Euroclear UK & Ireland Limited

Annual Report and Financial Statements

31 December 2010

Registered Company Number: 2878738

TABLE OF CONTENTS

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the financial statements of Euroclear UK & Ireland Limited (EUI) for the year ended 31 December 2010 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 activities of EUI during the year were the operation and continuing development of the CREST settlement system and the EMX message system, following the transfer of this business from EMX Company Limited (EMXCo) The CREST system provides advanced, low-cost electronic settlement facilities for a wide range of corporate and government securities, including those traded on the London and Irish Stock Exchanges, SWX Europe and various multilateral trading platforms The CREST system also settles transactions in money market instruments, funds and a variety of international securities as well as offering a range of asset servicing and optimisation facilities, including full corporate action services The EMX message system provides electronic order message routing, thereby automating the purchase, sale, valuation and settlement of unitised funds

Against a backdrop of continuing pressures and changes in the market, EUI has performed well in 2010 Increased volumes in MTF and Domestic Deliveries and the introduction of the EMX business (discussed below), have compensated for the fall of 8% in SETS volumes compared with 2009 As part of its approach to ensuring appropriate and fair pricing of its services, on 1 March 2010 EUI reduced its trade netting tariff, EUI's total charges (including settlement) to large-volume trading firms decreased to 0 9 pence per transaction compared with 2 2 pence per transaction previously In June 2010, a volume based sliding scale tariff was introduced for settlement, replacing the former annual cumulative value discount structure This has addressed client requests to have a more predictable monthly charge Fees earned under the new sliding scale tariff are reflected within Revenue in the Statement of Comprehensive Income The transition to variable volume driven tariffs has resulted in very few services still being eligible to discount, this can be seen in the reduction in Discounts compared with the previous year

On 1 September 2010, the business and relevant assets of EMXCo were transferred to EUI The financial statements reflect the inclusion of EMX from this date, and have been prepared in accordance with the principles of Merger accounting (see note 2)

In recent years, the Euroclear group has focused on delivering higher standardisation and harmonisation in the post trade industry These objectives remain important, particularly where they help to reduce processing costs both within Euroclear and for clients

Euroclear's approach had been to work to harmonise the various practices for the settlement, custody, payments, reference data and tax processing throughout the countries in which the group operates and to consolidate the services provided by the group on to a Single Platform environment A number of strategic projects have been delivered, for which the CSDs and International Central Securities Depository (ICSD), (collectively the (I)CSDs) of the Euroclear group, have paid for the development costs over a fixed time period from the dates the projects

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

were launched Costs relating to the strategic projects still being developed are held in Euroclear SA/NV until the projects are launched. During 2010 there was a re-assessment of the remaining components of the Single Platform (SP) being developed by Euroclear SA/NV This led to a new development strategy and resulted in the discontinuation of a large proportion of SP This has also therefore led to a reduction in the level of commitments EUI has with regards to these projects (see note 22)

Given the changing post-trade landscape (e g Target 2 Securities), volatile market conditions, a general restraint in the market on expenditure and the difficulties associated with large complicated projects, the group has evolved to a new more agile approach, which aims to deliver a series of smaller benefits to the market more quickly This new approach will make greater use of the existing CREST and EMX systems

EUI continues to develop its services and capacity, the previous upgrade to the HP Itanium platform has provided sufficient capacity for EUI's settlement services for several years, whilst further CREST enhancements are being introduced to provide additional functionality to support funds settlement and reconciliation, term DBVs (which will reduce the volume of daily settlement flows arising from overnight DBVs), Central Bank Money (a 'demand-driven' auto-collateralisation model for payment banks) and improved ISO compliance The EMX system has projects in hand to deliver automated re-registration of funds and to upgrade the client web-interface A link between EMX and the group's FundSettle system was delivered in 2010, which supports order routing to non-UK fund providers

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 There has been no change since the year-end in the major financial risks faced by EUI (see note 26)

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 £10,220,000 (2009 £4,978,000) A taxation charge of £2,915,000 has been provided (2009 £1,397,000) The 2010 result includes the profits of the merged EMX business from 1 September 2010 The EMX revenue of £3,562,000 and expenditure of £1,816,000 have increased EUI's profit before tax by £1,746,000

