Euroclear UK & Ireland Limited
(Formerly CRESTCo Limited)

Directors' Report and Financial Statements

31 December 2007

Registered Company Number: 2878738

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and the financial statements of Euroclear UK & Ireland Limited (EUI) for the year ended 31 December 2007

Change of Name

With effect from 2 July 2007, CRESTCo Limited changed its legal and operating name to 'Euroclear UK & Ireland Limited' The name change signifies CRESTCo's objective of complete integration within the Euroclear group

EUI will continue in its role as the central securities depository for the United Kingdom and Ireland, and will continue to operate the real-time settlement system called CREST

Principal activity, business review and future developments

The principal activity of EUI during the year was the operation and continuing development of the settlement system This is a system for electronic settlement of a wide range of corporate and government securities, including those traded on the London and Irish Stock Exchanges and Virt-x The Company settles transactions in money market instruments and funds as well as a variety of international securities

The Euroclear group business model aims to make cross-border settlement cheaper and more efficient in order to help deliver a domestic market for Europe To achieve this Euroclear is

- Consolidating the services provided by the group on to a Single Platform, and
- Working to harmonise the various practices for the settlement, custody, payments, reference data and tax applicable throughout the countries in which the group operates

The Data Centre Strategy programme was designed to establish a three-data-centre strategy for all group entities together with the relocation of the IT equipment from the existing data centres This programme is part of the business continuity strategy of the Euroclear group The prime objective of this strategy is to enhance the disaster recovery infrastructure by covering both local and regional disasters EUI will benefit fully from this strategy when it transitions to the group's new Single Platform systems

The Central Securities Depositories (CSDs) and International Central Securities Depository (I)CSD (collectively the (I)CSDs) of the Euroclear group, are paying for the development costs of the strategic projects over a fixed time period from the dates the projects are launched Costs relating to the strategic projects still being developed are held in Euroclear SA/NV until the project is launched Commitments in respect of all the strategic projects are disclosed in note 18 to the Financial Statements

EUI continues to develop its services Future planned enhancements include upgrades to the Tandem platform (to HP Itanium) and additional functionality to support MiFID requirements, funds settlement (see below) and third party connectivity (e g Competitive Clearing, MTFs)

EUI is working with EMX Company Limited (EMXCo) to develop settlement services for funds This will complement the trade routing service provided by EMXCo to the fund industry EMXCo was acquired by Euroclear SA/NV on 1 January 2007

Financial Risk

EUI, as a provider of settlement services, has minimal exposure to price (market) risk and does not extend credit to third parties, other than within the normal course of the invoicing cycle A prudent investment policy, based upon money market deposits with AA+ rated institutions, is employed for investment of surplus cash Cash flow and prudential cash requirements, including that necessary to support working and regulatory capital, are monitored regularly to ensure that sufficient funds are available The Company does not enter into any speculative derivative transactions There has been no change since the year-end in the major financial risks faced by the Company (see note 22)

Results and dividends

In the opinion of the directors, the key financial performance indicator is profit before tax EUI made a profit before tax of £31,732,000 (2006 £37,985,000) A taxation charge of £9,565,000 has been provided (2006 £11,382,000) 2007 has seen the first full year of charges for Single Settlement Engine (SSE) and 11 months of charges for the new group data centres (DCS), whilst income includes a full year effect of tariff cuts applied in May and July 2006 Despite this, a strong level of profit has been maintained for the period

The company's profit after tax for the year was £22,167,000 (2006 profit after tax £26,603,000)

An interim dividend £33,800,000 (£1 40 per ordinary share) was proposed on 24 September 2007 and paid on 23 November 2007

The directors propose a final dividend of £58,600,000 (£2 44 per ordinary share) for the year ended 31 December 2007 The proposed final dividend will be submitted for formal approval at the Annual General Meeting to be held on 23 June 2008 These financial statements do not reflect this dividend payable

Creditor payment policy

EUI's policy on the payment of suppliers is to settle the terms of payment once all contractual terms have been observed For all trade creditors, it is EUI's policy to agree the terms of payment at the start of trading with that supplier, ensure that suppliers are aware of the terms of payment, and pay in accordance with its contractual and other legal obligations Total creditor days for the year ended 31 December 2007 was 9 days (2006: 24 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that EUI has adequate resources to continue to operate for the foreseeable future For this reason, the directors continue to adopt the 'going concern' basis in preparing the financial statements.

