Registered No 03531958

Xayce Limited

Report and Financial Statements

18 months ending 31 December 2010

Directors report

Directors
A Ardern
S Wright
N Grossman
T Burt
S Burt

Secretary
N Grossman

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

Registered Office
The Mansion House
Benham Valence
Speen
Newbury
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RG20 8LU

Directors report

The directors present their report and the audited financial statements for the 18 months ended 31 December 2010 2009 comparative figures are for the 12 month period ended 30 June 2009

Results and dividends

The profit for the period after taxation amounted to £1,009,311 (2009 – profit of £77,114)

An interim dividend was declared and paid in the period of £2,387,730 (2009 – £nil) The directors do not recommend the payment of a final dividend (2009 – 959,000)

Principal activity and review of the business

The principle activity of the Company, is the provision of business consulting advice and business change consultancy, in the Financial Services and Local Government sectors Clients include leading banks, insurance companies and large local authorities

In February 2011, the trade and assets of the company were sold to Capita Group for a consideration of £2 3 million

Future developments

Following the sale of the trade and assets of the company in February 2011 it is likely that the company will be liquidated in the foreseeable future

Principal risks and uncertainties

Discussed below are the company's major business risks, together with systems and initiatives in place to address them

Market risk

The IT services market is subject to fluctuations of demand by customers These fluctuations are linked to the economic cycle and changes in the spending patterns of customers In addition, the company works with a number of key vendors and it is important to maintain strong relationships and terms of business with these partners

Operational risk

This relates to the risk of financial loss resulting from internal processes, people and systems The company manages this risk through appropriate internal controls and proactive intervention, such as management reporting systems, insurances, business interruption and disaster recovery planning

Liquidity risk

This relates to the risk that the company is unable to fund its requirements because of insufficient banking facilities The company and the group manages liquidity risk via revolving credit facilities and long term debt

Credit risk

This relates to the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation Group policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures

Directors report (continued)

Directors

The directors who served the company during the period and appointed subsequently were as follows

A Ardern	
P Busby	(resigned 13 September 2010)
S Wright	
M Phillips	(resigned 28 June 2010)
M Emmett	(resigned 13 November 2009)
G Millward	(resigned 28 June 2010)
N Grossman	(appointed 28 June 2010)
T Burt	(appointed 28 June 2010)
S Burt	(appointed 28 June 2010)

Supplier payment policy and practice

The company supports the Better Payment Practice Code (previously the CBI's Prompt Payers Code), to which it subscribes when dealing with all its suppliers A copy of the code can be obtained from the Department of Trade and Industry, DTI Publications, Orderline, Admail 528, London SW1W 8YT

It is company policy that payments to suppliers are made in accordance with agreed terms and conditions on an individual basis provided all trading terms and conditions have been complied with

Political and charitable donations

The company made no political donations during the year (2009 – £nil) Donations to charities amounted to £1,027 (2009 – £nil)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

KPMG Audit plc resigned as auditors on 23 August 2010 and Ernst & Young LLP were appointed in their place

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the Board

Simon Burt
Director
28 April 2011

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that 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

Independent auditors' report

to the members of Xayce Limited

We have audited the financial statements of Xayce Limited for the 18 months ending 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 4 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and 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 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on the 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 for the 18 month period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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 (continued)

to the members of Xayce Limited

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

Ernst & Young LLP

Kevin Harkin (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Reading
28 April 2011

Profit and loss account

for the 18 months ended 31 December 2010

	Notes	2010 £	2009 £
Revenue	2	5,257,790	3,623,558
Cost of sales		(4,075,186)	(2,814,640)
Gross profit		1,182,604	808,918
Administrative expenses		(512,880)	(687,655)
Operating profit	3	699,724	121,263
Interest receivable and similar income	6	321	1,355
Profit on ordinary activities before taxation		670,045	122,618
Tax	7	339,266	(45,504)
Profit for the financial period	13	1,009,311	77,114

All activities derive from continuing operations

Statement of total recognised gains and losses

for the 18 months ended 31 December 2010

There are no recognised gains or losses other than as shown above Accordingly no statement of total gains and losses is given

Balance sheet
at 31 December 2010

	Notes	2010 £	2009 £
Current assets			
Debtors	9	433,196	2,307,551
Cash at bank and in hand		474,283	710,666
		907,479	3,018,217
Creditors: amounts falling due within one year	10	(450,749)	(1,181,353)
Net current assets		456,730	1,836,864
Provision for liabilities and charges	11	(7,285)	(9,000)
Net assets		449,445	1,827,864
Capital and reserves			
Called up share capital	12	108,108	108,108
Share premium account		2,182	2,182
Profit and loss account	13	339,155	1,717,574
Shareholders' funds	14	449,445	1,827,864

