Registered No 3531958

Xayce Limited

Report and Financial Statements

31 December 2011

Directors

A Ardern (resigned 2 February 2011)
S Wright (resigned 2 February 2011)
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
Berkshire RG20 8LU

Registered No 3531958

Directors' report

The directors present their report and financial statements for the year ended 31 December 2011 The comparative figures are for the 18 month period ended 31 December 2010

Results and dividends

The profit for the year after taxation amounted to £1,718,172 (18 months ended 31 December 2010 £1,009,311)

There were no dividends declared or paid in the year (18 months ended 31 December 2010 £2,387,730) The directors do not recommend the payment of a final dividend (18 months ended 31 December 2010 £nil)

Principal activities and review of the business

The principal activity of the company was the provision of business consulting advice and business change consultancy, in the Financial Services and Local Government sectors Clients included 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 4 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 manage 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 year were as follows

A Ardern (resigned 2 February 2011)
S Wright (resigned 2 February 2011)
N Grossman
T Burt
S Burt

Political and charitable contributions

The company made no political donations during the year (18 months ended 31 December 2010 £nil) The company made no donations to charities during the year (18 months ended 31 December 2010 £1,027)

Policy and practice on payment of creditors

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

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, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

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

On behalf of the Board

Simon Burt
Director

30 April 2012

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 Group and 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 3 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 auditor

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 In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011and of its profit for the year 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
30 April 2012

Profit and loss account

for the year ended 31 December 2011

	Notes	*Year ended 31 December 2011* £	*18 months ended 31 December 2010* £
Revenue	2	247,880	5,257,790
Cost of sales		(220,251)	(4,075,186)
Gross profit		27,629	1,182,604
Administrative expenses		(20,115)	(512,880)
Exceptional income	4	1,710,658	–
Operating profit	3	1,718,172	699,724
Interest receivable and similar income	7	–	321
Profit on ordinary activities before taxation		1,718,172	670,045
Tax	8	–	339,266
Profit for the financial year	15	1,718,172	1,009,311

All activities are discontinued

Statement of total recognised gains and losses

for the year ended 31 December 2011

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,718,172 in the year ended 31 December 2011(18 months ended 31 December 2010 £1,009,311)

Balance sheet

At 31 December 2011

	Notes	2011 £	2010 £
Current assets			
Debtors	10	2,070,324	433,196
Cash at bank and in hand		97,293	474,283
		2,167,617	907,479
Creditors amounts falling due within one year	11	–	(450,749)
Net current assets		2,167,617	456,730
Provision for liabilities	12	–	(7,285)
Net Assets		2,167,617	449,445
Capital and reserves			
Called up share capital	14	1	108,108
Share premium account		2,182	2,182
Profit and loss account	15	2,165,434	339,155
Shareholders' funds	16	2,167,617	449,445

The financial statements were approved by the board of directors and authorised for issue on 30 April 2012 They were signed on behalf of the board by

Simon Burt

Director

Notes to the financial statements

At 31 December 2011

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

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 and related parties

The company is exempt from the requirement of FRS 1 (revised), to prepare a statement of cash flows as it is a wholly owned subsidiary undertaking, and its cash flows are included within the group statement of cash flows of 2e2 Holdings Limited, a company incorporated in the UK The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the 2e2 group

Tangible fixed assets

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

Revenue recognition

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 the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- 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

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

Notes to the financial statements

At 31 December 2011

1. Accounting policies (continued)

Foreıgn currencies

Transactıons ın foreıgn currencıes are recorded usıng the rate of exchange rulıng at the ate of the transactıon or, ıf hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and lıabılıtıes denomınated ın foreıgn currencıes are translated usıng the contracted rate or the rate of exchange rulıng at the balance sheet date and the gaıns or losses on translatıon are ıncluded ın the profit and loss account

Operating leases

Rentals applıcable to operatıng leases, where substantıally all of the benefits and rısk of ownershıp remaın wıth the lessor, are charged agaınst profits ın a straıght lıne basıs over the perıod of the lease

