Euroclear UK & Ireland Limited

Directors' Report and Financial Statements for the year ended 31 December 2017

Registered Company Number: 2878738

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report for the year ended 31 December 2017.

Principal activities and future developments

The principal activities of Euroclear UK & Ireland Limited (the 'Company') during the year were the operation and continuing development of the CREST system and the EMX message system. 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 Stock Exchange, Irish Stock Exchange, SWX Europe and various multilateral trading platforms
- settles transactions in money market instruments, investment funds and a variety of international securities, and offers a range of asset servicing and optimisation facilities, including corporate action services.

The EMX message system provides electronic message order routing, thereby automating the purchase, sale, valuation and settlement of unitised funds.

The Euroclear group continues to focus on being one of the world's pre-eminent and trusted providers of post-trade services, by:

- providing high levels of standardisation, automation and harmonisation within the post-trade industry
- supporting capital market participants' evolving needs.

These objectives aim to help reduce risk and processing costs for the group's clients, as well as supporting financial stability and economic development.

The key elements of the Euroclear group's strategy are to:

- maintain and improve its domestic and international Central Securities Depository (CSD) services
- broaden its service offering for funds products
- extend its asset servicing and collateral management services
- expand its business activities beyond Europe.

Euroclear UK & Ireland Limited's strategy is to:

- provide robust and reliable CSD services to the UK and Irish markets
- offer expanded services to the funds market.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

In 2017, Euroclear UK & Ireland Limited submitted its application to operate under the Central Securities Depositories Regulation (CSDR). It also made various service enhancements to prepare the Company to operate under CSDR and to support the on-going strength and efficiency of the market.

Service enhancements in 2017

A number of service enhancements were introduced during the year:

- a model to enable USD cash settlement in central bank money has been developed that is compliant both with the CSDR and the CPSS-IOSCO FMI principles; it is planned to go live in 2018
- reconciliation enhancements for domestic and international securities
- controls to avoid errors in Registrars' records of the issuance of securities
- various data record improvements to meet record keeping standards for both participants and securities issued in the CREST system
- replacement of the system used for billing transactions
- upgrade to message formats to improve interaction with DTCC for US securities in the international service.

UK's withdrawal from the European Union (EU)

On 23 June 2016, the UK voted to leave the EU and subsequently served notice to the EU of its intention to withdraw from the EU on 29 March 2019. The terms of the withdrawal and subsequent relationship with the EU are still under negotiation. This creates some complexity for the Company in fully quantifying the longer-term implications of the decision to withdraw.

One key decision that has been announced by the Irish Ministry of Finance is that Ireland seeks to establish its own CSD under the terms of CSDR for the settlement of Irish securities traded on the Irish Stock Exchange. The consequence of this decision is that, at the point that the Irish CSD is licensed, Euroclear UK & Ireland Limited will cease to be the CSD for Irish equities.

The Company and the Euroclear group are working jointly to identify the potential impacts of the UK's withdrawal in different scenarios, including that of leaving the EU without any agreement in place, and are taking steps, where possible, to mitigate any resultant risks to the business of the Company as a result of the withdrawal decision. The Company remains confident that it is well positioned to address the challenges and opportunities involved.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Central Securities Depositories Regulation (CSDR)

The CSDR became law in September 2014. It introduces a complete review and standardisation of the regulation that applies to (I)CSDs within the EU, and also standardises permitted CSD activities and settlement discipline procedures across Europe.

Compliance with its provisions is an ongoing priority for all Euroclear group CSDs. Euroclear UK & Ireland Limited applied for authorisation under the new regulation in September 2017. Based on the initial review of the filing by the Bank of England, the Company expects to submit a final filing by October 2018. Settlement discipline measures under CSDR are expected to come into force in 2020.

General Data Protection Regulation (GDPR)

GDPR comes into effect in May 2018 and introduces stringent requirements governing the protection of personal data owned or controlled by EU entities. The Company and Group are assessing the requirements for compliance with this regulation and are implementing processes to ensure compliance with the regulation.

Principal risks and uncertainties facing the Company

Euroclear UK & Ireland Limited is exposed to operational risk which is usually defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, and external events. Effective monitoring, appropriate reporting and comprehensive processes exist to ensure continuous availability of business-critical services.

The Company maintains a recovery plan which is reviewed and approved by the Board on at least an annual basis. The Company has additional data centres to sustain operations in the event of a local or regional-scale disaster. Crisis response capability is tested and maintained through the regular transfer of activity between the primary data centres and adequate training of staff. The integrity, confidentiality and availability of the Company's and its clients' data, and the continuous availability of its services, is a core objective. The Company has given significant attention to the increasing and changing threats from cyber risks and will continue to do so throughout 2018.