EUI's profit after tax for the year was £7,305,000 (2009 profit after tax £3,581,000)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

An interim dividend of £14,508,000 (£0 603 per ordinary share) was paid during the year (2009: interim dividend of £15,038,000, £0 625 per ordinary share) A final dividend is not proposed for 2010 (2009 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 2010 the creditor days are calculated to be 18 (2009 0 days, as supplier invoices outstanding at year end were minimal)

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

Tim May ‡ *(Chairman)*	Resigned	26 September 2010
Frederic Hannequart ‡ *(Chairman)*	Appointed	27 September 2010
Yannic Weber *(CEO)*		
Richard Crews	Resigned	1 September 2010
Herschel Post ‡ *		
Mike Williams ‡ *		
Yves Poullet	Resigned	28 March 2011
Luc Vantomme	Appointed	28 March 2011
John Trundle		

‡ Member of Nomination and Remuneration Committee

*Independent Director and Member of the Audit and Risk 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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

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 2010 £80,000, 2009 £79,000)

Political donations

EUI made no political donations during the year (2009 Nil)

Financial Instruments

The exposure of EUI to price risk, credit risk, liquidity risk and cash flow risk are discussed in note 26 on page 29

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Statement of Directors' Responsibilities for the year ended 31 December 2010

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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

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

In accordance with the provisions of Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, 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 2010 (continued)

Statement of Directors' Responsibilities for the year ended 31 December 2010 (continued)

Independent 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

DAVID WHITEHEAD
Company Secretary
30 March 2011

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

We have audited the financial statements of Euroclear UK & Ireland Limited (the 'Company') for the year ended 31 December 2010 which comprises the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, 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 on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 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 2010 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 matter prescribed by the Companies Act 2006

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

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
30 March 2011

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £'000	2009 £'000
Revenue	1d	**88,068**	111,003
Discounts	1d	**(1,632)**	(19,794)
Net revenue		**86,436**	91,209
Administrative expenses	3	**(76,112)**	(87,025)
Other (losses)/gains	4	**(408)**	211
Operating profit	5	**9,916**	4,395
interest income and expense			
Interest income	8	**304**	606
Finance expense	8	**-**	(23)
Profit before tax		**10,220**	4,978
Income tax expense	9	**(2,915)**	(1,397)
Total comprehensive income for the year		**7,305**	3,581

(i) The total comprehensive income 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 company

The notes on pages 13 to 31 are an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	**2010** £'000	2009 £'000
Assets			
Non-current assets			
Intangible assets	10	**54**	-
Property, plant and equipment	11	**162**	-
Investments in subsidiary undertakings	12	**7**	7
Other non-current assets	13	**7**	7
Deferred tax assets	14	**366**	398
		596	412
Current assets			
Trade and other receivables	15	**9,092**	5,667
Cash and cash equivalents	16	**60,657**	70,744
		69,749	76,411
Current liabilities			
Trade and other payables	17	**(7,549)**	(8,471)
Current tax liabilities		**(1,870)**	(223)
Net current assets		**60,330**	67,717
Net assets		**60,926**	68,129
Equity			
Ordinary shares	18	**6,015**	6,015
Share premium reserve		**6,015**	6,015
Retained earnings		**48,896**	56,099
Total equity		**60,926**	68,129

The Financial Statements were approved by the Board of Directors on 28 March 2011 and authorised for issue on that date