Pensions

The company makes contrıbutıons to an ındependently admınıstered defined contrıbutıon scheme Contrıbutıons are charged to the profit and loss account as they accrue

Provısıons

A provısıon ıs made where the company has a present legal or contractual oblıgatıon as a result of past events and ıt ıs probable that an outflow of economıc benefit wıll be requıred to settle the oblıgatıon

A provısıon for dılapıdatıons ıs recognısed when ıt ıs probable that there wıll be an outflow of economıc benefit ın respect of oblıgatıons wıth the related lease arrangement

2. Turnover

All revenues were generated from the provısıon of busıness consultıng advıce and all orıgınated ın the Unıted Kıngdom

3. Operating profit

Thıs ıs stated after chargıng

		Year ended 31 December 2011	*18 months ended 31 December 2010*
		£	*£*
Audıtors' remuneratıon –	audıt fees	–	10,200
–	tax advısory	–	1,800
Operatıng lease rentals –	rental of property	13,005	47,110
Exceptıonal ıncome (Note 4)		1,710,658	–

The audıt and tax fees were borne by other group companıes durıng the year

Notes to the financial statements

At 31 December 2011

4. Exceptional income

	Year ended 31 December 2011	*18 months ended 31 December 2010*
	£	*£*
Profit on sale of trade and assets	1,733,802	–
Restructuring credits	101,000	–
Restructuring costs	(124,144)	–
	1,710,658	–

5. Directors' remuneration

	Year ended 31 December 2011	*18 months ended 31 December 2010*
	£	*£*
Aggregate remuneration	22,429	694,747
Company contributions to money purchase pension schemes	7,091	31,836
	29,520	726,583

For the year ended 31 December 2011 the emoluments of A Ardern and S Wright are reflected in the figures above from 1 January 2011 until their resignation on 2 February 2011 The remuneration for the remaining directors has been borne by fellow group undertaking 2e2 Holdings Limited There is no appropriate basis with which to apportion directors' salaries to Xayce Limited Further details of director's remuneration are disclosed in the financial statements of 2e2 Holdings Limited

The remuneration of the highest paid director was as follows

	Year ended 31 December 2011	*18 months ended 31 December 2010*
	£	*£*
Aggregate remuneration	11,239	260,072
Company contributions to money purchase pension schemes	3,546	11,453
	14,785	271,525

5directors participated in pension schemes (18 months ended 31 December 2010 3)

Notes to the financial statements

At 31 December 2011

6. Staff costs

	Year ended 31 December 2011	*18 months ended 31 December 2010*
	£	*£*
Wages and salaries	130,842	2,088,112
Social security costs	11,218	254,357
Other pension costs	9,701	82,315
	151,761	2,424,784

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

	No	*No*
Consultancy and administration	–	23

Following the sale of the trade in February 2011 there were no employees remaining in the company

7. Interest receivable and similar income

	Year ended 31 December 2011	*18 months ended 31 December 2010*
	£	*£*
Bank interest received	–	321

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	Year ended 31 December 2011	*18 months ended 31 December 2010*
	£	*£*
Current tax:		
UK corporation tax on the profit for the year	–	–
Adjustments in respect of previous periods	–	(347,822)
Total current tax (note 8(b))	–	(347,822)
Deferred tax:		
Origination and reversal of timing differences	–	8,556
Tax on profit on ordinary activities	–	(339,266)

Notes to the financial statements

At 31 December 2011

8. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26 5% (18 months ended 31 December 2010 – 28%) The differences are explained below

	Year ended 31 December 2011 £	*18 months ended 31 December 2010* £
Profit on ordinary activities before tax	1,718,172	670,045
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (18 months ended 31 December 2010 – 28%)	455,198	187,613
Effects of		
Non taxable income	(459,231)	17,468
Capital allowances in excess of depreciation	(1,469)	(545)
Other timing differences	(1,426)	1,507
Group relief surrendered/(received) for nil payment	6,928	(206,043)
Adjustments in respect of previous periods	–	(347,822)
Current tax for the year (note 8(a))	–	(347,822)

