DTCC ITP (UK) Limited

Annual report and financial statements for the year ended 31 December 2018

Registered number: 04007732

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DIRECTORS:	Valerie Jane Harahush Andrew William Dare Douglas
SECRETARY:	Karl Gordon Spielmann
REGISTERED OFFICE:	Broadgate Quarter 1 Snowden Street London, England EC2A 2DQ
REGISTERED NUMBER:	04007732 (England and Wales)
AUDITOR:	Deloitte LLP Statutory Auditor London, United Kingdom

The Directors, in preparing the strategic report, have complied with s414C of the Companies Act 2006.

This strategic report has been prepared for DTCC ITP (UK) Limited ("DTCC ITP" or the "Company") as a whole and therefore gives greater emphasis to those matters that are significant to the Company when viewed as a whole.

Review of the business

DTCC ITP is a wholly-owned subsidiary of DTCC (UK) Limited, whose ultimate parent undertaking is the Depository Trust and Clearing Corporation ("DTCC"). DTCC ITP is a company organised under the laws of England and Wales and is registered as a service company with the Financial Conduct Authority (the "FCA").

The Company's principal activity is to provide global trade management services to the investment community. The strategy of the business remains unchanged from prior years and focuses on growth in selected markets and a focus in providing solutions across the businesses in which it chooses to operate.

In the year ended 31 December 2018, the Company generated total revenue from continuing operations of £29,804k (2017: £28,352k), an increase of 5% from the prior year and in line with forecasted projections based on expected market conditions. Product development continues and puts the Company in a good position to take advantage of opportunities as they arise.

The Company benefits from a strong balance sheet and maintains sufficient cash resources to ensure it can finance its ongoing operations at all times. The cash position remains in line with the Directors' expectation.

Key performance indicators

The Company Directors utilise key performance indicators to measure performance, development and position of the business. Some key performance indicators used include percentage change in year on year revenues, which increased in 2018 by 5% (2017: decrease of 3%), and operating profit margin of 53% (2017: 64%). Both these key performance indicators are in line with business expectations.

Principal risks and uncertainties

The Company has defined its capital as share capital, capital contribution and accumulated profit. On that basis, the total capital of the Company as at 31 December 2018 and 2017 was £19,054k and £18,351k, respectively. The Company was initially capitalised with £100 of called up share capital.

The Company's activities expose it to a variety of risks: regulatory risk, counterparty credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Regulatory Risk
Regulatory risk is the risk that a change in laws and regulations will materially impact a security, business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape.

The Company's mandate is to fully comply with both the letter and the spirit of all laws, rules, and regulations to which it is subject, in all jurisdictions in which it operates. The Company strives to maintain a pro-active and open dialogue with its regulators to ensure on-going communication regarding key laws, rules and regulations as well as to ensure that its framework is sufficiently strong to mitigate and prevent the risk of non-compliance.

Counterparty credit risk
Counterparty credit risk arises from cash and cash equivalents, trade accounts receivables, and intercompany receivables from affiliate subsidiaries of DTCC.

The Company maintains cash and cash equivalents with various financial institutions. The Company's policy is designed to limit exposure with any one financial institution. As part of its credit and risk management processes, the Company performs periodic evaluations of the relative credit standing of the financial institutions with whom it places funds.

The Company generally makes deposits with financial institutions having a credit rating of at least BBB+/Baa1 or better from recognised rating agencies and that are approved via its internal credit review process. The Company also monitors the condition of the financial institutions with whom it places funds on an ongoing basis to identify any significant change in a financial institution's condition. If such a change takes place, the amounts deposited in such financial institutions may be adjusted.

Trade receivables are continually reviewed to ensure payment is received and reserved for based on the Company's allowance policies, if required. Given the creditworthiness of DTCC ITP's clients, trade receivables are not deemed to be a significant risk. All clients undergo a thorough onboarding process before being accepted as clients.