Directors and their interests

The following directors held office throughout the year, unless otherwise stated

Pierre Francotte ‡ *(Chairman)*		
Richard Crews		
Martine Dinne	Resigned	18 June 2007
Frederic Hannequart	Resigned	18 June 2007
Tim May		
Herschel Post ‡ *		
John Trundle	Appointed	19 June 2007
Yannic Weber		
Mike Williams ‡ *		

‡ Member of Remuneration and Nomination Committee

* Independent Director and Member of the Audit and Compliance Committee

The directors do not have any interests that are required to be disclosed under Section 7 of the Companies Act 1985, nor did they have any beneficial interest in the shares of the Company at the balance sheet date

Insurance of directors

The Company maintains insurance for directors in respect of their duties as directors of the Company

Employees

EUI's policy is to consult and discuss with employees, through staff meetings and bulletins, matters likely to affect employees' interests Information on matters of concern to employees is given through meetings and newsletters which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting EUI's performance

EUI's policy is to consider recruiting disabled workers for those vacancies that they are able to fill Arrangements would be made, wherever possible, for retaining employees who became disabled, to enable them to perform work appropriate to their aptitudes and abilities.

Charitable donations

The Community Relations Committee encourages charitable donations and community involvement within the UK based operations of the Euroclear group The group operates pro-active policies and supports employees in donating and raising funds. All donations in the UK are paid through Euroclear SA/NV, London (total UK for 2007 £153,000, 2006· £77,000)

Political donations

EUI made no political donations during the year (2006· Nil)

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' Report on page 6, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the financial statements

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union In preparing these statements, the directors have elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB) The financial statements are required by law to give a true and fair view of the state of affairs of EUI as at the end of the financial year and of the profit or loss for that year

The directors consider that in preparing the financial statements on pages 8 to 25, EUI has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards that they consider to be applicable have been followed

The directors have responsibility for the system of internal control, for ensuring that EUI keeps accounting records which disclose with reasonable accuracy the financial position of EUI and which enable them to ensure that the financial statements comply with the Companies Act 1985
The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of EUI and to prevent and detect fraud and other irregularities

Each person who is a director at the date of approval of this report confirms that so far as the director is aware

- there is no relevant audit information of which the Company's auditors are unaware; and

- Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

Remuneration policy

EUI operates a remuneration policy designed to attract, retain and motivate executive directors and staff of the quality required to operate its business

Auditors

PricewaterhouseCoopers LLP acted as the Company's auditors during the year

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the Annual General Meeting

By order of the Board

DAVID WHITEHEAD
Company Secretary
17 March 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROCLEAR UK & IRELAND LIMITED

We have audited the financial statements of Euroclear UK & Ireland Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit and cash flows 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 March 2008

PRICEWATERHOUSECOOPERS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
Revenue	1c	**152,462**	112,753
Discount	1c	**(36,854)**	(24,499)
Net revenue		**115,608**	88,254
Adminstrative expenses	1d	**(91,002)**	(55,737)
Other (losses)/gains	2	**(520)**	17
Operating profit	3	**24,086**	32,534
Finance costs			
Interest income and similar income	6	**7,650**	5,451
Interest expense	6	**(4)**	-
Profit before tax		**31,732**	37,985
Tax expense	7	**(9,565)**	(11,382)
Profit for the year		**22,167**	26,603

BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
Assets			
Non-current assets			
Intangible assets	8	-	9
Investments in subsidiary undertakings	9	**7**	7
Deferred tax assets	10	**632**	900
		639	916
Current assets			
Trade and other receivables	11	**7,246**	30,156
Cash and cash equivalents	12	**120,132**	107,493
		127,378	137,649
Current liabilities			
Trade and other payables	13	**(17,006)**	(15,160)
Current tax liabilities		**(3,541)**	(4,212)
Provisions	14	-	(90)
Net current assets		**106,831**	118,187
Net assets		**107,470**	119,103
Equity			
Called up share capital	15	**6,015**	6,015
Share premium reserve		**6,015**	6,015
Retained earnings		**95,440**	107,073
Total equity		**107,470**	119,103

