>Company</i> <i>2007</i> <i>£'000</i>
Goodwill		160,686	-
<i>Group</i>			
	<i>Purchased goodwill</i> <i>£'000</i>	<i>Goodwill</i> <i>£'000</i>	<i>Negative goodwill</i> <i>£'000</i>
<i>Cost</i>			<i>Total</i> <i>£'000</i>
Additions	534	51,405	(375)
Acquisition of 2e2 Group	-	72,143	-
Acquisition of Compel	-	46,133	-
Adjustments to deferred consideration	-	270	-
At 31 December 2007	534	169,951	(375)
<i>Amortisation</i>			
Provided in the period	161	9,638	(375)
At 31 December 2007	161	9,638	(375)
<i>Net book value</i>			
At 31 December 2007	373	160,313	-
At start of period	-	-	-

The goodwill that has arisen on all acquisitions is being amortised evenly over the estimate of the useful economic life of 20 years.

Notes to the financial statements

For the period ended 31 December 2007

10. Tangible fixed assets

<i>Group</i>	<i>Freehold property £'000</i>	<i>Rental equipment £'000</i>	<i>Leasehold improvements £'000</i>	<i>Motor vehicles £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
<i>Cost</i>						
Acquisitions	980	5,546	295	262	1,922	9,005
Additions	-	12,582	366	54	1,803	14,805
Foreign exchange	-	-	9	-	107	116
Disposals	-	(8,668)	(61)	(101)	(537)	(9,367)
At 31 December 2007	980	9,460	609	215	3,295	14,559
<i>Depreciation</i>						
Provided in the year	20	3,839	298	113	1,335	5,605
Foreign exchange	-	-	6	-	83	89
Disposals	-	(2,377)	(41)	(73)	(354)	(2,845)
At 31 December 2007	20	1,462	263	40	1,064	2,849
<i>Net book value</i>						
At 31 December 2007	960	7,998	346	175	2,231	11,710
At beginning of period	-	-	-	-	-	-

The net book value of fixed assets includes £0.1m for computer and other equipment in respect of assets held under finance leases and hire purchase contracts

The Company has no tangible fixed assets

11. Fixed asset investments

<i>Company</i>	<i>Investment in subsidiary undertakings £'000</i>
----------------	--

At beginning and end of period	31,024
--------------------------------	--------

The company owns either directly or indirectly 100% of the ordinary share capital of the following subsidiary companies, the principal activities of which are the provision of computer services

Incorporated in the United Kingdom (including the Channel Islands and the Isle of Man) and trading.

2e2 Limited
2e2 Services Limited
Compelsolve Ltd
2e2 Data Management Limited
Compel Group Limited
Compel Property Limited
2e2 Investments Limited

2e2 UK Limited
Motifact Service Management UK Limited
2e2 Solutions Limited
2e2 Offshore Limited
Hamilton Rentals Limited
2e2 Group Limited

Notes to the financial statements

For the period ended 31 December 2007

11. Fixed asset investments (continued)

Incorporated in the Netherlands and trading

2e2 Tradecom International B V

2e2 Group B V

2e2 Yul Data Security B V

2e2 Dynamic B V

2e2 Motifact Group B V

Incorporated in Belgium and trading

Motifact Service Management Belgie N V

All subsidiaries are held indirectly with the exception of 2e2 Investments Limited which is held directly

The group has taken advantage of section 231 of the Companies Act 1985 and only disclosed information in respect of those undertakings whose results of financial position principally affect the financial statements

12. Stocks

	<i>Group</i>	<i>Company</i>
	<i>2007</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Spare parts	3,528	-
Goods for resale	3,740	-
Short-term work in progress	808	-
	<u>8,076</u>	<u>-</u>

13. Debtors

	<i>Group</i>	<i>Company</i>
	<i>2007</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	40,405	-
Prepayments and accrued income	11,439	11
Deferred tax asset (see note 18)	4,607	-
	<u>56,451</u>	<u>11</u>