The Company does not hold any financial assets which have been deemed impaired. There were no financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due. The liquidity risk is managed by DTCC ITP's ability to obtain funding, if needed, from its ultimate parent to meet short-term imbalances between available cash and payment obligations. DTCC ITP benefits from a strong balance sheet and maintains sufficient cash balances to ensure it can finance its ongoing operations at all times.

Sensitivity analysis

The changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or value of its holdings of financial instruments. The objective of the Company's risk management is to both control and manage exposure within the Company's risk appetite whilst accepting the inherent risk of market fluctuations.

Future developments

The Directors expect the general level of activity to remain consistent with 2018 in the forthcoming year.

The United Kingdom's (UK) planned departure from the European Union (EU) ("Brexit")
There remains considerable uncertainty regarding the final outcome of the Brexit negotiations. The Directors have carried out an assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Whilst the Company continues to evaluate the potential effect of the departure, currently, it does not anticipate that there will be a material impact on the operations or financial results as the business is not directly subject to European regulation or cross border tariffs. The Company has included within our Brexit planning resources to help onboard customers maybe required as a result of their own Brexit planning.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company continues to play a vital role as the regional distributor of the DTCC ITP's global product. As such the ultimate parent company will provide all necessary support to enable the Company to continue its operations. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in Note 2 to the financial statements.

Approved on behalf of the Board:

Valerie Jane Harahush, Director
Date: 28 June 2019

General information

The Directors present their report and audited financial statements (which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the Notes to the Financial Statements) for DTCC ITP as at and for the year ended 31 December 2018.

DTCC ITP is a wholly-owned subsidiary of DTCC (UK) Limited, whose ultimate parent undertaking is DTCC.

Results and dividends

The profit for the year after taxation amounted to £12,703k (2017: £14,716k). An interim dividend of £12,000k was paid in 2018 (2017: £8,000k).

Principal activities

DTCC ITP is a company organised under the laws of England and Wales and is authorised to provide regulated products and services with the Financial Conduct Authority (the "FCA"). The Company's principal activity is to provide global trade management services to the investment community. The strategy of the business remains unchanged from prior years and focuses on growth in selected markets and a focus in providing solutions across the businesses in which it chooses to operate.

Future developments and principal risks and uncertainties are disclosed in the Strategic report.

Post balance sheet events

Post balance events are disclosed in Note 17.

Directors

The following Directors held office throughout the year and to the date of approval of this report:

Valerie Jane Harahush
Andrew William Dare Douglas

Directors' indemnities

DTCC, of which DTCC ITP is a member, has made indemnity provisions for the benefit of the Directors of DTCC ITP against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. These provisions were in force at the date of this report.

Staff

It is the policy of both DTCC ITP and DTCC to ensure that no staff members or job applicants face discrimination on the grounds of ethnic origin, race, religion, gender, sexual orientation, age or disability.

Statement as to disclosure of information to auditor

Each of the persons who are Directors of the Company at the date when this report is approved confirms that:

- so far as each of the Directors is aware, there is no relevant audit information (being information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Independent auditors

Deloitte LLP has expressed their willingness to continue in office as auditor of the Company and, under Sections 485 to 488 of the Companies Act 2006, will be deemed to be re-appointed.

Approved on behalf of the Board:

Valerie Jane Harahush, Director
Date: 28 June 2019

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), including FRS 101 "Reduced Disclosure Framework". 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:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of DTCC ITP (UK) Limited (the "Company"):
- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:
- the Directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of Directors
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report
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.

Fiona Walker (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditors
London, United Kingdom
28 June 2019

	Notes	2018 £000s	2017 £000s
Revenue	4	29,804	28,352
Administrative expenses		(14,117)	(10,157)
Operating profit		15,687	18,195
Interest result / income	7	—	28
Profit before taxation		15,687	18,223
Tax charge	8	(2,984)	(3,507)
Profit for the financial year attributable to owners of the Company	5	12,703	14,716
Other comprehensive result for the year net of tax		—	—
Total comprehensive income for the year attributable to the owners of the Company		12,703	14,716

Revenue and operating profit are all derived from continuing operations.