These financial statements were approved by the Board of Directors and are signed on their behalf by

Simon Burt

Director

28 April 2011

Notes to the financial statements (continued)

For the 18 months ended 31 December 2010

1. Accounting policies

The following accounting policies, have been consistently applied in dealing with items in relation to the financial statements

Basis of preparation

The financial statements are prepared under the historical cost convention and applicable accounting standards and on a going concern basis

Going concern

The directors, after making appropriate enquiries, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows

Revenue

Revenue represents the value of services provided within the Company's ordinary activities net of Value Added Tax Revenue includes sales of services that are delivered over extended periods of time and recognised on a percentage completion basis over the period that the service is delivered

Taxation

The tax charge for the periods presented comprises of current tax Taxation is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior periods

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

In June 2010 the Morse group was acquired by the 2e2 Group A deferred tax asset has not been recognised in respect of timing differences as there is insufficient evidence that the asset will be recovered

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Operating leases

Rentals applicable to operating leases, where substantially all of the benefits and risk of ownership remain with the lessor, are charged against profits in a straight line basis over the period of the lease

Pensions

The company makes contributions to an independently administered defined contribution scheme Contributions are charged to the profit and loss account as they accrue

Notes to the financial statements (continued)

For the 18 months ended 31 December 2010

Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the ate of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Employee share scheme

The cost of awards to employees that take the form of shares or rights to shares are recognised over the period of the employee's related performance

Provisions

A provision is made where the Company has a present legal or contractual obligation as a result of past events and it is probable that an outflow of economic benefit will be required to settle the obligation

A provision for dilapidations is recognised when it is probable that there will be an outflow of economic benefit in respect of obligations with the related lease arrangement

Tangible fixed assets and depreciation

The cost of tangible fixed assets, net of estimated residual value is depreciated in annual equal instalments over the estimated useful lives of the assets The rate of depreciation is as follows

Furniture, fixtures and fittings	Over 3 years straight line
Computer Equipment	25% per annum straight line

Notes to the financial statements (continued)

For the 18 months ended 31 December 2010

2. Turnover

All revenues were generated from the provision of business consulting advice and all originated in the United Kingdom

3. Operating profit

This is stated after charging

		2010	2009
		£	£
Auditors' remuneration	– audit fees	10,200	7,000
	– tax advisory	1,800	4,305
Operating lease rentals	– rental of property	47,110	38,197

4. Directors' emoluments

	2010	2009
	£	£
Aggregate emoluments	694,747	425,588
Company contributions to money purchase pension schemes	31,836	22,488
	726 583	448,076

The emoluments of the highest paid director were as follows

	2010	2009
	£	£
Aggregate emoluments	260,072	142,731
Company contributions to money purchase pension schemes	11,453	7,636
	271,525	150,367

3 directors participated in pension schemes (2009 – 3)

Notes to the financial statements (continued)

For the 18 months ended 31 December 2010

5. Staff costs

	2010	2009
	£	£
Salaries	2,088,112	1,502,748
Social security costs	254,357	204,201
Pension costs	82,315	55,994
	2,424,784	1,762,943

The average monthly number of employees (including directors) during the year was made up as follows

	2010	2009
	No	No
Consultancy and administration	23	25
	23	25

6. Interest receivable and similar income

	2010	2009
	£	£
Bank interest received	321	1,355
	321	1,355

Notes to the financial statements (continued)

For the 18 months ended 31 December 2010

7. Tax

	2010 £	2009 £
Current tax		
Current corporation tax on the profit for the year	-	36,000
Adjustments in respect of previous periods	(347,822)	13,000
Current tax – (credit)/charge for period	(347,822)	49,000
Deferred taxation		
Timing differences, origination and reversal	8,556	(3,496)
Tax (credit)/charge on profit on ordinary activities	(339,266)	45,504

	2010 £	2009 £
Profit on ordinary activities before tax	670,045	122,618
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	187 613	34,333
Effects of		
Expenses not deductible for tax purposes	17,468	1,667
Capital allowances in excess of depreciation	(545)	-
Other timing differences	1,507	-
Group relief surrendered/(received) for nil payment	(206,043)	
Adjustments in respect of previous periods	(347,822)	13,000
Current tax for the year	(347,822)	49,000