Approved by the Board of Directors on 17 March 2008 and were signed on its behalf

P. Francotte

PIERRE FRANCOTTE
Chairman
17 March 2008

CASH FLOW STATEMENT AS AT 31 DECEMBER 2007

	2007		2006	
	£'000	**£'000**	£'000	£'000
Operating profit	**24,086**		32,534	
Development cost amortisation	**9**		1,258	
Decrease in debtors	**(1,091)**		7,254	
Increase in creditors	**1,846**		8,584	
Movement in provisions	**(90)**		(2,949)	
Cash generated from operations		**24,760**		46,681
Cash flows from operating activities				
Interest received	**7,646**		5,451	
Tax paid	**(9,967)**		(12,242)	
Net cash from operating activities		**(2,321)**		(6,791)
Cash flows from investing activities				
Amounts advanced to related parties			(24,000)	
Proceeds from repayment of related party loans	**24,000**			
Net cash from investing activities		**24,000**		(24,000)
Cash flows from financing activities				
Ordinary dividends paid	**(33,800)**		-	
Net cash from financing activities		**(33,800)**		-
Increase in cash and cash equivalents		**12,639**		15,890
Cash and cash equivalents as at 1 January		**107,493**		91,603
Cash and cash equivalents as at 31 December		**120,132**		107,493

STATEMENT OF CHANGES IN EQUITY

	Called up Share Capital £'000	Share premium account £'000	Retained earnings £'000	Shareholder Equity £'000
Balance as at 1 January 2006	6,015	6,015	80,470	92,500
Profit after taxation	-	-	26,603	26,603
Balance as at 31 December 2006	6,015	6,015	107,073	119,103
Profit after taxation	-	-	22,167	22,167
Dividends	-	-	(33,800)	(33,800)
Balance as at 31 December 2007	6,015	6,015	95,440	107,470

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. Summary of significant accounting policies

A summary of the principal accounting policies, which have been applied consistently, is set out below

(a) Statement of compliance

EUI's financial statements have been prepared in accordance with IFRSs as adopted by the EU, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS

(b) Basis of preparation

The financial statements have been prepared under the historical cost convention

The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period The estimates and associated assumptions are based on historical experience

The Company is exempt by virtue of Section 228 of the Companies Act 1989 from the requirement to prepare group accounts These financial statements present information about the Company as an individual undertaking and not with regard to its group

The Company has adopted the requirements of IFRS 7 Financial Instruments Disclosures and the consequent amendments to IAS 1 Presentation of Financial Statements This has not impacted on the recognition or measurement of the components of these financial statements

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities Revenue is shown net of Value Added Tax and rebates. Revenue represents transaction fees, message fees and standing charges for using the system, revenue earned for collecting Stamp Duty Reserve Tax on behalf of HM Revenue and Customs and Stamp Duty on behalf of the Irish Revenue Commissioners, and income from administering the settlement discipline regime on behalf of the market. All revenue arises in the United Kingdom and Republic of Ireland and is recognised at the point the relevant service is provided

Discounts are standard price reductions based on cumulative eligible fees They are calculated at rates set out in EUI's published tariff and are accounted for on an accruals basis *(d) Administrative expenditure*

All items of expenditure are included in administrative expenses, as there are no directly attributable selling and marketing costs

(e) Intangible assets

Intangible assets represent capitalised expenditure incurred in connection with the development of and modification to the CREST system The cost of these assets is amortised on a straight-line basis over the life of the system estimated at a period of ten years Assets that are subject to amortisation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

Further developments of the system are capitalised only where these are clearly defined projects, where

- the project is separately identifiable,
- expenditure can be measured reliably, and
- the outcome of the development has been assessed with reasonable certainty to its ultimate commercial viability and use

(f) Taxation

Corporation tax payable is provided at the current rate on the profits arising in the period

Deferred income tax is provided in full on a non discounted basis, using the liability method, on temporary differences arising between the tax bases of assets and liabilities at the anticipated rate of recovery and their carrying amounts in the financial statements