The accompanying notes on pages 12 to 23 are an integral part of these financial statements.

	Notes	2018 £000s	2017 £000s
Non-current assets			
Intangible assets	9	4,903	4,903
Tangible assets	10	—	8
Deferred tax asset	8	7	288
Total non-current assets		4,910	5,199
Current assets			
Trade and other receivables	11	11,537	11,543
Taxes receivable		1,331	—
Cash at bank and in hand		11,763	6,957
Total current assets		24,631	18,500
Total assets		**29,541**	**23,699**
Non-current liabilities			
Other non-current liabilities		(1,741)	(1,741)
Total non-current liabilities		(1,741)	(1,741)
Current liabilities			
Taxes payable		—	(879)
Trade and other payables	12	(8,746)	(2,728)
Total current liabilities		(8,746)	(3,607)
Net current assets		15,885	14,893
Total assets less current liabilities		20,795	20,092
Net assets		**19,054**	**18,351**
Equity			
Called up share capital	13	—	—
Capital contribution		3,083	3,083
Profit and loss account		15,971	15,268
Equity attributable to owners of the Company		**19,054**	**18,351**

The accompanying notes on pages 12 to 23 are an integral part of these financial statements.

The financial statements of DTCC ITP (UK) Limited (registered number 4007732) were approved by the Board of Directors and authorised for issue on 28 June 2019. They were signed on its behalf by:

Valerie Jane Harahush
Director

	Called up Share capital £000s	Capital contribution £000s	Profit and loss account £000s	Total equity £000s
Balance at 1 January 2017	**—**	**3,083**	**8,552**	**11,635**
Profit and comprehensive income for the year	—	—	14,716	14,716
Dividend (Note 14)	—	—	(8,000)	(8,000)
Balance at 31 December 2017	**—**	**3,083**	**15,268**	**18,351**
Profit and comprehensive income for the year	—	—	12,703	12,703
Dividend (Note 14)	—	—	(12,000)	(12,000)
Balance at 31 December 2018	**—**	**3,083**	**15,971**	**19,054**

The accompanying notes on pages 12 to 23 are an integral part of these financial statements.

1. GENERAL INFORMATION

DTCC ITP (UK) Limited (the "Company") is a company incorporated in the United Kingdom ("UK") under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page one. DTCC ITP is a wholly-owned subsidiary of DTCC (UK) Limited, whose ultimate parent undertaking is the Depository Trust and Clearing Corporation ("DTCC"). DTCC ITP is registered as a service company with the Financial Conduct Authority (the "FCA").

The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 4 and 5.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company does not have any subsidiaries and is itself included in the group accounts of DTCC. The group accounts of DTCC are available to the public and can be obtained as set out in note 16.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard ("FRS") 100, Application of Financial Reporting Requirements, issued by the Financial Reporting Council ("FRC"). Accordingly, these financial statements were prepared in accordance with FRS 101, Reduced Disclosure Framework.

As permitted by FRS 101, the Company took advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets, related party transactions and certain revenue requirements of IFRS 15.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. There were no items accounted for by revaluing of financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards

