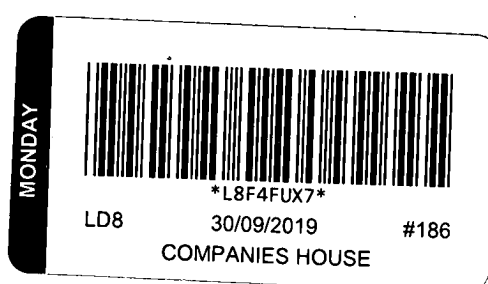


# DTCC Europe Limited

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

Registered number: 08886892



**DTCC EUROPE LIMITED**  
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**DTCC EUROPE LIMITED  
COMPANY INFORMATION**

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**DIRECTORS:**

Karl Gordon Spielmann  
Valerie Jane Harahush

**COMPANY SECRETARY:**

Karl Spielmann

**REGISTERED OFFICE:**

One Snowden Street  
7th Floor, Broadgate Quarter  
London  
EC2A 2DQ  
England

**REGISTERED NUMBER:**

08886892 (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 Europe Limited ("DTCC Europe" or the "Company") as a whole and therefore gives greater emphasis to those matters which are significant to the Company when viewed as a whole.

### **Review of the business**

DTCC Europe is a wholly-owned subsidiary of DTCC (UK) Limited, whose ultimate parent undertaking is the Depository Trust and Clearing Corporation ("DTCC"). DTCC Europe is a company organised under the laws of England and Wales.

The Company's principal activity is to act as a service company to affiliated subsidiaries of DTCC. The Company commenced activity as a service company in April 2015. It will continue with its present business activities for the foreseeable future.

DTCC Europe France branch ceased all activities at the end of December 2018.

During the year ended 31 December 2018, the Company generated total revenue of £37,017k (2017: £36,595k).

### **Key performance indicators**

The key performance indicators for the year are as follows:

The Company's revenue increased by 1% from £36,595k to £37,017k. The Company's administrative expenses also increased by 1% from £34,920k to £35,158k. Both these key performance indicators are in line with business expectations.

### **Principal risks and uncertainties**

Liquidity, counterparty, foreign currency, and interest cash flow risk are considered minimal due to the nature of the Company's operations. The Company's overall risk management programme focuses on minimising potential adverse effects on the Company's financial performance.

#### *Counterparty risk*

Counterparty risk arises from cash and cash equivalents and other receivables. 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.

#### *Foreign currency risk*

The Company operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily in respect to the US dollar (USD) and Euro (EUR). Foreign exchange risk arises in the expenses paid in foreign currency. Exchange differences are recorded in the profit and loss account. The company does not have a formal hedging policy with respect to foreign currency exposures. The company monitors the foreign exchange rate movements closely to ensure its exposures are minimized and clears down its foreign currency balances regularly.

#### *Liquidity risk*

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due. As the Company services other affiliate subsidiaries of DTCC, primarily by the payment of obligations for various administrative expenses, liquidity risk is deemed the predominant risk for the Company. Liquidity risk is managed by ensuring affiliate subsidiaries settle intercompany balances timely and by the Company's ability to obtain funding, if needed, from its ultimate parent to meet short-term imbalances between available cash and payment obligations.

*Capital Management*

During the year, the Company defined its capital as share capital and accumulated profit. On that basis, the total capital of the Company as at 31 December 2018 and 2017 was £4,488k and £3,035k, respectively. The Company was initially capitalised with \$1 of called up share capital.

**Sensitivity analysis**

The Directors do not consider sensitivity to changes in interest rates and exchange rates to be material in the context of these financial statements.

**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 service provider to affiliated subsidiaries of DTCC. 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.

**Existence of branches outside the UK**

The Company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:

Germany

France, ceased all activities at the end of December 2018.

Ireland

Sweden

**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.

**Approved on behalf of the Board:**



Valerie Jane Harafush, Director

Date: 30 September 2019

### **General information**

The Directors present their report and 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 Europe as of and for the year ended 31 December 2018.