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

	<i>Group</i>	<i>Company</i>
	<i>2007</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Deferred tax asset	4,607	-

Notes to the financial statements

For the period ended 31 December 2007

14. Creditors: amounts falling due within one year

	<i>Group</i> <i>2007</i> <i>£'000</i>	<i>Company</i> <i>2007</i> <i>£'000</i>
Bank loans and overdrafts	14,000	-
Trade creditors	26,666	359
Amounts owed to group undertakings	-	1,800
Tax and social security	4,891	(6)
Accruals	11,380	438
Amounts due under finance leases	25	-
	<u>56,962</u>	<u>2,591</u>

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate

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

	<i>Group</i> <i>2007</i> <i>£'000</i>	<i>Company</i> <i>2007</i> <i>£'000</i>
Interest accrued on loan notes and preference shares	10,799	4,655
Preference shares	24,357	24,357
Investor loan notes	28,709	-
Management loan notes	7,518	-
Bank loans	119,448	-
	<u>190,831</u>	<u>29,012</u>

The bank loans are secured by a fixed and floating charge over all the assets of the Group. The bank loans consist of the following facilities:

- Term Loan A – in the amount of £40 million is repayable in instalments. A total of £4 million is repayable within one year with the balance payable in instalments finishing on 30 September 2013. Interest is charged at the rate of LIBOR plus 1.75% to 3.25%.
- Term Loan B – in the amount of £28 million is repayable in a single instalment on 30 September 2014. Interest is charged at the rate of LIBOR plus 2.75% to 3.75%.
- Term Loan C – in the amount of £28 million is repayable in a single instalment on 30 September 2015. Interest is charged at the rate of LIBOR plus 3.5% to 4.25%.
- Revolving Facility – in the amount of £13 million is repayable in a single instalment on 30 September 2013. Interest is charged at the rate of LIBOR plus 1.75% to 3.25%.

Notes to the financial statements

For the period ended 31 December 2007

14 Creditors. amounts falling due within one year

	<i>Group</i> <i>2007</i> <i>£'000</i>	<i>Company</i> <i>2007</i> <i>£'000</i>
Bank loans and overdrafts	14,000	-
Trade creditors	26,666	359
Amounts owed to group undertakings	-	1,800
Tax and social security	4,891	(6)
Accruals	11,380	438
Amounts due under finance leases	25	-
	<u>56,962</u>	<u>2,591</u>

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate

15 Creditors. amounts falling due after more than one year

	<i>Group</i> <i>2007</i> <i>£'000</i>	<i>Company</i> <i>2007</i> <i>£'000</i>
Interest accrued on loan notes and preference shares	10,799	4,655
Preference shares	24,357	24,357
Investor loan notes	28,709	-
Management loan notes	7,518	-
Bank loans	119,448	-
	<u>190,831</u>	<u>29,012</u>

The bank loans are secured by a fixed and floating charge over all the assets of the Group. The bank loans consist of the following facilities:

- Term Loan A – in the amount of £40 million is repayable in instalments. A total of £4 million is repayable within one year with the balance payable in instalments finishing on 30 September 2013. Interest is charged at the rate of LIBOR plus 1.75% to 3.25%.
- Term Loan B – in the amount of £28 million is repayable in a single instalment on 30 September 2014. Interest is charged at the rate of LIBOR plus 2.75% to 3.75%.
- Term Loan C – in the amount of £28 million is repayable in a single instalment on 30 September 2015. Interest is charged at the rate of LIBOR plus 3.5% to 4.25%.
- Revolving Facility – in the amount of £13 million is repayable in a single instalment on 30 September 2013. Interest is charged at the rate of LIBOR plus 1.75% to 3.25%.
- Mezzanine Facility – in the amount of £15.9 million is repayable in a single instalment on 30 September 2016. Interest is payable at the rate of LIBOR plus 10%. 6% of the interest is not due for payment and rolls up until 30 September 2016.