(c) Factors that may affect future tax charges

In Budget 2011 on 23 March 2011, the Chancellor of the Exchequer announced a reduction in the UK rate of corporation tax to 26% This reduced rate applied from 1 April 2011 and was enacted using secondary legislation, called the Provisional Collection of Taxes Act A further 1% rate reduction to 25% was also announced and it was intended that this would be effective from 1 April 2012 However, in his budget of 21 March 2012, the Chancellor of the Exchequer announced a number of further changes to the UK Corporation Tax rate These included a reduction in the UK corporation tax rate from 25% to 24% effective from 1 April 2012 (and substantively enacted as of 26 March 2012 and dealt with by Resolution under the Provisional Collection of Taxes Act) The UK government intends to further reduce the UK corporate income tax rate, to 22%, in annual increments of 1% per annum which will be enacted in successive Finance Bills Consequently, the company will only recognise the impact of the rate change which is substantively enacted at that time in its financial statements

9. Dividends

	2011 £	*2010* £
Dividends approved and paid during the year	–	2,387,730

Notes to the financial statements

At 31 December 2011

10. Debtors

	2011 £	2010 £
Trade debtors	–	418,735
Amounts owed by group undertakings	2,070,324	–
Prepayments and accrued income	–	14,461
	2,070,324	433,196

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

11. Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	–	184,876
Amounts owed to group undertakings	–	5,970
Other taxes and social security costs	–	56,166
Other creditors	–	12,123
Accruals and deferred income	–	191,614
	–	450,749

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

12. Provisions for liabilities

	Dilapidations £
At 1 January 2011	7,285
Utilised in the year	(7,285)
At 31 December 2011	–

The dilapidations provision was utilised during the year, after the lease on the property was terminated, following the sale of the trade of the company

Notes to the financial statements

At 31 December 2011

13. Deferred tax

	2011	*2010*
	£	*£*
Movement on deferred taxation in the year		
Deferred tax asset at the beginning of year	–	8,556
Charge for the year	–	(8,556)
Balance at year end	–	–
Analysis of deferred taxation balance		
Capital allowances in excess of depreciation	–	(8,556)
Tax charge on profit on ordinary activities	–	–

The total deferred tax asset balance unrecognised as at 31 December 2011 is £nil (18 months ended 31 December 2010 £2,800)

14. Issued share capital

		2011		*2010*
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	108,108	1	108,108	108,108

In 2010 there were 108,108 ordinary shares of £1 each As a result of a capital reduction in 2011 the nominal value of shares was reduced to 0 00001p per share

15. Movements on reserves

	Profit and loss account
	£
At 1 July 2009	1,717,574
Profit for the period	1,009,311
Dividends paid	(2,387,730)
At 1 January 2011	339,155
Profit for the year	1,718,172
Capital reduction	108,107
At 31 December 2011	2,165,434

A capital reduction process was undertaken during the year resulting in a transfer from share capital to retained earnings of £108,106

Notes to the financial statements

At 31 December 2011

16. Reconciliation of shareholders' funds

	2011	*2010*
	£	*£*
Profit for the financial year	1,718,172	1,009,311
Dividends paid	–	(2,387,730)
	1,718,172	(1,378,419)
Opening shareholders' funds	449,445	1,827,864
Closing shareholders' funds	2,167,617	449,445

17. Commitments under operating leases

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

		2011		*2010*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	*£*	*£*	*£*
Operating leases which expire				
In two to five years	–	–	14,332	–

18. Contingent Liabilities

At 31 December 2011 the company had no contingent liabilities (18 months ended 31 December 2010 £nil)

19. Financial commitments

Following the acquisition of Morse plc by 2e2 Limited 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

20. Related party transactions

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

21. Ultimate parent undertaking and controlling party

The immediate parent undertaking of Xayce Limited is 2e2 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