Standard	Description	Impact on the financial statements or other significant matters
International Accounting Standards Board Standard Issued, but not yet Adopted		
IFRS 16 Leases Issued January 2016	• Requires a lessee to recognize right-of-use assets and lease liabilities on the Statement of Financial Position, initially measured at the present value of the future lease payments. The amortization of the right-of-use asset and interest expense on the lease liability are presented separately in the Statement of Comprehensive Income. • Lease incentives will be recognised as part of the measurement of the right-of-use assets and lease liabilities. Right-of-use assets will be tested for impairment. • The impact on lessor accounting remains substantially unchanged from the superseded standard.	• To be adopted January 1, 2019. • The adoption is not expected to have a material impact on the Financial Statements
International Accounting Standards Board Standard Issued, Recently Adopted		
IFRS 15 Revenue from Contracts with Customers *Issued May 2014*	• Requires revenue from contracts with customers to be recognised upon transfer of control of a good or service in the amount of consideration expected to be received. • Changes the accounting for certain contract costs, including whether they may be offset against revenue in the accompanying Statement of Comprehensive Income, and requires additional disclosures about revenue and contract costs. • The transition guidance allows entities an option to either apply in full to prior periods or retain prior period figures as reported under the previous standards.	• Adopted January 1, 2018. • The Company adopted the standard under the full retrospective transition method of adoption. • The Company's implementation efforts included the identification of revenue within the scope of the standard and the evaluation of revenue contracts using the practical expedient portfolio approach. • The adoption of the standard did not have a material impact on the Financial Statements.
IFRS 9 Financial Instruments *Issued July 2014 and consequential amendments to IFRS 7 Financial Instruments*	• Introduces new requirements for: 1) The classification and measurement of financial assets and financial liabilities. 2) Impairment of financial assets, and 3) General hedge accounting. • Replaces the current incurred loss approach for credit losses with an "expected loss" model for instruments measured at amortized cost. • Allows entities to use a provision matrix to measure expected credit losses for trade receivables. The provision matrix is based on historical observed default rates over the expected life of the trade receivables and adjusted for forward-looking estimates.	• Adopted January 1, 2018. • The Company elected the policy choice to apply the simplified approach and record expected credit losses on receivables using a provision matrix. • The adoption of the standard did not have a material impact on the Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration *Issued December 2016*	• Addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). • Specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. • Requires an entity to determine the date of transaction for each payment or receipt of advance consideration if there are multiple payments or receipts in advance.	• Adopted January 1, 2018. • The adoption of the standard did not have a material impact on the Financial Statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on pages 2 to 3. The Directors have formed a judgement, based upon their knowledge of the Company's business that its resources of cash and cash equivalents will be sufficient to cover its expenses for the foreseeable future.

Taking all of these factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The principal accounting policies adopted are set out below.

Revenue

On January 1, 2018, the Company applied IFRS 15, Revenue from Contracts with Customers, under the full retrospective method of adoption. The adoption of the standard did not have a material impact to the recognition and timing of its revenues.

The Company recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. To achieve that principle, the Company applies the following steps: identify the contract(s) with the customer, identify the performance obligations in the contract(s), determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognise revenue when (or as) the entity satisfies a performance obligation.

The Company recognises revenue from contracts with customers as performance obligations are satisfied when promised services are transferred to the customer. The majority of the promised services and related performance obligations are recognised at the point in time when the control of the promised service is transferred to the customer.

The amount of revenue recognised reflects the consideration the Company expects to be entitled to for transferring the promised services to the customer. For certain contracts with customers, the consideration in which the Company expects to be entitled to in exchange for transferring promised service to a customer consists of variable consideration. The variable consideration primarily relates to volume based discounts or rebates for certain services, however, the volume targets or thresholds typically reset on a monthly basis therefore, the variable consideration does not have an impact on the revenue recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

The Company derives its revenue from usage and transaction fees, and one-time installation charges. Revenue from transaction fees is recognised at a point in time on the transaction date, as the customer obtains the control and benefit of the service at that point. One-time installation charges occur upon completion of the integration of new product.The Company typically bills its customers within 30 days in arrears.

Interest income

Interest income is primarily derived from loans to other group companies and is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is recognised by applying the effective interest rate method, except for short-term balances when the effect of discounting is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. The application of the effective interest method has the effect of recognising interest income on the instrument in proportion to the amount outstanding such that the yield earned is constant over the period to maturity.

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Operating profit

Operating profit is stated before interest income and finance costs.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax - The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax - The Company records a deferred income tax (benefit) provision when there are differences between assets and liabilities measured for financial reporting and for income tax return purposes. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following basis:

Office Fittings	Over 10 years
Office Equipment	Over 5 years
Computer Equipment	Over 3 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets

Goodwill
Goodwill represents the excess of the cost of the investment in acquired businesses over values attributed to underlying net assets. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Company law requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount (the higher of value in use and the fair value less costs of disposal) of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis and are initially measured at fair value plus transaction costs. All recognised financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. Classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition. Financial assets of the Company are classified as Cash and cash equivalents, and Trade and other receivables.