In 2018, the completion of the CSDR application process and the embedding of processes to ensure continued compliance with the new regulations will be a major focus for the Company. The CSDR will also require changes by the Company's clients, for example, to comply with record-keeping requirements. The introduction of standardised settlement discipline and buy-in regimes across Europe will take place by 2020. The Company is well advanced with its CSDR implementation projects and detailed discussions with regulators are underway.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

The Company has identified a number of direct risks and threats from the UK's withdrawal from the EU and is taking actions to mitigate these risks and ensure continuity of service to its clients and market participants. The primary risk to the Company is the loss of revenues as a consequence of ceasing to service the Irish market. Revenues from servicing the Irish market currently represent 2% of the Company's revenues. The Euroclear group intends to apply to operate a CSD in Ireland and the Company is supporting the group in this application in order to ensure continuity of service to its clients that operate in this market.

The impact of the devaluation of the GBP/EUR exchange rate following the vote was reflected in the increase in EUR denominated costs of the Company in 2017, which comprise a material component of the Company's cost base. Whilst the group's fixed rate policy for foreign exchange provides a degree of insulation during the year, as well as the exchange rate being less volatile in 2017, the Company continues to monitor the rates and assess the impact on future profitability. The other identified risks will depend on the precise arrangements for exiting the EU, about which there is still much uncertainty. However, the Company continues to engage with its clients and other stakeholders as this subject evolves.

Euroclear UK & Ireland Limited, as a provider of settlement services, has minimal exposure to price (market) risk and does not extend credit to third parties, other than in the normal invoicing cycle. A prudent investment policy is followed for the investment of cash, based upon diversified money market deposits with highly rated institutions. 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.

The capital adequacy of Euroclear UK & Ireland Limited is assessed using the maximum capital requirements of the Financial Resources Requirement (see note 18), the anticipated CSDR requirement and the Internal Capital Adequacy Assessment Processes (ICAAP), for which the latter tests the likely availability of capital over the next five years.

The regulatory requirements are compared against internally generated requirements taking into consideration the operational risk, business risk and credit risk of the Company. The overall approach assesses the likely adequacy of the Company's current and future capital levels in light of the evolution of its risk profile. It also assesses the potential impact of more severe market conditions. There has been no change since the year-end concerning the major financial risks faced by Euroclear UK & Ireland Limited (see note 24).

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Key performance indicators

There are a number of financial and non-financial key performance indicators that the Company uses to monitor its performance. The key financial performance indicator is profit before tax. Euroclear UK & Ireland Limited made a profit before income tax of £31,281,457 (2016: £48,852,663). This is subject to a taxation charge of £5,890,643 (2016: £9,751,192). The drivers of this result are discussed on page 6.

The Company also monitors a wide variety of non-financial key performance indicators. The principal indicators relate to the availability of services and systems, where the Company has a generally good record in relation to its demanding production stability objectives. All measures were met except the systems availability measure for CREST which was just below target. A comprehensive programme of measures which seek to mitigate risks to systems availability is being implemented.

Key Performance Indicator (Unaudited)	**Target**	**CREST system performance**
Service resilience (completion of transactions within the business day)	100.00%	2017: 100% (2016: 100%) Euroclear UK & Ireland Limited settled 68.3 million transactions, with a value in excess of £244 trillion for the year.
System availability (ability for clients to interact continuously with the settlement system)	99.80%	2017: 99.78% (2016: 99.76%)

Key Performance Indicator (Unaudited)	**Target**	**EMX System Performance**
Service resilience (daily capability to forward all orders to the relevant counterparty)	100.00%	2017: 100% (2016: 100%) Euroclear UK & Ireland Limited processed 19.0 million messages, with a value in excess of £203 billion for the year.
System availability (available for message input for one or more participants)	99.80%	2017: 99.98% (2016: 99.98%)

To achieve these targets, the Company needs to ensure that it has the necessary people, infrastructure and resources for current and future developments and to perform its key controls consistently and effectively.

Senior management of the Company regularly monitor and review comprehensive operational management information to manage the business in a way that achieves its key financial and non-financial objectives.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Financial performance

The Company has performed well in 2017. Revenues have remained broadly in line with the previous year, however, there has been an increase in administrative expenses from additional project investments, including, but not limited to, the implementation of cyber security measures and CSDR.

Euroclear UK & Ireland Limited's profit and total comprehensive income for the year was £25,390,814 (2016 profit and total comprehensive income for the year: £39,101,471). The year-end financial position of the Company remains strong, with total assets of £116,665,425 (2016 total assets: £125,300,792).

Dividends

No interim dividend was paid during the year (2016: £nil). A final dividend of £10,105,368 (£0.42 per ordinary share) has been proposed for 2017 (2016: £33,203,352 (£1.38 per ordinary share)) (see note 17).

On behalf of the Board

John Trundle

JOHN TRUNDLE
Chief Executive Officer
19 February 2018

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements of Euroclear UK & Ireland Limited for the year ended 31 December 2017.