(g) Investments

All of the subsidiary undertakings are non-trading and the Company's investment in them is not material The investments are accounted for in the Company at cost

(h) Foreign currencies

EUI uses sterling as both its functional and presentational currency. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year Transactions in foreign exchange are translated at foreign exchange rates present on the date of the transaction. Gains and losses on the retranslated amounts for assets and liabilities are recognised in the income statement as they arise

(i) Pensions

EUI operates a Company Personal Pension scheme for employees This is a defined contribution scheme, and the costs of the scheme are charged to the income statement as incurred *(j) Cash and cash equivalents*

Cash and cash equivalents are carried in the balance sheet at fair value

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with a maturity of not more than three months including· cash on hand, deposits held on call with banks, and other short-term, highly liquid investments which are subject to insignificant risk of change in fair value.

(k) Financial assets

The Company retains financial assets in the form of trade and other trade receivables and cash and cash equivalents These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(l) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that financial assets are impaired Where there is an indication of impairment, an assessment of the difference between the carrying amount and the present value of estimated future cash flows is performed Any excess of carrying amount over the present value of estimated future cash flows is reduced through the use of an allowances account

(m) Critical accounting estimations and judgements

There were no critical accounting estimations and judgements applied in the preparation of these financial statements

2. Other (losses)/gains

	2007 £'000	2006 £'000
Exchange rate (loss)/gain	**(520)**	17

3. Operating profit

Operating profit on ordinary activities before interest and tax after taking into account

	£'000	£'000
Amortisation of intangible assets	**9**	1,258
Auditors' remuneration		
audit fees	**77**	91
other audit related	**130**	165

4. Employees

The number of employees (excluding directors) employed by the Company was as follows

	2007 No.	2006 No
Total - average for year	**83**	95
Total - at 31 December	**86**	99

Employee benefit expense - all employees including executive directors

	2007 £'000	2006 £'000
Wages and salaries	**3,850**	4,003
Social security costs	**486**	495
Other pension costs	**447**	459
Other benefits	**83**	68
Bonus	**1,284**	1,918
	6,150	6,943

5. Pensions

The cost of contributions to the Company Personal Pension scheme in the year was £447,000 (2006 £459,000). There were no outstanding or prepaid contributions at either 31 December 2007 or 31 December 2006 The scheme is classified as a defined contribution scheme

6. Interest income and expense

	2007 £'000	2006 £'000
Bank interest income	**6,394**	5,412
Loan interest income	**1,256**	39
Bank interest expense	**(4)**	-
Net interest income	**7,646**	5,451

7. Taxation

UK Corporation Tax	2007 £'000	2006 £'000
Current tax on income for the period	**9,308**	11,494
Adjustments in respect of prior periods	**(11)**	(1,044)
Current tax	**9,297**	10,450
Deferred tax (note 10)	**268**	932
Total tax expense in Income Statement	**9,565**	11,382

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the Company as follows

	2007 £'000	2006 £'000
Profit before tax	**31,732**	37,985
UK Corporation tax at 30% (2006. 30%)	**9,520**	11,396
Expenses not deductible for tax purposes	**11**	14
Depreciation in excess of Capital allowances	**-**	977
Other temporary differences	**-**	39
Adjustments in respect of prior periods	**(11)**	(1,044)
Change in Deferred Tax rates applicable	**45**	-
Tax charge	**9,565**	11,382

The effective applicable tax rate was 30% (2006 30%)

8. Intangible assets

	2007	2006
	£'000	£'000
Cost	**24,724**	24,724
Amortisation		
At 1 January	**24,715**	23,457
Charge for the year	**9**	1,258
At 31 December	**24,724**	24,715
Net book value at 31 December	**-**	9
At 31 December 2006 and 2005 respectively	**9**	1,267

