Euroclear UK & Ireland Limited

Annual Report and Financial Statements

31 December 2009

Registered Company Number: 2878738

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and the financial statements of Euroclear UK & Ireland Limited (EUI) for the year ended 31 December 2009 EUI is domiciled and incorporated in the United Kingdom The address of its registered office is 33 Cannon Street, London, EC4M 5SB

Principal activity, business review and future developments

The principal activity of EUI during the year was the operation and continuing development of the CREST 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, SWX Europe and on various multilateral trading platforms The CREST system 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

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

Following the previous launch of the Single Settlement Engine for Euroclear Bank, Euroclear France and EUI, the Euroclear Settlement of Euro-zone Securities (ESES) was launched in January 2009 for the three ESES Central Securities Depositories (CSDs) - Euroclear France, Euroclear Nederland and Euroclear Belgium

The Data Centre Strategy programme was designed to establish a three-data-centre strategy, together with the relocation of the IT equipment from the existing data centres This programme is part of the comprehensive business continuity strategy of the Euroclear group The strategy is designed to provide leading-edge business recovery capabilities following a local or regional disaster in the locations where Euroclear operates EUI will benefit when all of its processing transfers to the main IBM system

The CSDs and International Central Securities Depository (ICSD), (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 projects are launched Commitments in respect of all the strategic projects are disclosed in note 19 to the Financial Statements

EUI continues to develop its services and capacity, an upgrade to the HP Itanium platform went live in February 2009 and further enhancements are planned including additional functionality to support funds settlement (see below) and third party connectivity (e g Competitive Clearing, MTFs)

EUI is also working with EMX Company Limited (EMXCo), a fellow subsidiary company, to develop settlement services for funds This will complement the trade routing service provided by EMXCo to the funds industry

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

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 (or A+ rated institutions if additionally supported with a UK government guarantee), is employed for investment of surplus cash Cash flow and prudential cash requirements, including those necessary to support working and regulatory capital, are monitored regularly to ensure that sufficient funds are available EUI does not enter into any derivative transactions There has been no change since the year-end in the major financial risks faced by EUI (see note 23)

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 £4,978,000 (2008 £30,481,000) A taxation charge of £1,397,000 has been provided (2008 £8,367,000)

EUI's profit after tax for the year was £3,581,000 (2008 profit after tax £22,114,000)

An interim dividend of £15,038,000 (£0 625 per ordinary share) was paid during the year (2008 nil) A final dividend is proposed for 2009 of £10,009,126 (£0 416 per ordinary share) (2008 nil)

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 are based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors For the year ended 31 December 2009 the creditor days are calculated to be zero as supplier invoices outstanding at year end were minimal (2008 0 days)

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' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Directors and their interests

The following directors held office throughout the year

Tim May ‡ *(Chairman)*

Richard Crews

Herschel Post ‡ *

Yves Poullet

John Trundle

Yannic Weber *(CEO)*

Mike Williams ‡ *

‡ Member of Remuneration and Nomination Committee

* Independent Director and Member of the Audit and Compliance Committee

David Whitehead has been the Company Secretary throughout the year

Insurance of directors

EUI maintains insurance for directors in respect of their duties as directors of EUI

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, including 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 aptitude and abilities

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

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 2009 £79,000)

Political donations

EUI made no political donations during the year (2008 Nil)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Statement of Directors' Responsibilities for the year ended 31 December 2009

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB)

The Company's financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are of the opinion that the above requirements and responsibilities have been fulfilled

In accordance with the provisions of Section 418 of the Companies Act 2006 the directors confirm that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Auditors

PricewaterhouseCoopers LLP acted as EUI'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

D Whitehead

DAVID WHITEHEAD
Company Secretary
22 March 2010

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 2009 which comprises the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statement of Changes in Equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Simon Hunt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 March 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
Revenue	1c	**111,003**	149,022
Discounts	1c	**(19,794)**	(34,433)
Net revenue		**91,209**	114,589
Administrative expenses	2	**(87,025)**	(89,400)
Other gains/(losses)	3	**211**	68
Operating profit	4	**4,395**	25,257
Finance costs			
Interest income and similar income	7	**606**	5,224
Interest expense	7	**(23)**	-
Profit before tax		**4,978**	30,481
Income tax expense	8	**(1,397)**	(8,367)
Total comprehensive income for the year		**3,581**	22,114