In accordance with section 414C(11) of the Companies Act 2006 (the 'Act') disclosures in relation to dividends and the future developments of Euroclear UK & Ireland Limited are presented in the Strategic Report.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Members	Board	Audit Committee	Risk Committee	Nominations, Remuneration & Governance Committees
Frederic Hannequart (Chairman)	• (chair)			•
John Trundle (CEO)	•			
Tom Challenor (Independent director)	•	• (chair)	•	•
Sue Concannon (Independent director)	•	•		• (chair)
Philippe Tromp (Independent director)	•	•	• (chair)	•
Peter Sucaet (Non-Executive Director)	•		•	

Daksha Hirani was the Company Secretary until she resigned on 3 March 2017. Jennifer Parker was appointed Company Secretary on 19 July 2017.

Indemnity and insurance of directors

As permitted by the Euroclear UK & Ireland Limited articles of association, the directors of the Company have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Act. The indemnity has been in place throughout the year and is in force at the date the Directors' Report is approved. The Company maintains insurance for directors in respect of their duties as directors of Euroclear UK & Ireland Limited.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Employees

Euroclear UK & Ireland Limited's policy is to consult and discuss with employees matters likely to affect employees' interests. Information on matters of interest 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 Euroclear UK & Ireland Limited's performance.

Euroclear UK & Ireland Limited's training and development approach is to ensure that the organisation has the right skills developed at the right time through appropriate learning and development tools, so as to meet the organisation's strategic needs and contribute to employee engagement.

Euroclear UK & Ireland Limited is an equal opportunities employer; its 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

Euroclear UK & Ireland Limited has adopted a remuneration policy designed to attract, retain and motivate executive directors and staff of the quality required to operate its business.

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 Euroclear UK & Ireland Limited 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.

Creditor payment policy

Euroclear UK & Ireland Limited's policy on the payment of suppliers is to settle according to the terms of payment once all contractual terms have been observed. For all trade creditors, it is Euroclear UK & Ireland Limited'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 promptly 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 2017 the creditor days are calculated to be 19 days (2016: 2 days).

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 as determined by this committee are paid through Euroclear SA/NV, London (total UK donation for 2017: £72,730, 2016: £71,679).

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Political donations

Euroclear UK & Ireland Limited made no political donations during the year (2016: Nil).

Financial instruments

The exposure of Euroclear UK & Ireland Limited to price risk, credit risk, liquidity risk and cash flow risk are discussed in note 24 on pages 33 to 35 of the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Statement of disclosure of information to auditors

In accordance with the provisions of Section 418 of the Companies Act 2006, 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) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP has held office in accordance with Section 487 of the Companies Act 2006 for the 2017 financial year. Following a rigorous tender process conducted by the Euroclear PLC Audit Committee, Deloitte LLP will assume the role as independent auditors for the Euroclear PLC Group, of which the Company is a member, for the year ending 31 December 2018. Formal appointment as auditors to the Company will be completed after the approval of these financial statements.

On behalf of the Board

John Trundle

JOHN TRUNDLE
Chief Executive Officer
19 February 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Euroclear UK & Ireland Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity, and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Sheena Coutinho (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 February 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(£)	Note	2017	2016
Net fee income		**106,652,555**	**107,166,142**
Fee income		115,941,671	114,541,326
Fee expense		(9,289,116)	(7,375,184)
Administrative expenses	3	**(75,654,619)**	**(58,700,617)**
Other gains	4	**164,280**	**22,598**
Net interest income		**119,241**	**364,540**
Interest income		139,445	378,447
Interest expense		(20,204)	(13,907)
Profit before income tax		**31,281,457**	**48,852,663**
Taxation	5	**(5,890,643)**	**(9,751,192)**
Profit and total comprehensive income for the year		**25,390,814**	**39,101,471**

(i) The total comprehensive income for the year is all attributable to continuing operations.

(ii) The total comprehensive income for the year is attributable to the owners of the parent company.

The notes on pages 18 to 35 form part of the financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

(£)	Note	2017	2016
Assets			
Non-current assets			
Intangible assets	6	41,191	49,933
Property, plant and equipment	7	36,465	45,189
Investments in subsidiary undertakings	8	7,010	7,010
Available-for-sale financial assets	9	1,849	2,031
Deferred income tax assets	11	65,329	82,690
Total non-current assets		**151,844**	**186,853**
Current assets			
Trade and other receivables	12	9,335,731	10,385,621
Loans and receivables	10	-	5,000,000
Cash and cash equivalents	13	107,177,850	109,728,318
Total current assets		**116,513,581**	**125,113,939**
Total assets		**116,665,425**	**125,300,792**
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	6,015,100	6,015,100
Share premium		6,015,000	6,015,000
Retained earnings		91,056,755	98,869,293
Total equity		**103,086,855**	**110,899,393**
Liabilities			
Current liabilities			
Trade and other payables	14	11,391,407	9,725,198
Current income tax liabilities		2,187,163	4,676,201
Provisions for other liabilities and charges	15	-	-
Total current liabilities		**13,578,570**	**14,401,399**
Total equity and liabilities		**116,665,425**	**125,300,792**

The notes on pages 18 to 35 form part of the financial statements.

The financial statements on pages 14 to 35 were approved by the Board of Directors on 19 February 2018 and authorised for issue on that date.