Signed on behalf of the Board

Yannic Weber

Chief Executive Officer

30 March 2011

The notes on pages 13 to 31 are an integral part of the financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010		2009	
	£'000	**£'000**	£'000	£'000
Cash flows from operating activities				
Operating profit	**9,916**		4,395	
Adjustment for·				
Amortisation Charge	**12**			
Depreciation Charge	**24**			
Changes in working capital				
Decrease/(Increase) in trade and other receivables	**(3,450)**		2,215	
Increase/(Decrease) in trade and other payables	**(905)**		1,249	
Cash generated from operations		**5,597**		7,859
Interest received	**329**		737	
Interest paid	**(17)**		-	
Tax paid	**(1,236)**		(5,607)	
Net cash generated from operating activities		**(924)**		(4,870)
Cash flows from investment activities				
Purchase of property, plant and equipment	**(186)**		-	
Purchase of intangible assets	**(66)**		-	
Net cash from investing activities		**(252)**		-
Cash flows utilised in financing activities				
Ordinary dividends paid	**(14,508)**		(15,038)	
Net cash from financing activities		**(14,508)**		(15,038)
Net decrease in cash and cash equivalents		**(10,087)**		(12,049)
Cash and cash equivalents as at 1 January		**70,744**		82,793
Cash and cash equivalents as at 31 December		**60,657**		70,744

The notes on pages 13 to 31 are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Ordinary Shares £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2009	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
Total comprehensive income	-	-	7,305	7,305
Dividends (£0 603 per ordinary share)	-	-	(14,508)	(14,508)
Balance as at 31 December 2010	6,015	6,015	48,896	60,926

The total equity is attributable to the owners of the parent company

The notes on pages 13 to 31 are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. Summary of significant accounting policies

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

(a) *Transfer of business*

The transfer of the EMXCo business has been accounted for using merger accounting principle since EMXCo and EUI are under common control

Under the principles of merger accounting, the assets and liabilities related to the EMX business were transferred to EUI at book value on 1 September 2010. Liabilities exceeded the value of assets transferred, a equivalent cash payment was made to EUI to ensure that no gain or loss arose on the transfer

(b) 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

(c) 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 We have considered the revision to ISA 24 'Related Parties' and have concluded that it has no effect on current practices, consequently there are no new IFRSs or amendments to existing IFRSs and IFRIC interpretations which apply to EUI for the year under review

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

(d) 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 systems, revenue earned for collecting Stamp Duty Reserve Tax on behalf of HM Revenue & 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 eligible fees. They are calculated at rates set out in EUI's published tariff and are accounted for on an accruals basis

(e) Administrative expenditure

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

(f) Intangible assets and amortisation

Acquired computer software is capitalized on the basis of the cost incurred to acquire and to bring to use the specific software. These costs are amortised over the assets' estimated useful lives (normally estimated to be over three years with some exceptions)

The cost of internally developed intangible assets is capitalised only where these costs are separately identifiable and where the development project is expected to generate future economic benefit to the Company The cost of these assets are amortised on a straight-line basis over the life of the system estimated at a period of ten years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation

Depreciation is calculated using the straight-line method of cost less estimated residual value in equal annual instalments over the expected useful economic life of the assets The periods generally applicable are

Furniture and fixtures	Over 7 years
Office equipment, including Personal Computers	Over 4 to 5 years
Operational equipment	Over 4 years

(h) 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

(i) 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

(j) 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

(k) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

(l) 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

(m) 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

(n) 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

(o) 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 2010 (continued)

2. Transfer of business

On 1 September 2010, the business previously carried on by EMXCo, a Private Limited Company was transferred to EUI

The major classes of assets and liabilities transferred as of 1 September 2010 were as follows

	2010 £
Assets	
Non-current assets	
Intangible assets	66,296
Property, plant and equipment	115,657
Deferred tax assets	59,438
	241,391
Current assets	
Trade and other receivables	108,860
Current liabilities	
Trade and other payables	(1,023,071)
Net current liabilities	(914,211)
Net liabilities	(672,820)

3. Administrative expenses

	2010 £'000	2009 £'000
Employee benefit expense (note 6)	**5,047**	4,908
Services provided by parent company (note 24)	**63,808**	73,999
Network commissions	**3,734**	3,428
Other costs	**3,523**	4,690
	76,112	87,025

4. Other (losses)/gains

	2010 £'000	2009 £'000
Exchange rate (loss)/gain	**(408)**	211

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

5. Operating profit

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

	2010 £'000	2009 £'000
Auditors' remuneration		
audit fees	**77**	60
other audit related	**93**	92