DTCC Europe 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 £1,453k (2017: £1,262k). No interim or final dividends were paid in 2018 and 2017. The Directors do not propose a final dividend.

### **Principal activities**

DTCC Europe is a company organised under the laws of England and Wales. The Company's principal activity is to act as a service company to affiliated subsidiaries of DTCC. The Company commenced activity as a service company in April 2015. It will continue with its present business activities for the foreseeable future.

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

Branches outside of the UK 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 (except where otherwise shown):

Karl Gordon Spielmann  
Valerie Jane Harahush

### **Directors' indemnities**

DTCC, of which DTCC Europe is a member, has made indemnity provisions for the benefit of the Directors of DTCC Europe 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 Europe 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.

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of the other employees.

### **Employee consultation**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This

is achieved through formal and informal meetings of the ultimate parent company DTCC and publication of the group annual financial statements.

**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 auditor**

Deloitte LLP has expressed their willingness to continue in office as auditor of the Company and, under s485 to s488 of the Companies Act 2006, will be deemed to be re-appointed.

**Approved on behalf of the Board:**



Valerie Jane Harahush, Director  
Date: 30 September 2019

**DTCC EUROPE LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**For the year ended 31 December 2018**

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**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with 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.



## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of DTCC Europe 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 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's') 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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DTCC EUROPE LIMITED**  
**For the year ended 31 December 2018**

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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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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**

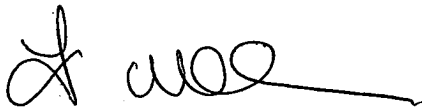
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 Auditor  
London, United Kingdom  
30 September 2019

**DTCC EUROPE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2018

	Notes	2018 £000s	2017 £000s
Revenue		35,695	35,820
Other income	13	1,322	775
<b>Total Revenue</b>	4	<u>37,017</u>	<u>36,595</u>
Administrative expenses		<u>(35,158)</u>	<u>(34,920)</u>
<b>Operating profit</b>		<u>1,859</u>	<u>1,675</u>
Finance costs		<u>(7)</u>	<u>(10)</u>
<b>Profit before taxation</b>		<u>1,852</u>	<u>1,665</u>
Tax charge	8	<u>(399)</u>	<u>(403)</u>
<b>Profit for the financial year attributable to owners of the Company</b>	5	<u>1,453</u>	<u>1,262</u>
<b>Total comprehensive income for the year attributable to the owners of the Company</b>		<u><u>1,453</u></u>	<u><u>1,262</u></u>

Revenue and operating profit are all derived from continuing operations.

The accompanying notes on pages 12 to 26 are an integral part of these financial statements.

**DTCC EUROPE LIMITED**  
**BALANCE SHEET**  
As at 31 December 2018

	Notes	2018 £000s	2017 £000s
<b>Non-current assets</b>			
Tangible assets	9	5,701	6,021
Intangible assets	10	21	80
Deferred tax asset	8	187	59
Other non-current assets		235	64
<b>Total non-current assets</b>		<b>6,144</b>	<b>6,224</b>
<b>Current assets</b>			
Other receivables	11	5,741	9,041
Cash at bank and in hand		7,624	7,817
<b>Total current assets</b>		<b>13,365</b>	<b>16,858</b>
<b>Total assets</b>		<b>19,509</b>	<b>23,082</b>
<b>Non-current liabilities</b>			
Deferred rent		(1,668)	(2,182)
Dilapidation provision	13	(897)	(897)
Long term incentive plan		(476)	(237)
Obligations under finance leases		(19)	—
Other non-current liabilities		(183)	(181)
<b>Total non-current liabilities</b>		<b>(3,243)</b>	<b>(3,497)</b>
<b>Current liabilities</b>			
Taxes payable		(116)	(16)
Trade and other payables	12	(11,662)	(16,534)
<b>Total current liabilities</b>		<b>(11,778)</b>	<b>(16,550)</b>
<b>Net current assets</b>		<b>1,587</b>	<b>308</b>
<b>Total net assets</b>		<b>4,488</b>	<b>3,035</b>
<b>Equity</b>			
Called up share capital	14	—	—
Profit and (loss) account		4,488	3,035
<b>Equity attributable to owner of the Company</b>		<b>4,488</b>	<b>3,035</b>

The accompanying notes on pages 12 to 26 are an integral part of these financial statements.