Signed on behalf of the Board:

John Trundle

JOHN TRUNDLE
Chief Executive Officer
19 February 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(£)	Note	Share Capital	Share premium	Retained earnings	Total equity
At 1 January 2017		**6,015,100**	**6,015,000**	**98,869,293**	**110,899,393**
Profit and total comprehensive income for the year		-	-	25,390,814	25,390,814
Dividend (£1.380 per ordinary	17	-	-	(33,203,352)	(33,203,352)
At 31 December 2017		**6,015,100**	**6,015,000**	**91,056,755**	**103,086,855**

(£)	Note	Share Capital	Share premium	Retained earnings	Total equity
At 1 January 2016		**6,015,100**	**6,015,000**	**72,760,438**	**84,790,538**
Profit and total comprehensive income for the year		-	-	39,101,471	39,101,471
Dividend (£1.380 per ordinary	17	-	-	(12,992,616)	(12,992,616)
At 31 December 2016		**6,015,100**	**6,015,000**	**98,869,293**	**110,899,393**

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

The notes on pages 18 to 35 form part of the financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(£)	Note	2017	2016
Profit before income tax		**31,281,457**	**48,852,663**
Adjustments for:			
Amortisation charge	3	14,666	10,582
Depreciation charge	3	14,972	24,974
Interest income		(139,445)	(378,447)
Interest expense		20,203	13,907
Unrealised loss on non-current assets	9	182	(346)
Provision for liabilities and charges	15	-	(60,000)
Changes in working capital:			
Trade and other receivables		917,249	(1,029,342)
Trade and other payables		1,666,209	(874,965)
Cash generated from operating activities		**33,775,493**	**46,559,026**
Interest received		272,087	475,042
Interest paid		(20,204)	(13,907)
Tax paid		(8,362,320)	(8,949,994)
Net cash generated from operating activities		**25,665,056**	**38,070,167**
Cash flows generated from/(used in) investment activities			
Investments in subsidiaries	8	-	(2)
Loans and receivables	10	5,000,000	10,000,000
Purchase of property, plant and equipment	7	(6,248)	(11,880)
Purchase of intangible assets	6	(5,924)	(39,534)
Net cash generated from/(used in) investing activities		**4,987,828**	**9,948,584**
Net cash used in financing activities			
Ordinary dividends paid	17	(33,203,352)	(12,992,616)
Net cash used in financing activities		**(33,203,352)**	**(12,992,616)**
Net (decrease)/increase in cash and cash equivalents		**(2,550,468)**	**35,026,135**
Cash and cash equivalents at beginning of the year		109,728,318	74,702,183
Cash and cash equivalents at the end of the year		**107,177,850**	**109,728,318**

The notes on pages 18 to 35 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General Information

The principal activities of Euroclear UK & Ireland Limited is the operation and continuing development of the CREST settlement system and the EMX message system.

Euroclear UK & Ireland Limited is a private limited company and is domiciled and incorporated in England and Wales. The address of its registered office is 33 Cannon Street, London, EC4M 5SB.

2. Accounting policies

(a) Basis of preparation

The financial statements of Euroclear UK & Ireland Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRS Interpretations Committee ("IFRIC IC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments.

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 year. 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 financial statements. These financial statements present information about Euroclear UK & Ireland Limited as an individual undertaking and not with regard to its group.

In preparing the financial statements for the current year, consideration was given to new IFRS, both those that are effective at the year end and those that have been issued but are not effective at the year end, as well as amendments to IFRS and IFRIC IC interpretations. The following amendments to standards became effective on 1 January 2017:

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

- Amendments to IAS 7: Disclosure Initiative

- Annual Improvements to IFRS Standards 2014-2016 Cycle

The adoption of these amendments had no impact on the entity's financial statements.

2. Accounting policies (continued)

(a) Basis of preparation (continued)

The following new standards will be applied for financial years commencing on 1 January 2018:

- IFRS 9 on Financial Instruments: The Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets (trade and other receivables, loans and receivables and available-for-sale assets) or liabilities. The new impairment model will require the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Company has undertaken a detailed assessment of how its impairment provisions in relation to financial assets will be affected by the new model. The new model will result in an earlier recognition of credit losses. An impact analysis on the adoption of the ECL model concluded that it will have no significant impact on the Company's financial statements, due to the short term nature of its financial assets and high rating of its banking counterparties.

- IFRS 15 Revenue from Contracts with Customers: The Company has undertaken an impact analysis on the current revenue streams and concluded that the application of this new standard will have no significant impact on the entity's financial statements.

The following new standards will be applied for financial years commencing on 1 January 2019.

- IFRS 16 Leases: The new standard will apply to the leased building and cars. The new standard will revise the accounting model for lessees through the measurement of right-of-use (ROU) asset and lease liability at present value of lease payments.

After making enquiries, the directors have formed a judgement that there is a reasonable expectation that Euroclear UK & Ireland Limited 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.