6. Employee benefit expense

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

	2010 No.	2009 No
Total - average for year	**77**	73
Total - at 31 December	**93**	70

On 1 September 2010, 29 former EMX employees were transferred to EUI

Employee benefit expense - all employees including executive directors

	2010 £'000	2009 £'000
Wages and salaries	**3,252**	3,132
Social security costs	**500**	549
Pension costs	**360**	359
Other benefits	**84**	83
Bonus*	**851**	785
	5,047	4,908

*The Bonus figure represents the amount payable to employees in relation to the performance for the year ended 31 December 2010

Included in the above table is the employee benefit expense relating to former employees of EMX for the period 1 September to 31 December 2010 which totalled £756,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

7. Pensions

The cost of contributions to the Company Personal Pension scheme in the year was £360,000 (2009 £359,000) There were no outstanding or prepaid contributions at either 31 December 2010 or 31 December 2009 The scheme is classified as a defined contribution scheme

8. Interest income and expense

	2010	2009
	£'000	£'000
Bank interest income	**304**	606
Other interest expense	**-**	(23)
Net interest income	**304**	583

9. Taxation

	2010	2009
UK Corporation Tax	**£'000**	£'000
Current tax on income for the period	**2,785**	1,189
Adjustments in respect of prior periods	**38**	109
Current Tax	**2,823**	1,298
Deferred income tax (note 14)	**92**	99
Tax charge	**2,915**	1,397

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

	2010	2009
	£'000	£'000
Profit before tax	**10,220**	4,978
UK Corporation Tax at 28% (2009 28%)	**2,862**	1,394
Expenses not deductible for tax purposes	**2**	1
Other temporary differences	**-**	(107)
Adjustments in respect of prior periods	**38**	109
Change in Deferred income tax rates applicable	**13**	-
Tax charge	**2,915**	1,397

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

9. Taxation (continued)

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011 This had no impact on the 2010 corporation tax but has been included in the calculation of deferred tax, giving rise to an adjustment of £13,000 in the 2010 financial statements

Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

10. Intangible assets

	Internally developed software £'000	Purchased software £'000	**Total £'000**
Cost			
At 1 January 2010	24,724	-	**24,724**
EMX assets transferred as at 1 September 2010	-	3,181	**3,181**
At 31 December 2010	24,724	3,181	**27,905**
Amortisation			
At 1 January 2010	24,724	-	**24,724**
EMX cumulative amortisation transferred as at 1 September 2010	-	3,115	**3,115**
Charge for the period since transfer	-	12	**12**
At 31 December 2010	24,724	3,127	**27,851**
Net book value at 31 December 2010	-	54	**54**
Net book value at 1 January 2010	-	-	-

Internally developed software consists entirely of the CREST system which has been fully amortised and continues to be in use

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

11. Property, plant and equipment

	Furniture £'000	Office equipment £'000	DP and communication equipment £'000	**Total £'000**
Cost				
At 1 January 2010	-	-	-	-
EMX assets transferred as at 1 September 2010	69	19	577	**665**
Additions	-	-	70	**70**
At 31 December 2010	69	19	647	**735**
Depreciation				
At 1 January 2010	-	-	-	-
EMX cumulative depreciation transferred as at 1 September 2010	59	3	487	**549**
Charge for the period since transfer	2	1	21	**24**
At 31 December 2010	61	4	508	**573**
Net book value at 31 December 2010	8	15	139	**162**
Net book value at 1 January 2010	-	-	-	-

12. Investments in subsidiary undertakings

	2010 £	2009 £
Investments in subsidiary undertakings	**7,008**	7,008

Subsidiary undertakings	**Holding Equity Shares**	**Cost of Investments 2010 £**	2009 £
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 & 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

12. Investments in subsidiary undertakings (continued)

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.