Cash and cash equivalents. All highly liquid investments purchased with an original maturity of three months or less at the date of acquisition are classified as Cash and cash equivalents. Cash and cash equivalents consist primarily of deposits held in banks. Cash and cash equivalents are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

Trade and other receivables. Trade and other receivables are stated at cost, net of a provision for doubtful accounts.

Impairment of financial assets. Financial assets are assessed for indicators of impairment at each balance sheet date. The Company accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Trade receivables are typically outstanding for a relatively short period of time and do not contain a significant financing component. The loss provision for such trade receivables is measured at an amount equal to lifetime expected credit losses. The Company uses a provision matrix to determine the expected credit losses for the portfolio. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. The historical observed default rates are updated and changes in the forward-looking estimates are analyzed at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities. Amounts due to related parties and other payables are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. The application of the effective interest method has the effect of recognizing interest income on the instrument in proportion to the amount outstanding such that the yield earned is constant over the period to maturity.

Derecognition of financial liabilities. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Allowance for doubtful debts

The Company establishes a provision for doubtful accounts receivable to ensure the Company has not overstated receivable balances due to uncollectibility. The provision is calculated based on monitoring the current and projected credit quality of the Company's customers, local business customs, historical experience, payment history, financial stability, trends and other factors that affect collectability. See Note 11 for additional information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and suitable discount rate in order to calculate present value. Where the actual future cash flows are less then expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2018 was £4,903k (2017: £4,903k). The Company completed its annual goodwill testing in the fourth quarter of 2018 and 2017 and concluded that goodwill was not impaired in 2018 or 2017.

4. REVENUE

An analysis of the Company's revenue generated by geographical market is set out below.

	Year Ended 2018 £000s	Year Ended 2017 £000s
Revenue:		
UK	17,706	16,871
Non UK	12,098	11,481
	29,804	28,352

5. PROFIT FOR THE FINANCIAL YEAR

Profit for the year has been arrived at after charging:

	Year Ended 2018 £000s	Year Ended 2017 £000s
Net foreign exchange (gain) / loss	(712)	140
Depreciation of tangible fixed assets	8	27
	(704)	167

There were no employees (2017: none) during the year and the aggregate payroll costs were £nil (2017: £nil).

6. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual financial statements were £77k (2017: £74k).

During the year, there were no fees payable to Deloitte LLP and their associates for non-audit services to the Company.

7. INTEREST INCOME

	Year Ended 2018 £000s	Year Ended 2017 £000s
Interest income:		
Loan to immediate parent company	—	12
Tax interest	—	16
Total	—	28

In November 2017, the loan to the immediate parent company was repaid in full.

8. TAX CHARGE

	Year Ended 2018 £000s	Year Ended 2017 £000s
Corporation tax:		
Current year	2,703	3,266
Adjustments in respect of prior years	—	4
	2,703	3,270
Deferred tax:		
Current year	277	242
Adjustments in respect of prior years	4	(5)
	281	237
Tax charge	2,984	3,507

Corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated taxable profit for the year. The reduction in the main rate of corporation tax in 2018 results in a weighted average rate of 19.00% (2017: 19.25%).

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	Year Ended 2018 £000s	Year Ended 2017 £000s
Profit before taxation	15,687	18,223
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	2,980	3,508
Rate adjustment	4	(1)
Tax charge for the year	2,984	3,507

Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting period.

	2018 £000s	2017 £000s
As at 1 January	288	525
Deferred tax (charge) on capital allowances and other short term timing differences	(63)	(16)
Deferred tax (charge) on s75 pension contributions	(218)	(221)
As at 31 December	7	288
In respect of:		
Capital allowances	54	70
s75 pension contributions	—	218
Allowances for doubtful debt	(47)	—
	7	288

Deferred tax is calculated using rates of UK corporation tax expected to be in effect at the time assets are realised as follows:

Before 31 March 2017 20%, between 1 April 2017 and 31 March 2020 19% and after 1 April 2020 17%. The enacted rate applicable for the year ended 31 December 2018 was 19%.