9. Investments in subsidiary undertakings

	2007	2006
	£	£
Investments in subsidiary undertakings	**7,008**	7,008

Subsidiary undertakings	**Holding Equity Shares**	**Cost of Investments 2007**	**2006**
		£	£
In the name of Euroclear UK & Ireland Limited			
CREST Stamp Nominee (No 1) Limited	100%	**2**	2
CREST Stamp Nominee (No 2) Limited	100%	**2**	2
Trinity Nominees Limited	100%	**2**	2
CRESTCo Staff Benefit Trustees Limited	100%	**-**	2
CREST Depository Limited	100%	**7,000**	7,000
CRESTCo Limited	100%	**2**	-
In the name of CREST Depository Limited			
CREST International Nominees Limited	100%	**2**	2
CREST Client Tax Nominee (No 1) Limited	100%	**2**	2
CIN (Belgium) Limited	100%	**2**	2

The principal activity of CREST Stamp Nominee (No 1) Limited is the collection of UK Stamp Duty Reserve Tax on behalf of HM Revenue and Customs The principal activity of CREST Stamp Nominee (No 2) Limited is the collection of Irish Stamp Duty on behalf of the Irish Revenue Commissioners.

The principal activities of CREST Depository Limited, CREST International Nominees Limited, CREST Client Tax Nominees (No 1) Limited and CIN (Belgium) Limited are in connection with the provision of the CREST custody service for international securities

Trinity Nominees Limited and CRESTCo Limited did not trade during the year

CRESTCo Staff Benefit Trustees Limited was dissolved on 2 January 2007

All the subsidiary companies are incorporated in England and Wales

10. Deferred tax

The gross movement on the deferred income tax account is as follows

	2007	2006
	£'000	£'000
Beginning of the year	**900**	1,832
Income statement charge	**(268)**	(932)
End of year	**632**	900

A deferred tax asset has been recognised at 31 December 2007 The asset represents temporary differences that arise because the rate of depreciation applied to some fixed assets by the company in its financial statements exceeds the rate at which credit is given by capital allowances The asset will be recovered against the expected future profits of the Company The income statement charge includes a cost of £45,000 to reflect the change in UK Corporation tax from 30% to 28% which comes into effect in 2008

11. Trade and other receivables

Current	**2007**	2006
	£'000	£'000
Trade receivables	**461**	344
Less provision for impairment of receivables	**(32)**	-
Trade receivables - net	**429**	344
Amounts owed by group undertakings (note 20)	**120**	24,166
Other debtors	**8**	12
Prepayments	**292**	223
Accrued income	**6,397**	5,411
	7,246	30,156

12. Cash and cash equivalents

	2007	2006
	£'000	£'000
Cash at bank and in hand	**1,174**	1,493
Short-term deposits (less than three months)	**118,958**	106,000
	120,132	107,493

13. Trade and other payables

Current	**2007**	2006
	£'000	£'000
Trade creditors	**171**	418
Amounts owed to Group undertakings (note 20)	**11,332**	2,152
Other creditors	**705**	674
Tax and social security	**91**	36
Accruals and deferred income	**4,707**	11,880
	17,006	15,160

14. Provision for liabilities and charges

Current	Staff related	Other	**Total**
	£'000	£'000	**£'000**
At 1 January 2007	90	-	**90**
Additional provisions	-	-	**-**
Provisions used	(90)	-	**(90)**
Provisions released	-	-	**-**
At 31 December 2007	-	-	**-**

15. Share capital

	2007	2006
	£	£
Authorised, allotted and fully paid share capital:		
24,060,400 Ordinary Shares of 25 pence each	**6,015,100**	6,015,100

16. Management of capital

The Company considers the following to be elements of its capital

- Called up share capital
- Share premium reserve
- Retained earnings

The Company is required by the Financial Services Authority (FSA) to retain financial resources (i e. liquid financial assets and net capital) sufficient for the proper performance of its regulated activities The FSA monitor compliance with this based upon 150% of the Financial Resources Requirement, which is calculated as six months cash operating expenses relevant to the delivery of the regulated services

The above requirement has been met consistently throughout the year

It is the policy of the Company to maintain high levels of liquidity As such, most capital is held in the form of cash deposits

17. Contingencies

As part of the corporate restructuring arrangements effected in 2005, the leases held by EUI were novated to Euroclear SA/NV As required by the Landlord of the premises at 33 Cannon Street, EUI have guaranteed the rent (currently £4,267,000 per annum) until the end of the lease in 2019

18. Commitment to strategic projects

The Euroclear group has undertaken a number of major infrastructure projects for the benefit of all group (I)CSDs.