13. Other non-current 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

14. Deferred tax asset

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

	2010 £'000	2009 £'000
Beginning of the year	**398**	497
Transfer of EMX deferred tax asset	**60**	-
Income statement charge	**(92)**	(99)
End of year	**366**	398

A deferred tax asset has been recognised at 31 December 2010 On temporary timing difference arising between the tax basis of accounting for assets and liabilities and their carrying values in the Financial Statements The asset will be recovered against the expected future profits of the Company

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

15. Trade and other receivables

Current	**2010**	2009
	£'000	£'000
Trade receivables	**1,616**	394
Amounts owed by group undertakings (note 24)	**49**	109
Other debtors	**93**	-
Prepayments	**337**	164
Accrued income	**6,997**	5,000
	9,092	5,667

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

16. Cash and cash equivalents

	2010	2009
	£'000	£'000
Cash at bank and in hand	**14,378**	6,975
Short-term bank deposits (less than three months)	**46,279**	63,769
	60,657	70,744

17. Trade and other payables

Current	**2010**	2009
	£'000	£'000
Trade creditors	**353**	2
Amounts owed to group undertakings (note 24)	**1,490**	3,325
Other creditors	**1,070**	674
Tax and social security	**975**	927
Employee benefits	**815**	827
Accruals and deferred income	**2,846**	2,716
	7,549	8,471

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

All current trade and other payables are due within six months

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

18. Share capital

	2010	2009
	£	£
Authorised, allotted and fully paid share capital:		
24,060,400 Ordinary Shares of 25 pence each	**6,015,100**	6,015,100

19. 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

20. 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 £4,101,000 per annum) until the end of the lease in 2019 (total contingent liability £33,494,000)

21. Future commitments

As part of the transfer of the EMX business, EUI has adopted EMXCo's commitment to discount the future charges (in respect of the use of the EMX system) of the four original system sponsors up to the value of an aggregate of £479,055 to compensate them for expenditure incurred at the outset of the system development The commitment is limited to £15,000 per annum per sponsor Compensation is provided via usage of the EMX system, if usage of the system is discontinued then EUI will be released from the commitment

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

22. Commitments to strategic projects

The commitment of EUI towards Euroclear SA/NV as of 31 December 2010 corresponds to the development and funding costs related to the infrastructures that Euroclear SA/NV, as owner, will charge out in future years As of 31 December 2010, these costs amount to €4 0 million (£3 4 million)

Charges in relation to the Data Centre Strategy, launched in February 2007 for EUI, ended in 2010 Charges in relation to the Single Settlement Engine (SSE), launched in September 2006, will conclude in 2011

A significant part of the reduction from the total commitments at the end of 2009 is as a result of a re-assessment in 2010 of the remaining components of the Single Platform (SP) being developed by Euroclear SA/NV This has led to a new development strategy and has resulted in the discontinuation of a large part of SP

The year end commitment of EUI to Euroclear SA/NV was as follows

	Amount (in £ million)	
	2010	**2009**
Strategic projects	3 4	69 8

Under the terms of the Group Project Agreement, Euroclear France has been indemnified for the early harmonisation of the group's platforms (Euroclear Settlement of Euronext-zone Securities, or ESES, launched in 2009) in the form of a harmonisation compensation payable by EUI and the other (I)CSDs upon acceptance of the final delivery of SSE and SP

As a result of the review of the development strategy in 2010, EUI, together with the other (I)CSDs, has been released of its commitment for harmonisation compensation related to SP delivery which will be entirely borne by Euroclear SA/NV The commitment of EUI with respect to the harmonisation compensation linked to SSE delivery remains due and amounts to £0 3 million as of 31 December 2010 (2009 £1 0 million)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

23. 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

24. Related party transactions

EUI has entered into various agreements with group entities for the provision of services These are priced on an arm's length basis in accordance with the group's intercompany transaction policy

Services provided by the parent are invoiced quarterly and settled by way of a monthly prepayment At the close of each quarter a final adjustment for each invoice is prepared

Other services are either invoiced subsequent to the service being provided, or on a quarterly or annual basis if the service is ongoing All invoicing is in accordance with agreed arrangements for that particular service