The financial statements of DTCC Europe Limited (registered number 08886892) were approved by the Board of Directors and authorised for issue on 30 September 2019. They were signed on its behalf by:



Valerie Jane Harahush  
Director

**DTCC EUROPE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2018**

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	<b>Called up share capital £000s</b>	<b>Profit and (loss) account £000s</b>	<b>Total equity £000s</b>
<b>Balance at 1 January 2017</b>	—	1,773	1,773
Profit and total comprehensive income for the year	—	1,262	1,262
<b>Balance at 31 December 2017</b>	—	3,035	3,035
Profit and total comprehensive income for the year	—	1,453	1,453
<b>Balance at 31 December 2018</b>	—	<b>4,488</b>	<b>4,488</b>

The accompanying notes on pages 12 to 26 are an integral part of these financial statements.

## **1. GENERAL INFORMATION**

DTCC Europe Limited (the "Company" or "DTCC Europe") is a company incorporated in the United Kingdom 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 Europe is a wholly-owned subsidiary of DTCC (UK) Limited, whose ultimate parent undertaking is The Depository Trust & Clearing Corporation ("DTCC").

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 (functional currency).

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 and 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
<i>International Accounting Standards Board Standard Issued, Recently Adopted</i>		
IFRS 15 Revenue from Contracts with Customers  <i>Issued May 2014</i>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Adopted 1 January 2018.</li> <li>The Company adopted the standard under the full retrospective transition method of adoption.</li> <li>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.</li> <li>The adoption of the standard did not have a material impact on the Financial Statements.</li> </ul>
IFRS 9 Financial Instruments  <i>Issued July 2014 and consequential amendments to IFRS 7 Financial Instruments</i>	<ul style="list-style-type: none"> <li>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.</li> <li>Replaces the current incurred loss approach for credit losses with an "expected loss" model for instruments measured at amortised cost.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Adopted 1 January 2018.</li> <li>The Company elected the policy choice to apply the simplified approach and record expected credit losses on receivables using a provision matrix.</li> <li>The adoption of the standard did not have a material impact on the Financial Statements.</li> </ul>
IFRIC 22 Foreign Currency Transactions and Advance Consideration  <i>Issued December 2016</i>	<ul style="list-style-type: none"> <li>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).</li> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Adopted 1 January 2018.</li> <li>The adoption of the standard did not have a material impact on the Financial Statements.</li> </ul>

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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 1 January, 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.

The Company derives its revenue from services rendered and delivered to related parties on the basis of an allocated cost of services at cost incurred or cost plus a six percent (6%) mark up to reflect the estimated market rate for these services. The Company typically bills its customers within 30 days in arrears.

### **Interest income**

Interest income is primarily derived from bank deposits 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 accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Foreign currencies (continued)**

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.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Company as lessor*

Rental income included in other income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### *The Company as lessee*

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **Dilapidations provision**

The provision for dilapidations relates to the leases of offices. Dilapidations costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the dilapidations obligation. The unwinding of the discount is expensed as incurred and recognized in the Statement of Comprehensive Income as a finance cost. The estimated future costs of dilapidations are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

### **Contingent liabilities**

Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably, are not recognized but are disclosed unless the possibility of settlement is considered remote.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Operating profit**

Operating profit is stated before interest income and finance costs.

### **Defined contribution schemes**

The Company administered defined contribution pension schemes. The assets of the schemes were held separately from those of the Company in an independently administered fund. The amounts charged against profits represent the employer's contribution to the scheme in respect of the accounting period.

### **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.

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, which consist of finance leased equipment, computer equipment, leasehold improvements, assets under construction and fixtures, fittings and equipment, 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 (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Computer equipment	5 years
Leasehold improvements	shorter of lease term or useful life of asset
Fixtures, fittings and equipment	7 years

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Tangible fixed assets (continued)**

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Assets under construction are carried at cost, less any recognised impairment loss. Costs are capitalised in accordance with the Group's accounting policy. Depreciation of these assets, determined on the same basis as the other assets, commences when the assets are ready for their intended use.