Notes to the financial statements

For the period ended 31 December 2007

15. Creditors: amounts falling due after more than one year (continued)

In accordance with FRS25, the preference shares are disclosed as financial liabilities. As described in note 19, the preference shares have certain rights to income. Income accrues to the holders of the preference shares at the rate of 15 per cent per annum on the Subscription Price on the basis of a 365 day year. The preference share dividend accrues on a daily basis commencing on the issue date and is rolled up in arrears quarterly in every year.

The Investor loan notes are secured by means of a fixed and floating charge on the assets of the Company and the Group, ranking behind the security granted on the bank loans. Interest accrues on the investor loan notes at the rate of 15% per annum. The investor loan notes together with any accrued interest are redeemable at par on 30 September 2018.

The management loan notes are unsecured and are redeemable at par together with any accrued interest on 30 September 2018. Interest accrues on the management loan notes at the rate of 15% per annum.

16. Deferred income

	<i>Group</i> <i>2007</i> <i>£'000</i>	<i>Company</i> <i>2007</i> <i>£'000</i>
Deferred income - within one year	15,442	-

17. Borrowings

Borrowings are repayable as follows

	<i>Group</i> <i>2007</i> <i>£'000</i>	<i>Company</i> <i>2007</i> <i>£'000</i>
<i>Within one year</i>		
Bank and other borrowings	14,000	-
Finance leases	25	-
<i>After one and within two years</i>		
Bank and other borrowings	5,000	-
<i>After two years and within five years</i>		
Bank and other borrowings	22,500	-
<i>After five years</i>		
Bank and other borrowings	165,716	24,357
Less: issue costs	(2,410)	-
	<u>204,831</u>	<u>24,357</u>

Notes to the financial statements

For the period ended 31 December 2007

17. Borrowings (continued)

Bank and other borrowings repayable after five years comprise

	<i>Group</i> 2007 £'000	<i>Company</i> 2007 £'000
Bank borrowings	94,332	-
Loan notes	36,228	-
Preference shares	24,357	24,357
Accrued interest	10,799	-
	<u>165,716</u>	<u>24,357</u>

On 22 September 2006 the company and its subsidiaries entered into a cross guarantee in favour of the group's bankers in respect of the total bank borrowings of the group

18 Deferred taxation

Deferred taxation provided for in the financial statements is set out below (see note 13)

	<i>Group</i> 2007 £'000	<i>Company</i> 2007 £'000
<i>Assets</i>		
Tax losses carried forward	4,607	-
	<u>4,607</u>	<u>-</u>

The movement in the provisions for deferred tax is as follows

	<i>Group and company</i> £'000
Acquisitions	4,607
	<u>4,607</u>

Based on current contracted revenues and consequent visibility of profits at 2e2 Services Limited, a deferred tax asset has been recognised to reflect the recoverability of historic trading losses in this entity

Unprovided deferred tax

Unprovided deferred taxation is set out below

	<i>Group</i> 2007 £'000	<i>Company</i> 2007 £'000
<i>Assets</i>		
Depreciation in excess of capital allowances	11,698	-
Other short-term timing differences	1,061	-
Tax losses carried forward	9,830	845
Total tax losses carried forward	<u>22,589</u>	<u>845</u>

Notes to the financial statements

For the period ended 31 December 2007

19. Share capital

Group and Company

	2007 £'000
<i>Authorised</i>	
1,000,000 A ordinary shares of £0 01 each	10
4,000,000 B ordinary shares of £0 01 each	40
1,800,000 C ordinary shares of £0 01 each	18
800,000 D ordinary shares of £0 01 each	8
25 000,000 preference shares of £1 00 each	25,000
	<hr/> 25,076 <hr/>
<i>Allotted, called up and fully paid</i>	
991,194 A ordinary shares of £0 01 each	10
3,956,897 B ordinary shares of £0 01 each	40
1,709,881 C ordinary shares of £0 01 each	17
352,477 D ordinary shares of £0 01 each	3
	<hr/> 70 <hr/>
24 357,184 preference shares of £1 00 each (classified as a liability in accordance with FRS25, see note 15)	24,357
	<hr/> 24,427 <hr/>