- Data Centre Strategy (DCS) Set-up of three data centres to be shared fully by the group,
- Single Settlement Engine (SSE) Development of a common settlement engine, the cornerstone of the group's future single platform,
- ESES Strategic Development of additional single platform components, including a corporate actions database and related reporting and a common communications interface, which, combined with the ESES Tactical project (see below), will complete the Euroclear Settlement for Euronext Securities (ESES) service,
- Single Platform, Custody and Settlement (SP) Developments which, combined with SSE and ESES, will implement the group's harmonised services and conclude the business model implementation

Upon their effective delivery, the group (I)CSDs are being charged over a five-year period for their respective use of these infrastructures, with the exception of DCS which is being charged over three years The related usage fee will be based on the development and funding costs that Euroclear

SA/NV will have borne as owner of these new infrastructures As at 31 December 2007, these costs amounted to £312,200,000

In terms of actual deliveries, DCS and SSE were launched for EUI in February 2007 and September 2006 respectively

The commitment of EUI with respect to Euroclear SA/NV amounts to £54,100,000 as at 31 December 2007, broken down as follows·

Project	2007	2006
	£'000	£'000
Data Centre Strategy	**12,300**	14,500
Single Settlement Engine	**11,600**	12,000
ESES Strategic	**14,400**	7,100
Single Platform	**15,800**	5,400
	54,100	39,000

Euroclear France has undertaken a tactical upgrade of the Euroclear France RGV system for ESES service offering purposes This effort, known as ESES Tactical, is financed by Euroclear France. The development phase is currently going on, and the first phase of the project (so-called "stream 1") was launched successfully in November 2007

The set-up of ESES Tactical also includes certain developments that will reduce the cost of SSE and SP Under the terms of the Group Project Agreements, Euroclear France will be indemnified for the early harmonisation and the cost savings resulting from ESES Tactical in the form of harmonisation compensation, subject to the acceptance of the final delivery of the projects The commitment of EUI with respect to this harmonisation project amounts to £2,900,000 as at 31 December 2007

19. Ultimate Parent Company

EUI is a wholly owned subsidiary of Euroclear SA/NV The ultimate parent and the controlling entity is Euroclear plc

The smallest group in which the results of the Company and its subsidiaries are consolidated is that of which Euroclear SA/NV is the parent company

The registered office of EUI is 33 Cannon Street, London EC4M 5SB Copies of the Euroclear plc group accounts and the Euroclear SA/NV accounts can be obtained from this address.

20. Related party transactions

The following transactions have been made with related parties during the year

Related Party	Services provided (by)/to the group	Revenue		(Charge)	
		2007	2006	**2007**	2006
		£'000	£'000	**£'000**	£'000
Parent	Shared Services	**-**	-	**(41,101)**	(32,979)
	Projects	**-**	-	**(27,617)**	(11,092)
	Strategic Projects	**-**	-	**(8,200)**	(1,079)
	Support	**27**	73	**-**	-
	Dividend Paid	**-**	-	**(33,800)**	-
Fellow subsidiaries	Shared Services	**48**	-	**-**	-
	Royalty Payment	**-**	-	**(286)**	(27)
	Commercial services	**283**	123	**(828)**	(498)
Other	Other services	**-**	-	**(6)**	(22)

Related Party	Receivable		(Payable)	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Parent	**22**	24,187	**(10,953)**	(2,091)
Fellow subsidiaries	**98**	-	**(364)**	(40)
Other	**-**	-	**(15)**	(21)

KEY
Parent Euroclear SA/NV
Fellow subsidiaries Euroclear Bank, Euroclear Nederland, Euroclear France and EMX Company Limited
Other Euroclear Investments

For the purposes of IAS 24 'Related party disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

Key management personnel remuneration and other compensation

	2007	2006
	£	£
Short-term employee benefits*	**1,075,961**	1,120,888
Post employment benefits*	**112,425**	118,341
Total remuneration and compensation	**1,188,386**	1,239,229