(i) The profit for the year is all attributable to continuing operations

(ii) EUI has no items of other comprehensive income and therefore the profit for the year is also the total comprehensive income for the year

(iii) The total comprehensive income for the year is attributable to the owners of the parent

The notes on pages 12 to 28 are an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Intangible assets	9	**-**	-
Investments in subsidiary undertakings	10	**7**	7
Other non-current assets	11	**7**	-
Deferred tax assets	12	**398**	497
		412	504
Current assets			
Trade and other receivables	13	**5,667**	8,020
Cash and cash equivalents	14	**70,744**	82,793
		76,411	90,813
Current liabilities			
Trade and other payables	15	**(8,471)**	(7,198)
Current tax liabilities		**(223)**	(4,533)
Net current assets		**67,717**	79,082
Net assets		**68,129**	79,586
Equity			
Ordinary shares	16	**6,015**	6,015
Share premium reserve		**6,015**	6,015
Retained earnings		**56,099**	67,556
Total equity		**68,129**	79,586

The Financial Statements were approved by the Board of Directors on 22 March 2010 and authorised for issue on that date

Signed on behalf of the Board

DR TIM MAY
Chairman
22 March 2010

The notes on pages 12 to 28 are an integral part of the financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	2009		2008	
	£'000	**£'000**	£'000	£'000
Cash flows from operating activities				
Operating profit	**4,395**		25,257	
Adjustment for				
Changes in working capital				
Decrease/(Increase) in trade and other receivables	**2,215**		(1,068)	
Increase/(Decrease) in trade and other payables	**1,249**		(9,808)	
Cash generated from operations		**7,859**		14,381
Cash flows from operating activities				
Interest received	**737**		5,518	
Tax paid	**(5,607)**		(7,240)	
Net cash generated from operating activities		**(4,870)**		(1,722)
Cash flows utilised in financing activities				
Ordinary dividends paid	**(15,038)**		(49,998)	
Net cash from financing activities		**(15,038)**		(49,998)
Net decrease in cash and cash equivalents		**(12,049)**		(37,339)
Cash and cash equivalents as at 1 January		**82,793**		120,132
Cash and cash equivalents as at 31 December		**70,744**		82,793

The notes on pages 12 to 28 are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Ordinary Shares £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2008	6,015	6,015	95,440	107,470
Total comprehensive income	-	-	22,114	22,114
Dividends (£2 08 per ordinary share)	-	-	(49,998)	(49,998)
Balance as at 31 December 2008	6,015	6,015	67,556	79,586
Total comprehensive income	-	-	3,581	3,581
Dividends (£0 625 per ordinary share)	-	-	(15,038)	(15,038)
Balance as at 31 December 2009	6,015	6,015	56,099	68,129

The total equity is attributable to the owners of the parent

The notes on pages 12 to 28 are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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
The financial statements of EUI (the 'Company') have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 1985 and 2006 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 400 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about EUI as an individual undertaking and not with regard to its group

In preparing the financial statements for the current period, consideration was given to new IFRSs as well as amendments to IFRS and IFRIC interpretations There are no new IFRSs which apply to EUI for the year under review Where applicable, adjustments relating to amendments to IFRSs and IFRIC interpretations have been incorporated In general, these changes are related to presentation and arise from the revisions to IAS 1 "Presentation of 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 EUI's activities Revenue is shown net of Value Added Tax 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

(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 asset and liabilities at the anticipated rate of recovery and their carrying amount 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 EUI 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 Foreign exchange gains and losses on the retranslated amounts for assets and liabilities are recognised in the income statement as they arise

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

(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 primarily in the form of trade and other 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

2. Administrative expenses

	2009	2008
	£'000	£'000
Employee benefit expense (note 5)	**4,908**	5,893
Services provided by parent company (note 21)	**73,999**	74,873
Network commissions	**3,428**	3,400
Other costs	**4,690**	5,234
	87,025	89,400