The Company's authorised share capital on incorporation (8 September 2006) was £1000 divided into 1000 shares of £1 each of which 1 was issued

On 22 September 2006, resolutions of the Company to the following effect were passed by the sole shareholder

- (1) That the 1 issued share of £1 of the Company be subdivided into 100 shares of £0 01 each and the 999 unissued share capital of £1 each of the Company be subdivided into 99,900 shares of £0 01 each
- (2) That each of the 100 issued and the 99,900 unissued shares in the authorised share capital of the Company be converted and redesignated as "B" shares
- (3) That the authorised share capital of the Company be increased by £25,075,000 from £1,000 to £25,076,000 by the creation of an additional
 - (a) 1,000,000 "A" Shares of £0 01 each, (b) 3,900,000 "B" Shares of £0 01 each, (c) 1,800,000 "C" Shares of £0 01 each, (d) 800,000 "D" Shares of £0 01 each, and (e) 25,000,000 Preference Shares of £1 each

The directors allotted (a) 165,338 "A" Shares of £0 01 each for a consideration of £1 00 each per share, (b) 3,956,797 "B" Shares of £0 01 each for a consideration of £1 00 each per share, (c) 10,040 "C" Shares of £0 01 each for a consideration of £1 00 each per share, and (d) 16,882,904 Preference Shares of £1 00 each for a consideration of £1 00 each per share

Pursuant to a Share Exchange Agreement, the directors allotted a further (a) 800,522 "A" Shares of £0 01 each for a consideration of £1 00 each per share, (b) 1,699,841 "C" Shares of £0 01 each for a consideration of £1 00 each per share, and (c) 7,474,280 Preference Shares of £1 00 each for a consideration of £1 00 each per share

Notes to the financial statements

For the period ended 31 December 2007

19 Share capital (continued)

On 3 November 2006, the directors allotted 66,667 "D" Shares of £0.01 each for a consideration of £1.00 each per share.

On 2 March 2007, the directors allotted a further (a) 33,334 "A" Shares of £0.01 each for a consideration of £1.00 each per share, and (b) 166,338 "D" Shares of £0.01 each for a consideration of £1.00 each per share.

On 2 April 2007, the directors allotted a further 102,805 "D" Shares of £0.01 each for a consideration of £1.00 each per share.

On 27 September 2007, the directors allotted a further 16,667 "D" Shares of £0.01 each for a consideration of £1.00 each per share.

Class Rights

Dividends

Profits which are available for distribution are applied first, in accruing to the holders of the Preference Shares a fixed cumulative dividend at the rate of 15 per cent per annum. This dividend accrues on a daily basis and is rolled up in arrears quarterly in every year.

The balance of the profits which the Company may determine to distribute shall be distributed amongst the Equity Shareholders *pari passu*, as if the A Shares, B Shares, C Shares and D Shares constituted one class of shares.

Return of capital

On winding up of the Company or other return of capital the assets of the Company remaining after payment of its debts and liabilities shall be applied in the following manner and order of priority:

First, in paying to the preference shareholders a sum equal to all unpaid arrears or accruals of any dividends, secondly, in paying to the Preference Shareholders the subscription price on each preference share, thirdly, in paying to the C shareholders and B shareholders a sum equal to the subscription price on each share, fourthly, in paying to the A shareholders and D shareholders a sum equal to the subscription price on each A share and D share. Any balance should be distributed in proportion to the number of equity shares held as if all shares are of the same class.

Voting

The holders of the equity shares shall have one vote in respect of each fully paid equity share registered in his name.

Share option reserve

The group's parent company, 2e2 Holdings Limited, operates a share option scheme which is open to all employees of the group at the discretion of the board of 2e2 Holdings Limited. The group records a charge in accordance with FRS 20 for options to acquire shares of 2e2 Holdings Limited that are granted to employees of the group. In the scheme the options typically vest based on the following pattern, 50% on the second anniversary of the date of grant and a further 25% on the third and fourth anniversary, the options also vest on the listing on a public market or the sale of 2e2 Holdings Limited. The options lapse if they remain unexercised after 10 years from the date of grant. The options also lapse following the employee leaving the group. There were 48,675 share options outstanding at the period end. The weighted average share price at the date of exercise for share options issued during the period was 100p.