As at 31 December 2007, under a scheme available to all staff, key management personnel had interest free season ticket loans outstanding of £Nil (2006 £2,804)

Directors' emoluments

	2007	2006
	£	£
Aggregate remuneration*	**706,236**	724,713
Post employment benefits*	**63,785**	70,011
Short-term employee benefits	**1,028**	955
Total remuneration and compensation	**771,049**	795,679
The emoluments of the highest paid director.		
Aggregate remuneration*	**410,996**	434,713
post employment benefits*	**30,785**	37,011
Short-term employee benefits	**405**	382
Total remuneration and compensation	**442,186**	472,106

* 2006 figures restated to reflect final bonus payments and salary sacrifice scheme

21. Monies held on trust

Two of the subsidiary companies of EUI hold monies on trust as disclosed below

Subsidiary	Held in trust for.	**2007**	2006
		£'000	£'000
CREST Stamp Nominee (No.1) Limited	HM Revenue and Customs	**113,548**	96,596
CREST Stamp Nominee (No.2) Limited	Irish Revenue Commissioners	**9,912**	13,821

22. Financial risk management

The Company's activities expose it to a variety of financial risks (including currency risk, cash flow interest rate risk and credit risk) The Company actively manages these risks through various control mechanisms

Overall responsibility for risk management rests with the Board of the Company Day to day responsibility is delegated to the Executive Committee.

Additional information on the Company's financial risk management policies has been included in the Directors' Report on page 1

(a) Management of market risk
Market risk arises in respect of investment or trading in financial instruments (e g equities, fixed income securities, derivatives) where the fair value of future cash flows of such instruments will fluctuate because of changes in market prices Market risk comprises currency risk, interest rate risk and other price risk

(i) Currency risk
The Euroclear group operating model is designed to facilitate the supply of services between entities in different locations, including to EUI from various European countries The Company is therefore exposed to foreign exchange risk arising from various currency exposures, primarily in relation to euros Foreign exchange risk arises from the supply of services where the underlying cost has been accounted for in euros, on future commercial transactions and on recognised assets and liabilities The Company has no investments in foreign operations

A consistent approach has been applied for the management of foreign currency transactions A group view is taken in relation to the requirement for hedging exchange rate exposure, given the bi-directional flows of recharge arrangements Any exchange differences on translation of net assets are recorded in the Income Statement. For services supplied from foreign locations, the value charged in euros is translated to sterling when accounted for by the Company, thereby recording the cost at the prevailing spot exchange rate The Company does not currently actively hedge against these currency exposures

(ii) Interest rate risk
Interest rate risk arises on interest-bearing assets (e g loans, deposits placed and receivables) and borrowings

The Company's exposure to interest rate risk in relation to interest expense is minimal, due to the Company not having any requirement for overdrafts or loans

The Company employs a prudent treasury policy whereby surplus funds are placed on money market deposit for periods of up to three months. Interest rates obtained are monitored to ensure that interest income is maximised

(iii) Price risk

The Company does not hold investments or trade in any financial instruments where value fluctuates with market prices

(b) Management of credit risk

Credit risk is the risk that the Company is exposed to loss if another party fails to perform its financial obligations to the Company. Credit risk exposure is minimised as

- The majority of customers are regulated entities, with capital adequacy requirements and a high credit rating
- Customers largely settle amounts by direct debit

The extent of the Company's exposure is limited to the value of unsettled invoices. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis, for example, through the regular review of customers outstanding balances At the balance sheet date there were no significant concentrations of credit risk The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet Note 11 indicates an amount of £32,000 which was impaired at the balance sheet date

(c) Management of liquidity risk

Liquidity risk is the risk that the Company, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due

Responsibility for the Company's liquidity has been delegated by the Board to the Executive Committee Cash reserves are managed to ensure that the Company is able to meet its financial obligations at all times As detailed in note 1 (k), the Company holds most of its liquid assets in the form of cash or cash equivalents, which give rise to little or no liquidity risk

In addition, the Financial Services Authority has set a Financial Resources Requirement which requires that sufficient liquid financial assets are retained Monthly reports are filed with the FSA to confirm that the requirement is met