Finance Act 2010, which included a reduction in the UK corporate tax rate to 27% was substantially enacted on 21 July 2010 Therefore the deferred tax assets and liabilities of the company have been calculated at this rate

In his budget of 23 March 2011, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position The Budget proposed a decrease in the rate of UK corporation tax from 27% to 26% in April 2011 and by a further 1% each year until 2014 This reduction will affect any future and current tax charge of the company The effect of the reduction in the tax rate to 23% would be to reduce the unrecognised deferred tax asset by £415

The effect on the Company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted

Notes to the financial statements (continued)

For the 18 months ended 31 December 2010

8. Dividends

	2010	2009
	£	£
The following dividends have been approved and paid during the year	2,387,730	-

9. Debtors

	2010	2009
	£	£
Trade debtors	418,735	984,248
Amounts owed by group undertakings	-	1,272,222
Deferred taxation	-	8,556
Prepayments and accrued income	14,461	42,525
	433,196	2,307,551

Amounts owed by group companies are payable on demand and are non-interest bearing

10. Creditors: amounts falling due within one year

	2010	2009
	£	£
Trade creditors	184,876	37,683
Amounts owed to group undertakings	5,970	376,193
Corporation tax	-	347,822
Other taxation and social security	56,166	166,502
Other creditors	12,123	19,406
Accruals and deferred income	191,614	233,747
	450,749	1,181,353

Amounts owed to group companies are payable on demand and are non-interest bearing

11. Provisions

	Dilapidations
	£
Balance at 1 July 2009	9,000
Reversed in the period	(1,715)
At 31 December 2010	7,285

The dilapidations provision is expected to be utilised as and when the property lease expires During the period £1,715 was reversed

Notes to the financial statements (continued)

For the 18 months ended 31 December 2010

12. Deferred taxation

	2010 £	2009 £
Movement on Deferred taxation in the period		
Deferred tax asset at the beginning of period	8,556	5,060
Charge for the period	(8,556)	3,496
Balance at period end	-	8,556
Analysis of deferred taxation balance		
Capital allowances in excess of depreciation	(8,556)	8,556
Tax charge on profit on ordinary activities	-	8,556

The total deferred tax asset balance unrecognised as at 31 December 2010 is £2,800 (2009 - £nil)

13. Issued share capital

	2010		2009	
Authorised share capital	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	108,108	108,108	108,108	108,108

14. Movements on reserves

	Profit and loss account £
At 1 July 2009	1,717,574
Profit for the year	1,009,311
Dividends paid	(2,387,730)
At 31 December 2010	339,155

Notes to the financial statements (continued)

For the 18 months ended 31 December 2010

15 Reconciliation of shareholders' funds

	2010 £	2009 £
Profit for the financial year	1,009,311	77,114
Dividends paid	(2,387,730)	-
	(1,378,419)	77,114
Opening shareholders' funds	1,827,864	1,750,750
Closing shareholders' funds	449,445	1,827,864

16. Commitments under operating leases

At 31 December 2010, the company had annual commitments under non-cancellable operating leases as set out below

	2010 Land and buildings £	2009 Land and buildings £
Operating leases which expire		
Between two and five years	14,332	14,332
	14,332	14,332

17. Contingent Liabilities

At 31 December 2010 the company had no contingent liabilities (2009 – £nil)

18. Financial commitments

Following the acquisition of Morse plc by 2e2 Ltd on 21 June 2010, the company entered into a cross guarantee on 21 June 2010 for the amount of £85,000,000, in favour of certain investors

19. Related party transactions

The company has taken advantage of the exemption available under FRS8 not to disclose transactions with other members of the group

20 Ultimate parent undertaking and controlling party

The immediate parent company of Xayce Limited is Morse Limited, a company incorporated in the United Kingdom The ultimate holding company and controlling party is 2e2 Holdings Limited, a company incorporated in the United Kingdom

The smallest undertaking into which the assets of the company are consolidated is 2e2 Group Limited The largest undertaking into which the results of the company are consolidated is 2e2 Holdings Limited

Copies of the financial statements can be obtained from, The Mansion House, Benham Valence, Speen, Newbury, Berkshire, RG20 8LU

Notes to the financial statements (continued)

For the 18 months ended 31 December 2010

21. Subsequent events

Following the sale of the trade and assets of the company in February 2011 it is likely that the company will be liquidated in the foreseeable future