Notes to the financial statements

For the period ended 31 December 2007

19. Share capital (continued)

The fair values were calculated using a Black-Scholes-Merton model. The inputs into the model were as follows

	2007
Weighted average share price	100p
Weighted average exercise price	100p
Expected volatility	35.53%
Risk-free rate	4.25%
Expected dividend yield	-

Expected volatility was determined using as a base the share price movements recorded over the same period as the vesting period (from grant date to vesting date) and taking into account any specific factors impacting during the period. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the period, 48,675 options were granted and all were outstanding at 31 December 2007. During the period no options were exercised or cancelled or had lapsed. For the share options outstanding as at 31 December 2007, the weighted average remaining contractual life is 9 years. The group recognised total charges of £3,969 related to equity-settled share-based payment transactions during the period.

20 Share premium account and reserves

Group

	Share premium account £'000	Profit and loss account £'000
Retained loss for the period	-	(21,285)
Premium on allotment during the period	6,895	-
FRS 20 share option charges	-	(4)
Currency translation differences on foreign currency net investments	-	(499)
At 31 December 2007	6,895	(21,788)

Company

Retained loss for the period	-	(7,471)
FRS 20 share option charges	-	(4)
Premium on allotment during the period	6,895	-
At 31 December 2007	6,895	(7,475)

Notes to the financial statements

For the period ended 31 December 2007

21. Net cash inflow from operating activities

	2007 £'000
Operating profit	6,308
Amortisation of goodwill	9,424
Depreciation	5,605
Decrease in stock	205
Increase in debtors	(5,848)
Increase in creditors	7,199
Loss on sale of fixed assets	29
Net cash inflow from operating activities	<u>22,922</u>

22. Reconciliation of net cash flow to movement in net debt

	2007 £'000
Increase in cash in the period	11,489
Cash inflow from financing	(178,086)
Change in net debt resulting from cash flows	<u>(166,597)</u>
Finance leases acquired with subsidiaries	(178)
Rolled up interest on loan notes and preference shares	(11,555)
Issue of shares and loan capital	(15,037)
Net debt at end of period	<u>(193,367)</u>

23. Analysis of changes in net debt

	<i>Cash flow</i> £'000	<i>Acquisitions</i> £'000	<i>Other non-cash movements</i> £'000	<i>At 31 December 2007</i> £'000
Cash at bank	11,489	-	-	11,489
Long term loans	(178,239)	-	(26,592)	(204,831)
Finance leases	153	(178)	-	(25)
	<u>(166,597)</u>	<u>(178)</u>	<u>(26,592)</u>	<u>(193,367)</u>

Notes to the financial statements

For the period ended 31 December 2007

24. Acquisitions

On 22 September 2006, the group acquired the entire share capital of 2e2 Group Limited for a consideration of £137.2m including acquisition costs. An analysis of the acquisition is as follows:

	<i>Book value £'000</i>	<i>Fair value adjustments £'000</i>	<i>Accounting policy alignments £'000</i>	<i>Provisional fair value £'000</i>
Goodwill	51,563	-	-	51,563
Tangible fixed assets	2,283	-	-	2,283
Stock	5,787	-	-	5,787
Debtors	37,674	-	-	37,674
Cash	3,917	-	-	3,917
Creditors	(36,141)	-	-	(36,141)
Total assets	65,083	-	-	65,083
Goodwill arising on acquisition				72,143
				137,226
<i>Satisfied by</i>				
Cash				115,064
Issue of loan notes				7,518
Issue of ordinary shares				2,500
Issue of preference shares				7,518
Costs associated with the acquisition				4,626
				137,226