3. Other gains

	2009	2008
	£'000	£'000
Exchange rate gain	**211**	68

4. Operating profit

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

	2009	2008
	£'000	£'000
Auditors' remuneration		
audit fees	**60**	70
other audit related	**92**	105

5. Employee benefit expense

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

	2009	2008
	No.	No
Total - average for year	**67**	78
Total - at 31 December	**64**	72

Employee benefit expense - all employees including executive directors

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

5. Employee benefit expense (continued)

	2009 £'000	2008 £'000
Wages and salaries	**3,132**	3,636
Social security costs	**549**	665
Pension costs	**359**	430
Other benefits	**83**	84
Bonus*	**785**	1,078
	4,908	5,893

* The Bonus figure represents the amount payable to employees in relation to the performance for the year ended 31 December 2009

6. Pensions

The cost of contributions to the Company Personal Pension scheme in the year was £359,000 (2008 £430,000) There were no outstanding or prepaid contributions at either 31 December 2009 or 31 December 2008 The scheme is classified as a defined contribution scheme

7. Interest income and expense

	2009 £'000	2008 £'000
Bank interest income	**606**	5,224
Other interest expense	**(23)**	-
Net interest income	**583**	5,224

8. Taxation

UK Corporation Tax	2009 £'000	2008 £'000
Current tax on income for the period	**1,189**	8,271
Adjustments in respect of prior periods	**109**	(39)
Current Tax	**1,298**	8,232
Deferred income tax (note 12)	**99**	135
Tax charge	**1,397**	8,367

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

8. Taxation (continued)

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

	2009	2008
	£'000	£'000
Profit before tax	**4,978**	30,481
UK Corporation Tax at 28% (2008 28 5% average rate)	**1,394**	8,687
Expenses not deductible for tax purposes	**1**	3
Other temporary differences	**(107)**	(281)
Adjustments in respect of prior periods	**109**	(39)
Change in Deferred income tax rates applicable	**-**	(3)
Tax charge	**1,397**	8,367

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008 Accordingly, EUI's profit for 2009 is taxed at an effective rate of 28% whilst the profit for the 2008 was taxed at an effective rate of 28 5%

9. Intangible assets

	2009	2008
	£'000	£'000
Cost	**24,724**	24,724
Amortisation		
At 1 January	**24,724**	24,724
Charge for the year	**-**	-
At 31 December	**24,724**	24,724
Net book value at 31 December	**-**	-
Net book value at 1 January	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

10. Investments in subsidiary undertakings

	2009	2008
	£	£
Investments in subsidiary undertakings	**7,008**	7,008

Subsidiary undertakings	Holding Equity Shares	Cost of Investments 2009	2008
		£	£
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
CREST Depository Limited	100%	**7,000**	7,000
CRESTCo Limited	100%	**2**	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

All the subsidiary companies are incorporated in England and Wales

11. Other non-current financial assets

The other financial assets represent a holding of 2 2418 common stock in the Depository Trust and Clearing Corporation (DTCC), an unlisted entity, which is required to support membership of the DTCC system These shares are held in a nominee capacity via CIN (Belgium) Limited The investment is designated in US dollars

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

12. Deferred tax asset

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

	2009 **£'000**	2008 £'000
Beginning of the year	**497**	632
Income statement charge	**(99)**	(135)
End of year	**398**	497

A deferred tax asset has been recognised at 31 December 2009 The asset represents temporary differences that arose historically because the rate of depreciation applied to some fixed assets by EUI in its financial statements exceeded the rate at which credit is given by capital allowances The asset will be recovered against the expected future profits of the Company

13. Trade and other receivables

Current	**2009** **£'000**	2008 £'000
Trade receivables	**394**	767
Less: provision for impairment of receivables	**-**	(317)
Trade receivables - net	**394**	450
Amounts owed by group undertakings (note 21)	**109**	2,786
Other debtors	**-**	10
Prepayments	**164**	342
Accrued income	**5,000**	4,432
	5,667	8,020

Amounts owed by group undertakings are categorised as loans and receivables and are short-term, hence their carrying value is a reasonable approximation of their fair value