9. INTANGIBLE ASSETS

Goodwill	
Cost	**£000s**
1 January 2018 and at 31 December 2018	19,778
Impairment	
At 1 January 2018	14,875
Charged during the year	—
At 31 December 2018	14,875
Net book value	
At 31 December 2018	4,903
At 31 December 2017	4,903

Goodwill was created at the inception of the Company and was generated as a result of the difference between the consideration paid and the value of the assets purchased.

10. TANGIBLE FIXED ASSETS

	Office Fittings £000s	Office Equipment £000s	Computer Equipment £000s	Total £000s
Cost				
At 1 January 2018	369	43	290	702
Disposals	(369)	(43)	(290)	(702)
At 31 December 2018	—	—	—	—
Accumulated depreciation				
At 1 January 2018	366	43	285	694
Charge for the year	3	—	5	8
Disposals	(369)	(43)	(290)	(702)
At 31 December 2018	—	—	—	—
Net book value				
At 31 December 2018	—	—	—	—
At 31 December 2017	3	—	5	8

11. TRADE AND OTHER RECEIVABLES

	2018 £000s	2017 £000s
Amounts falling due within one year:		
Trade debtors	5,084	3,011
Amounts owed by group undertakings	4,062	6,195
Prepayments and accrued income	2,391	2,337
	11,537	11,543

As of December 31, 2018 and 2017, the provision for doubtful accounts was £247k and £19k, respectively. There were write-offs for doubtful accounts for the years ended 31 December 2018 of £20k (2017: £1k).

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

No interest is charged on outstanding trade receivables from third parties. Allowance for doubtful debts are estimated using a provision matrix by reference to historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates (2017: Allowance for doubtful debts are recognised against trade receivables past due based on estimated irrecoverable amounts). The Company has recognised an allowance for doubtful debts of 5% against all receivables past due over 61 to 180 days and 10% against all receivables past due over 180 days based on specific review of the Company's customers.

12. TRADE AND OTHER PAYABLES

	2018 £000s	2017 £000s
Amounts falling due within one year		
Amounts owed to group undertakings	8,661	2,646
Other creditors	85	82
	8,746	2,728

13. CALLED UP SHARE CAPITAL

	2018 £s	2017 £s
Issued and fully paid:		
100 ordinary shares of £1 each	100	100

There have been no changes in share capital during the year. The Company has one class of ordinary shares that carry no right to fixed income. The Company has 1,000 authorised ordinary shares of £1 each.

14. DIVIDEND

	Year Ended 2018 £000s	Year Ended 2017 £000s
Amounts recognised as distributions to equity holders in the period:		
Dividend on 24 September 2018 (£120 per share)	12,000	-
Dividend on 28 November 2017 (£80 per share)	-	8,000

15. RELATED PARTY TRANSACTIONS

The Directors' remuneration analysed under the headings required by Company law is set out below.

	Year Ended 2018 £000s	Year Ended 2017 £000s
Directors' remuneration		
Emoluments	75	71
Amounts receivable under long-term incentive schemes	12	5
	87	76

No Directors were remunerated by the Company. For the purpose of this disclosure only, the key Directors who are employed within the DTCC group have been allocated a percentage of their total costs to the Company based on their estimated services provided to the Company. The Directors disclosed in this note are the only key management personnel of the Company.

16. ULTIMATE CONTROLLING PARTY

The ultimate parent undertaking and controlling entity and the parent of the largest and smallest company of which the Company is a member and for which Company financial statements are prepared is DTCC which is incorporated in the United States of America. Copies of its financial statements can be obtained from www.dtcc.com. The registered address of DTCC (UK) Ltd is 1 Snowden Street, Broadgate Quarter, London, EC2A 2DQ. The registered address of DTCC is 55 Water Street, New York. NY, 10041, United States.

17. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date that would require recognition or disclosure in the financial statements.