The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

(b) Foreign currencies

Euroclear UK & Ireland Limited uses GBP as both its functional and presentational currency.

Monetary assets and liabilities denominated in foreign currencies are translated into GBP 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2. Accounting policies (continued)

(c) Fee income and expense

Fee and commission income and expense which respectively represent a return and cost for services rendered are recognised in the income statement when the related service is performed. Fee expense is directly attributable to revenue earned and recognised when the related service is performed.

Fee income comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of Euroclear UK & Ireland Limited's activities. All revenue arises in the United Kingdom and Republic of Ireland and is shown net of Value Added Tax.

Fee income represents a return for services rendered (e.g. settlement, fund order routing, asset maintenance) and is recognised when the related service is performed. Annual charges are recognised on a straight line basis over the period which they relate. Fine income arising from the settlement discipline regime administered on behalf of the market is recognised when fines are levied. Interest income earned on balances related to the collection of Stamp Duty Reserve Tax on behalf of HM Revenue & Customs and Stamp Duty on behalf of the Irish Revenue Commissioners is recognised when receivable.

Fee expense comprises the fair value of the consideration paid or payable for the cost for services rendered. Fee expense (e.g. network commissions) is directly attributable to revenue earned and recognised when the related service is performed.

(d) Financial assets

The Company has 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.

(e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised in the balance sheet on the settlement date at fair value. They are subsequently measured at amortised cost using the effective interest method.

(f) Available-for-sale financial assets

Available-for-sale financial assets are those financial assets which are intended to be held for an indefinite period of time, but which may be sold in response to changes in the group's financial environment.

Available-for-sale financial assets are recognised in the balance sheet on settlement date at fair value. Gains or losses arising from changes in the fair value of such assets are recognised directly in equity, until the asset is either sold or becomes impaired, at which time the cumulative gain or loss previously recognised in equity is released to the income statement.

2. Accounting policies (continued)

(g) Impairment of financial assets

The Company assesses at the end of each reporting period 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.

(h) Administrative expenditure

Items of expenditure other than network fees are included in administrative expenses. Costs are recognised in the reporting period in which they are incurred.

(i) Intangible assets

Acquired computer software is capitalised 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 between three and five years).

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 10 years.

Costs associated with maintaining or upgrading computer software programs are recognised as an expense as incurred.

(j) Property, plant and equipment

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 2 to 5 years
Communications equipment	Over 2 to 5 years

(k) Investments in subsidiary undertakings

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2. Accounting policies (continued)

(l) Pensions

Euroclear UK & Ireland Limited 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.

(m) 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 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.

(n) Provisions

Provisions are recognised where:

- there is a present obligation arising from a past event;

- there is a probable outflow of resources; and

- the outflow can be estimated reliably.

Provisions for litigation are recorded when there are strong indications that costs will be incurred to settle the legal cases concerned and a reliable estimate can be made.

Contingent liabilities are possible obligations whose existence depends on the outcome of one or more uncertain future events not wholly under the control of the group. For those present obligations where the outflows or resources are uncertain, or in the rare cases where these outflows cannot be measured reliably, this will give rise to a contingent liability. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

(o) Taxation

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

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.

Deferred tax assets are recognised to reflect the future tax benefit from unused tax credits and other temporary differences. If there is a concern about the Company's capacity to utilise the tax assets, the assets are impaired.

(p) Dividends

Dividends on ordinary shares are recognised in equity and as a liability in the period which they are approved by the Company's shareholders.

3. Administrative expenses

(£)	Note	2017	2016
Staff costs			
- Wages and salaries		6,567,995	5,959,810
- Social security costs		782,025	697,506
- Other pension costs		577,480	528,906
- Other staff costs		341,930	478,361
Depreciation	7	14,972	24,974
Amortisation	6	14,666	10,582
Legal and professional		2,225,832	575,687
Services provided by parent company	22	58,713,958	44,854,013
Independent auditors' remuneration		294,250	306,250
Provisions	15	-	(60,000)
Other costs		6,121,511	5,324,528
Total		75,654,619	58,700,617

Other costs represent occupancy, communications, irrecoverable VAT and other miscellaneous costs.

The auditors' remuneration for Euroclear UK & Ireland Limited and its subsidiary undertakings was:

(£)	2017	2016
Fees payable to the company's independent auditors for the audit of the Company's annual financial statements	120,250	120,250
Fees payable to the company's independent auditors and its associated for the other services:		
Other audit related	174,000	186,000
Total	294,250	306,250

The number of employees including directors employed by Euroclear UK & Ireland Limited was as follows:

Number	2017	2016
Total – monthly average for the year	103	97
Total – at 31 December	104	95

The cost of contributions to the Company Personal Pension scheme in the year was £577,480 (2016: £528,906). There were no outstanding or prepaid contributions at either 31 December 2017 or 31 December 2016. The scheme is classified as a defined contribution scheme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

4. Other (gains)/losses

(£)	2017	2016
Foreign exchange losses/(gains)	91,504	(22,598)
Insurance claim	(255,784)	-
Total	(164,280)	(22,598)