14. Cash and cash equivalents

	2009 **£'000**	2008 £'000
Cash at bank and in hand	**6,975**	1,204
Short-term bank deposits (less than three months)	**63,769**	81,589
	70,744	82,793

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

15. Trade and other payables

Current	**2009**	2008
	£'000	£'000
Trade creditors	**2**	-
Amounts owed to group undertakings (note 21)	**3,325**	2,480
Other creditors	**674**	570
Tax and social security	**927**	549
Employee benefits	**827**	1,146
Accruals and deferred income	**2,716**	2,453
	8,471	7,198

All amounts owed to group undertakings are due on receipt of invoice

All current trade and other payables are due within six months

16. Share capital

	2009	2008
	£	£
Authorised, allotted and fully paid share capital:		
24,060,400 Ordinary Shares of 25 pence each	**6,015,100**	6,015,100

17. 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 EUI to maintain high levels of liquidity Capital is held in the form of cash deposits

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

18. Contingent liabilities

As part of the corporate restructuring arrangements effected in 2005, the property 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

19. Commitments 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 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 ESES Tactical (see below), will complete the Euroclear Settlement for Euronext Securities (ESES) service,
- Single Platform Custody, Common Communication Interface and Single Platform modules (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 5-year period for their respective use of these infrastructures, with the exception of DCS which is being charged over 3 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 of 31 December 2009, these costs amount to €515 3 million

In terms of actual deliveries, DCS, SSE and ESES strategic were launched for EUI, respectively in February 2007, September 2006 and January 2009

The commitment of EUI vis-à-vis Euroclear SA/NV amounts to €78 6 million (£69 8 million) as of 31 December 2009, broken down as follows

Project	**2009**	2008
	£'000	£'000
Data Centre Strategy	**1,189**	8,271
Single Settlement Engine	**5,930**	11,490
ESES Strategic	**20,610**	23,764
Single Platform	**42,079**	42,607
	69,808	86,132

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

19. Commitments to strategic projects (continued)

In the course of 2009, linked to a decision to re-phase the delivery of the SP programme, Euroclear SA/NV impaired part of SP and recharged the (I)CSD's for their respective contractual share of the related project costs For Euroclear UK & Ireland, this represented a charge of €2 9 million (£2 5 million) which is recorded in the 2009 income statement, as part of the inter-company charges. The amount of the commitment towards Euroclear SA/NV set out above is expressed after consideration of these costs

Euroclear France has undertaken a tactical upgrade of the Euroclear France RGV system for ESES service offering purposes This effort, known as ESES Tactical and financed by Euroclear France was launched successfully in January 2009

The set-up of ESES Tactical also included certain developments that will reduce the cost of SSE and SP Under the terms of the Group Project Agreement, Euroclear France is being indemnified for the early harmonisation and the cost savings resulting from ESES Tactical in the form of a harmonisation compensation, upon the acceptance of the final delivery of the project The commitment of EUI with respect to this harmonisation project amounts to €3 4 million as of 31 December 2009

20. Ultimate Parent Company

EUI is a wholly owned subsidiary of Euroclear SA/NV, which is incorporated in Belgium The ultimate parent and the controlling entity is Euroclear plc, which is incorporated in England and Wales.

The smallest group in which the results of EUI 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

21. 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)**	
		2009	2008	**2009**	2008
		£'000	£'000	**£'000**	£'000
Parent	Shared Services	-	-	**(45,147)**	(42,048)
	Projects	-	-	**(14,881)**	(22,935)
	Strategic Projects	-	-	**(13,971)**	(9,890)
	Support	-	1	-	-
	Dividend Paid	-	-	**(15,038)**	(49,998)
Fellow subsidiaries	Shared Services	**77**	55	-	-
	Royalty Payment	-	-	**(256)**	(403)
	Commercial services	**187**	172	**(923)**	(879)
	Project	-	-	**(511)**	(929)
Other	Other services	-	-	**(21)**	(15)

Related Party	**Receivable**		**(Payable)**	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Parent	-	2,562	**(2,533)**	(1,007)
Fellow subsidiaries	**109**	224	**(781)**	(1,454)
Other	-	-	**(11)**	(19)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