Notes to the financial statements

For the period ended 31 December 2007

24. Acquisitions (continued)

The results for 2e2 Group Limited for the period from 1 January 2006 to 22 September 2006 and for its preceding financial year ended 31 December 2005, on the basis of accounting policies prior to acquisition, are set out below

	<i>Period from 1 January 2006 to 22 September 2006</i> <i>Year ended 31 December 2005</i> <i>£'000</i>	
Turnover	105,425	112,324
Cost of sales	(65,511)	(69,059)
Gross profit	39,914	43,265
Operating expenses	(34,482)	(37,702)
Operating profit	5,432	5,563
Interest	(3,601)	(3,854)
Profit before taxation	1,831	1,709
Taxation	(442)	(872)
Profit after taxation	1,389	837

Goodwill arising on the above acquisition has been capitalised

On 27 March 2007 the group acquired the entire share capital of Compel Group plc for a consideration of £55.2m including acquisition costs. An analysis of the acquisition is as follows

	<i>Book value £'000</i>	<i>Accounting policy alignments £'000</i>		<i>Fair value adjustments £'000</i>		<i>Provisional fair value £'000</i>
Tangible fixed assets	11,344	(1,279)	(a)	(3,343)	(b)	6,722
Stock	2,494	-		-		2,494
Debtors	14,637	(462)	(c)	(219)	(d)	13,956
Cash	1,407	-		-		1,407
Creditors	(10,148)	(2,962)	(e)	(2,401)	(f)	(15,511)
Total assets	19,734	(4,703)		(5,963)		9,068
Goodwill arising on acquisition						46,133
						55,201
<i>Satisfied by</i>						
Cash						53,212
Costs associated with the acquisition						1,989
						55,201

Notes to the financial statements

For the period ended 31 December 2007

24. Acquisitions (continued)

The results for Compel Group plc for the period from 1 July 2006 to 27 March 2007 and for its preceding financial year ended 30 June 2006, on the basis of accounting policies prior to acquisition, are set out below

	<i>Period from 1 July 2006 to 27 March 2007 £'000</i>	<i>Year ended 30 June 2006 £'000</i>
Turnover	62,394	92,647
Cost of sales	(45,679)	(68,674)
Gross profit	16,715	23,973
Operating expenses	(16,008)	(21,816)
Operating profit	707	2,157
Interest	70	101
Profit before taxation	777	2,258
Taxation	(233)	(824)
Profit after taxation	544	1,434

Goodwill arising on the above acquisition has been capitalised

Adjustments

- (a) increase in provision against value of rentals assets in product lines that are being phased out from the service offering or are slow moving
- (b) reflects a reduction in the carrying value of fixed assets based on managements expected realisable value
- (c) an adjustment in the recognition of sub-contract service costs to spread them evenly over the term of the service contracts
- (d) requirement for credit note provision following a review of revenue recognised
- (e) an adjustment in recognition of service revenues to spread them evenly over the term of the services contracts
- (f) a reassessment of the provision for property dilapidations and cost accruals in line with the group accounting policies

These fair values are provisional and will be reviewed in the future to ensure that they remain reasonable

There were no recognised gains and losses as at 27 March 2007 and 30 June 2006 other than the profit recognised above

Notes to the financial statements

For the period ended 31 December 2007

25. Capital commitments

The Group had capital commitments at 31 December 2007 of £0.8m

26. Contingent liabilities

There were no contingent liabilities at 31 December 2007

27. Leasing commitments - group

Operating lease payments amounting to £1.6m are due within one year. The leases to which these amounts relate expire as follows:

	<i>Land and Buildings</i>	<i>Other</i>
	<i>£'000</i>	<i>£'000</i>
In one year or less	658	958
Between one and five years	1,293	2,177
In five years or more	590	-
	<u>2,541</u>	<u>3,135</u>

28. Post balance sheet event

On 15 May 2008, the group has entered into an agreement to sell its subsidiary Hamilton Rentals Limited for £10m. This transaction is still subject to a number of conditions before the transaction will complete, including final credit approval from the acquirer's finance partners.