5. Taxation

(£)	Note	2017	2016
UK Corporation Tax			
Current tax on income for the year		6,013,602	9,760,648
Adjustments in respect of prior years		-	(29,447)
Group loss relief		(140,320)	-
Total Current Tax		5,873,282	9,731,201
Deferred Income Tax	11		
Origination/Reversal of timing differences		14,461	17,358
Adjustments in respect of prior years		2,900	-
Remeasurement due to change in tax rate		-	2,633
Total Deferred Tax		17,361	19,991
Tax expense		5,890,643	9,751,192

The tax on Euroclear UK & Ireland Limited's profit before income tax differs from the theoretical amount that would arise using the average tax rate applicable to profit of the Company as follows:

(£)	2017	2016
Profit before income tax	31,281,457	48,852,663
UK Corporation Tax at 19.25% (2016: 20.00%)	6,021,680	9,770,533
Expenses not deductible for tax purposes	6,383	(21,974)
Adjustment in respect of prior years	(137,420)	-
Remeasurement of deferred tax due to change in tax rate	-	2,633
Tax charge	5,890,643	9,751,192

A change in the UK main corporation tax rate to 17% will be effective from 1 April 2020.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

5. Taxation (continued)

The current income tax charge is calculated on the basis of the UK tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

6. Intangible assets

(£)	Internally developed software	Purchase software	Total
Cost			
At 1 January 2017	24,723,803	3,261,831	**27,985,634**
Additions	-	5,924	**5,924**
At 31 December 2017	24,723,803	3,267,755	**27,991,558**
Accumulated amortisation			
At 1 January 2017	24,723,803	3,211,898	**27,935,701**
Additions	-	14,666	**14,666**
At 31 December 2017	24,723,803	3,226,564	**27,950,367**
Net book value at 31 December 2017	-	41,191	**41,191**
Net book value at 31 December 2016	-	49,933	49,933

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

7. Property, plant and equipment

(£)	Furniture and fixtures	Communications equipment	Total
Cost			
At 1 January 2017	69,115	258,359	**327,474**
Additions	-	6,248	**6,248**
At 31 December 2017	69,115	264,607	**333,722**
Accumulated amortisation			
At 1 January 2017	69,115	213,170	**282,285**
Additions	-	14,972	**14,972**
At 31 December 2017	69,115	228,142	**297,257**
Net book value at 31 December 2017	-	36,465	**36,465**
Net book value at 31 December 2016	-	45,189	45,189

8. Investments in subsidiary undertakings

(£)	2017	2016
Investments in subsidiary undertakings	7,010	7,010

Subsidiary undertakings

(£)	Ownership of Equity Shares	Cost of Investments 2017	Cost of Investments 2016
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
CREST USD Nominee 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 holding of UK Stamp Duty Reserve Tax payments collected on behalf of HM Revenue & Customs.

The principal activity of CREST Stamp Nominee (No.2) Limited is the holding of Irish Stamp Duty collected on behalf of the Irish Revenue Commissioners.

The principal activities of CREST Depository Limited, CREST International Nominees Limited, and CIN (Belgium) Limited are in connection with the provision of the CREST custody service for international securities.

Trinity Nominees Limited, CREST USD Nominee Limited, CREST Client Tax Nominee (No.1) Limited and CRESTCo Limited did not trade during the year.

All the subsidiary companies operate and are incorporated in England and Wales. The registered office of all the subsidiary companies is 33 Cannon Street, London EC4M 5SB.

9. Available-for-sale financial assets

(£)	2017	2016
At 1 January	2,031	1,685
Foreign exchange	(182)	346
At 31 December	1,849	2,031

The available-for sale financial assets represent a holding of 25 preference shares at $100 par value (2016: 25 preference shares at $100 par value) 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.

10. Loans and receivables

(£)	2017	2016
Current assets		
Term Deposit	-	5,000,000

The only type of loans and receivables held is term deposits, these are cash balances with banks with a maturity of more than 6 months. Term deposits with a maturity between 6 months and 12 months are classed as current assets. Term deposits with a maturity of over 12 months are classed as non current assets.

11. Deferred income tax assets

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

(£)	2017	2016
At 1 January	82,690	102,681
Income statement charge	(14,461)	(19,991)
Adjustment in respect of prior years	(2,900)	-
At 31 December	65,329	82,690

A deferred tax asset has been recognised at 31 December 2017 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. The deferred tax asset recoverable within 12 months is £9,272 (2016: £11,828).

12. Trade and other receivables

(£)	Note	2017	2016
Trade receivables	24	469,706	488,290
Amounts owed by group undertakings	22	6,293	13,588
Other debtors and prepayments		224,871	244,771
Accrued income		8,634,861	9,638,972
Total		9,335,731	10,385,621

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.

Accrued income represents revenue earned in 2017 but not received as at year end.