None of the intercompany charges are secured

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

Related Party	**Services provided (by)/to the group**	**Revenue**		**(Charge)**	
		2010	2009	**2010**	2009
		£'000	£'000	**£'000**	£'000
Parent	Shared Services	-	-	**(40,992)**	(45,147)
	Projects	-	-	**(18,504)**	(14,881)
	Strategic Projects	-	-	**(4,312)**	(13,971)
	Dividend Paid	-	-	**(14,508)**	(15,038)
Fellow subsidiaries	Shared Services	**112**	77	-	-
	Royalty Payment	-	-	**(305)**	(256)
	Commercial services	**204**	187	**(1,199)**	(923)
	Project	-	-	**(224)**	(511)
Other	Other services	-	-	**(12)**	(21)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

24. Related party transactions (continued)

Related Party	Receivable		(Payable)	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Parent	**-**	-	**(1,075)**	(2,533)
Fellow subsidiaries	**49**	109	**(412)**	(781)
Other	**-**	-	**(3)**	(11)

KEY

Parent Euroclear SA/NV

Fellow subsidiaries Euroclear Bank, Euroclear Nederland, Euroclear France, Euroclear Sweden, EMX Company Limited and Xtrakter Limited

Other Euroclear Investments

In addition to the above, EUI has recorded transactions in respect of the transfer of the EMX business as disclosed in Note 2

Key management personnel remuneration and other compensation

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

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 2010, the number of key management personnel was 9 (2009 8) The number of key management personnel who participate in the defined contribution pension scheme is 3 (2009 2)

	2010	2009
	£	£
Short-term employee benefits	**790,786**	903,106
Termination benefits	**132,715**	-
Post employment benefits	**69,312**	145,771
Other long-term benefits	**109,659**	-
Total remuneration and compensation	**1,102,472**	1,048,877

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

24. Related party transactions (continued)

Directors' emoluments

The following information is presented only in respect of the directors and non executive directors of EUI At 31 December 2010, the number of directors and non-executive directors was 6 (2009 7) The number of directors and non-executive directors who participate in the defined contribution pension scheme is 0 (2009 1)

	2010	2009
	£	£
Aggregate remuneration	**451,248**	645,813
Post employment benefits	**33,761**	103,096
Short-term employee benefits	**16,578**	18,642
Termination benefits	**132,715**	-
Long-term benefits	**109,659**	-
Total remuneration and compensation	**743,961**	767,551
The emoluments of the highest paid director		
Aggregate remuneration	**188,145**	362,959
Post employment benefits	-	73,416
Short-term employee benefits	**16,578**	18,056
Long-term benefits	**109,659**	-
Total remuneration and compensation	**314,382**	454,431

The highest paid director has not exercised any share options or received any shares under a long term incentive scheme for the year ending 31 December 2010

For 2010, the Commission Bancaire, Financière et des Assurances (CBFA) in Belgium must review and approve the compensation principles for certain members of Euroclear senior management This review process will not be completed until after the 2010 financial statements have been reviewed and approved by the Board The amounts for 2010 above therefore include the level of variable remuneration accrued during 2010 and the currently expected allocation between short-term and long term benefits Any change in the allocation will be explained in the 2011 financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

25. Monies held in trust

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

Subsidiary	Held in trust for.	**2010** **£'000**	2009 £'000
CREST Stamp Nominee (No 1) Limited	HM Revenue and Customs	**66,582**	100,575
CREST Stamp Nominee (No 2) Limited	Irish Revenue Commissioners	**5,439**	6,389

26. 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

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,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

26. Financial risk management (continued)

- 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 2010, this amounted to 79% of the total cost of services recharged to EUI The average GBP EUR exchange rate for the year was 0 86 If the exchange rate weakened from GBP EUR 0 86 to 0 91, the resulting effect would be an increase in expenditure of £2 9 million This would have reduced profit before tax for the year by 28%

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 However, during 2010 EUI mitigated its risk to GBP EUR exchange rate fluctuations by forward purchasing Euros to the extent of the planned expenses originating in the Euro zone

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 3% If the average interest rate in the year had been 1.3%, the resulting effect would be an increase in revenue of £1 8 million This would have increased profit before tax for the year by 18%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

26. 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 13)

(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

(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(k), 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

27. Events after Balance Sheet Date

There were no events after the Balance sheet date that have a material impact on the financial performance or position of the Company.