21. Related party transactions (continued)

Key management personnel remuneration and other compensation

The following information is presented only in respect of those employees of EUI who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures) At 31 December 2009, the number of key management personnel was 8 (2008. 9) The number of key management personnel who participate in the defined contribution pension scheme is 2 (2008 4)

	2009	2008
	£	£
Short-term employee benefits	**903,106**	980,214
Post employment benefits	**145,771**	103,250
Total remuneration and compensation	**1,048,877**	1,083,464

Directors' emoluments

The following information is presented only in respect of the directors and non executive directors of EUI At 31 December 2009, the number of directors and non-executive directors was 7 (2008 7) The number of directors and non-executive directors who participate in the defined contribution pension scheme is 1 (2008 2)

	2009	2008
	£	£
Aggregate remuneration	**645,813**	693,836
Post employment benefits	**103,096**	53,595
Short-term employee benefits	**18,642**	1,018
Total remuneration and compensation	**767,551**	748,449
The emoluments of the highest paid director		
Aggregate remuneration	**362,959**	253,931
Post employment benefits	**73,416**	21,336
Short-term employee benefits	**18,056**	309
Total remuneration and compensation	**454,431**	275,576

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

22. Monies held in trust

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

Subsidiary	Held in trust for.	**2009** **£'000**	2008 £'000
CREST Stamp Nominee (No 1) Limited	HM Revenue and Customs	**100,575**	93,386
CREST Stamp Nominee (No 2) Limited	Irish Revenue Commissioners	**6,389**	8,100

23. 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 manages these risks through various control mechanisms

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

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

(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 currency exposures, primarily in relation to the Euro Foreign exchange risk arises from the supply of services where the underlying cost has been accounted for in Euro, on future commercial transactions and on recognised assets and liabilities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

23. Financial risk management (continued)

The Company's exposure is mitigated in respect of

- Payment for inter-entity services prepayment is made monthly for the anticipated recharge, as such, any currency exposure is limited to the difference between the monthly prepayment and the amount subsequently invoiced,
- Future charges for Strategic Project development costs of development for each project are charged to the (I)CSDs based upon a fee income allocation methodology The translation of EUI's income to Euros, as required for this calculation, means that the charge allocated to EUI in Euros is reduced when there is a fall in the value of Sterling, and increases if the value of Sterling rises When the Euro charge is accounted for in Sterling, the net effect of any exchange rate movement is minimal

The extent of Euro underlying cost in inter-company services varies by the nature of the service In 2009, this amounted to 73% of the total cost of services recharged to EUI The average GBP EUR exchange rate for the year was 0 89 If the exchange rate weakened from GBP EUR 0 89 to 0 94, the resulting effect would be an increase in expenditure of £3 0 million This would have reduced profit before tax for the year by 60%

A consistent approach has been applied to 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 Statement of Comprehensive Income For services supplied from foreign locations, the value charged in Euro is translated to Sterling when accounted for by EUI, thereby recording the cost at the prevailing spot exchange rate The Company does not currently actively hedge against these currency exposures

The Company has no significant investments in foreign operations

(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 EUI not having any requirement for overdrafts or loans

The average rate of interest received in the year was 0 5% If the average interest rate in the year had been 1 5%, the resulting effect would be an increase in revenue of £1 9 million This would have increased profit before tax for the year by 38%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

23. Financial risk management (continued)

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 (with the exception of the other financial asset disclosed in note 11)

(b) Management of credit risk

Credit risk is the risk that EUI 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 more than 70% (by value of fees) are entities subject to capital adequacy requirements, and
- Customers largely settle amounts by monthly direct debit

The extent of EUI's exposure to third parties is limited to the value of unsettled invoices and unbilled accrued income 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 13 indicates an amount of £nil which was impaired at the balance sheet date (2008 £317,000)

(c) Management of liquidity risk

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

Responsibility for EUI's liquidity has been delegated by the Board to the Executive Committee Cash reserves are managed to ensure that EUI is able to meet its financial obligations at all times As detailed in note 1(j), EUI 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 evidence that the requirement is met

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

24. Events after the reporting period

On 22 March 2010, the directors proposed a final dividend in respect of the financial year ending 31 December 2009 of £10,009,126 (£0 416 per ordinary share)