13. Cash and cash equivalents

(£)	2017	2016
Cash at bank and in hand	72,177,850	70,728,318
Short-term bank deposits	35,000,000	39,000,000
Total	107,177,850	109,728,318

Short-term bank deposits are term deposits with banks with a maturity of less than 3 months.

14. Trade and other payables

(£)	Note	2017	2016
Trade creditors		936,756	61,659
Amounts owed to group undertakings	22	5,513,046	4,025,568
Other creditors		165,355	389,111
Tax and social security		148,016	589,935
Employee benefits		1,418,391	1,336,090
Accruals and deferred income		3,209,843	3,322,835
Total		11,391,407	9,725,198

All amounts owed to group undertakings are due on receipt of invoice. Included within the amounts owed to group undertakings is an amount of £140,320 payable to Euroclear Market Solutions Limited for group tax relief surrendered to the Company for the years ending 31 December 2015 and 31 December 2016.

All current trade and other payables are due within six months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

15. Provisions for other liabilities and charges

(£)	2017	2016
At 1 January	-	60,000
Release to income statement	-	(60,000)
At 31 December	-	-

16. Share Capital

(£)	2017	2016
Allotted and fully paid share capital		
24,060,400 (2016: 24,060,400) Ordinary Shares	6,015,100	6,015,100
Total	6,015,100	6,015,100

17. Dividends

(£)	2017	2016
Equity - Ordinary		
Final paid in respect of 2016: £1.380 (final paid in respect of 2015: £0.540) per 25p share	33,203,352	12,992,616
Total	33,203,352	12,992,616

In addition, the directors are proposing a final dividend in respect of the financial year ending 31 December 2017 of £0.42 per share which will amount to £10,105,368.

18. Management of capital

The Company considers the following to be elements of its capital:

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

18. Management of capital (continued)

The Company is required by the Bank of England to retain financial resources (i.e. liquid financial assets and net capital) sufficient for the proper performance of its regulated activities. The Bank of England monitors 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 Euroclear UK & Ireland Limited to maintain high levels of liquidity. Capital is held in the form of cash deposits.

19. Contingent liabilities

As part of the corporate restructuring arrangements effected in 2005, the property leases held by Euroclear UK & Ireland Limited were novated to Euroclear SA/NV. In 2012 there was a partial surrender and extension of the lease of the premises at 33 Cannon Street Under the terms of the lease the landlord requested Euroclear UK & Ireland Limited guarantee the rent, currently £2,409,411 per annum (2016: £2,409,411) until the end of the lease in 2026. The total contingent liability is £19,676,857 (2016: £22,086,268).

20. Future commitments

As part of the transfer of the EMX business, Euroclear UK & Ireland Limited has adopted EMX Company Limited's commitment to discount the future charges (in respect of the use of the EMX system) of the four original system sponsors. The current aggregate value of £59,055 is to compensate all sponsors for the expenditure incurred at the outset of the system development. The commitment is limited to £15,000 per annum per sponsor. Compensation is provided based on usage of the EMX system; if usage of the system is discontinued then Euroclear UK & Ireland Limited will be released from the commitment.

Euroclear UK & Ireland Limited has future commitments of £8,733,647 that correspond to the development costs related to infrastructure and innovation projects currently under development or already launched that Euroclear SA/NV, as owner, will charge out in future years.

21. Ultimate parent company

Euroclear UK & Ireland Limited 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 largest group in which the results of Euroclear UK & Ireland Limited and its subsidiaries are consolidated is that of Euroclear plc. The smallest group in which the results of Euroclear UK & Ireland Limited and its subsidiaries are consolidated is that of Euroclear SA/NV.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

22. *Related party transactions*

Euroclear UK & Ireland Limited 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 monthly and settled by way of a monthly prepayment. At the end of the year 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 on-going. 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**	**2017 (Revenue)**	2016 (Revenue)	**2017 Charge**	2016 Charge
Parent	IT Services	-	-	**35,546,690**	27,380,413
	Commercial, Product Management & Strategy	-	-	**8,931,342**	4,898,336
	Support Services	-	-	**14,235,926**	12,575,264
	Royalty Payment	-	-	**403,296**	-
	Dividend Paid	-	-	**33,203,352**	12,992,616
Fellow subsidiary	Commercial, Product Management & Strategy	**(792,937)**	(769,799)	**6,467,392**	4,951,158
	Support Services	-	-	-	-
	Royalty Payment	-	-	**21,647**	403,544
Other	Other	-	-	**27,626**	29,635

Related Party (£)	**2017 (Revenue)**	2016 (Revenue)	**2017 Charge**	2016 Charge
Parent	-	-	**(4,889,464)**	(3,171,504)
Fellow subsidiaries	**6,293**	13,588	**(621,312)**	(843,206)
Other	-	-	**(2,270)**	(10,858)

KEY:

Parent: Euroclear SA/NV

Fellow subsidiaries: Euroclear Bank, Euroclear Nederland, Euroclear France, Euroclear Sweden, Euroclear Market Solutions Limited and EMX Company Limited

Other: Euroclear Investments

Included within the payable to fellow subsidiaries is an amount of £140,320 payable to Euroclear Market Solutions Limited for group tax relief surrendered to the Company for the years ending 31 December 2015 and 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

22. Related party transactions (continued)

Key management personnel remuneration and other compensation

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 or of the parent of the entity.

The Board considers key management personnel to comprise the officers of Euroclear UK & Ireland Limited and the group as well as voting members of Euroclear UK & Ireland Limited's Executive Committee. The following information is presented only in respect of those members of key management personnel who have rendered services to Euroclear UK & Ireland Limited.

(£)	2017	2016
Short-term employee benefits	1,041,032	931,235
Post-employment benefits	44,715	38,643
Other long-term benefits	48,000	60,000
Total remuneration and compensation	1,133,747	1,029,878

Directors' emoluments

The following information is presented only in respect of the directors of Euroclear UK & Ireland Limited.

(£)	2017	2016
Aggregate remuneration	491,043	497,171
Short-term employee benefits	864	776
Long-term benefits	48,000	60,000
Total remuneration and compensation	539,907	557,947
The emoluments of the highest paid director:		
Aggregate remuneration	356,043	362,171
Short-term employee benefits	864	776
Long-term benefits	48,000	60,000
Total remuneration and compensation	404,907	422,947

At 31 December 2017, the number of directors and independent directors was 6 (2016: 6). Of these, 2 did not receive any remuneration from Euroclear UK & Ireland Limited (2016: 2). The emoluments of these directors are paid by the parent company which makes no recharge to Euroclear UK & Ireland Limited. Accordingly, the above details include no emoluments in respect of these directors.

The number of directors and non-executive directors who participate in the defined contribution pension scheme is none (2016: none). 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 2017.

23. Monies held in trust

Two of the subsidiary companies of Euroclear UK & Ireland Limited hold monies in trust as disclosed below:

(£)		2017	2016
Subsidiary:	Held in trust for:		
CREST Stamp Nominee (No.1) Limited	HM Revenue and Customs	83,512,772	72,410,374
CREST Stamp Nominee (No.2) Limited	HM Revenue and Commissioners	4,654,339	4,012,396

24. 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 Euroclear UK & Ireland Limited. Day to day responsibility is delegated to the Executive Committee.

Additional information on Euroclear UK & Ireland Limited's financial risk management policies has been included in the Directors' Report.

(a) Management of market risk

Market risk is the uncertainty on future earnings and on the value of assets and liabilities (on or off the statement of financial position) due to changes in interest rates and foreign exchange rates. 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 Euroclear UK & Ireland Limited from various European countries. Foreign exchange risk arises from the supply of services where the underlying cost has been accounted for in Euro. Related party transactions are accounted for in GBP. This mitigates a significant proportion of the Company's exposure to foreign exchange risk arising from currency exposures.

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.

The Company does not actively hedge against currency exposures. The Company has no significant investments in foreign operations.

24. Financial risk management (continued)

(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, as Euroclear UK & Ireland Limited does not maintain overdrafts or loans.

The average rate of interest received in the year was 0.10% (2016: 0.28%). If the average interest rate in the year had been 1.10% (2016: 1.28%), the resulting effect would be an increase in revenue of £1.5 million (2016: £1.9 million). This would have increased profit before tax for the year by 5% (2016: 4%).

The Company employs a prudent treasury policy whereby surplus funds are placed on money market deposit for periods of up to 3 years. 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 available-for-sale financial asset disclosed in note 9).

(b) Management of credit risk

Credit risk is the risk that Euroclear UK & Ireland Limited 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.

Exposure to credit risk is monitored on an on-going basis through regular review of customers' outstanding balances. Exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position. At the end of the year there were no significant concentrations of credit risk.

24. Financial risk management (continued)

(b) Management of credit risk (continued)

Impairment provisions are provided for all balances which are considered to be at risk and could result in a loss to the Company. All amounts that are more than 90 days overdue are considered to be impaired.

(£)	2017	2016
Neither past due or impaired	-	-
Past due but not impaired		
Less than 6 months	469,706	488,290
6 to 12 months	-	-
Over 12 months	-	-
	469.706	488,290
Impaired		
Less than 6 months	248,883	62,335
6 to 12 months	60,153	42,363
Over 12 months	334,427	248,337
	643,463	353,035

(c) Management of liquidity risk

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

Responsibility for Euroclear UK & Ireland Limited's liquidity has been delegated by the Board to the Executive Committee. Cash reserves are managed to ensure that Euroclear UK & Ireland Limited is able to meet its financial obligations at all times. As detailed in note 2(m), Euroclear UK & Ireland Limited 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 Bank of England has set a Financial Resources Requirement which requires that sufficient liquid financial assets are retained. Monthly reports are filed with the Bank of England to evidence that the requirement is met.

25. Events after the balance sheet date

Per note 17, a final dividend of £10,105,368 has been proposed for the year ending 31 December 2017 but not yet approved by the Board.