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 scrapping 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 acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. Purchased software is amortised over 3 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### *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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 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.

Other receivables. 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.

Other 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.

**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

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

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*

Leases

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset. Based on Management's evaluation, the lease arrangements entered into by the Company for office spaces should be accounted for as operating leases because the Company has determined that the lessor will not transfer the ownership of the leased assets upon termination of the leases.

Management also assessed that the lease arrangement for office equipment, which transfers to the Company substantially all the risks and rewards incident to ownership of the leased items, are accounted for as finance leases because the lease terms are for the major part of the economic life of the assets, even if title is not transferred.

There are no other 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.

*Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that 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.

Useful lives of tangible fixed assets

As described above, the Company reviews the estimated useful lives of tangible fixed assets at the end of each reporting period.

Dilapidations provision

The Company is legally required under its lease agreement with the lessor to restore its leased site to the original condition at the end of the lease contract term. The Company recognizes the liability measured at the present value of the estimated costs of the obligation and capitalizes such costs as part of the balance of the related item of property and equipment. The amount of the dilapidations provision is accreted to the estimated undiscounted obligation that will be paid to restore the leased site to the original condition and such accretion is recognized as expense. The unexpired terms of the leases are 7.5 years. Details of provision for dilapidations provision is disclosed in Note 13.

The dilapidations provision is recognised in the period in which it is incurred, if a reasonable estimate of fair value can be made. This requires an estimation of the cost to restore/dismantle based on the best estimate of the expenditures required to settle the obligation at the end of reporting period, discounted at market interest rate. Assumptions used to compute the dilapidations provision are reviewed and updated at the end of each financial year end.

**4. REVENUE**

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

	<b>Year Ended 2018 £000s</b>	<b>Year Ended 2017 £000s</b>
<b>Revenue:</b>		
UK	4,565	6,215
Non UK	32,452	30,380
	<u>37,017</u>	<u>36,595</u>

**5. PROFIT FOR THE FINANCIAL YEAR**

Profit for the year has been arrived at after charging / (crediting):

	<b>Year Ended 2018 £000s</b>	<b>Year Ended 2017 £000s</b>
Staff costs (Note 7)	24,045	24,452
Net foreign exchange loss / (gains)	306	(378)
Depreciation of tangible fixed assets (Note 9)	1,078	1,045
Amortisation of intangible assets (Note 10)	59	68
	<u>25,488</u>	<u>25,187</u>

**6. AUDITOR'S REMUNERATION**

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £50k (2017: £50k). During the year, there were no fees payable to Deloitte LLP and their associates for non-audit services to the Company.

**7. STAFF COSTS**

The average monthly number of employees was:

	<b>Year Ended 2018 Number</b>	<b>Year Ended 2017 Number</b>
Administration and general	50	88
Operations	288	285
Sales	5	10
	<u>343</u>	<u>383</u>

All staff costs are initially borne by the Company. Staff costs are then subsequently recharged to the relevant affiliated subsidiaries of DTCC.

**7. STAFF COSTS (CONTINUED)**

Their aggregate remuneration comprised:

	<b>Year Ended 2018</b>	<b>Year Ended 2017</b>
	<b>£000s</b>	<b>£000s</b>
Wages and salaries	20,502	20,960
Social security costs	2,462	2,427
Other pension costs – defined contribution	1,081	1,065
	<u>24,045</u>	<u>24,452</u>

The other pension costs included in administrative expenses in the Statement of Comprehensive Income of £1,081k (2017: £1,065k) represent contributions payable to the retirement scheme by the Company at rates specified in the rules of the schemes. As at 31 December 2018, there were no outstanding contribution due to the scheme (2017: £173k).

**8. TAX**

	<b>Year Ended 2018</b>	<b>Year Ended 2017</b>
	<b>£000s</b>	<b>£000s</b>
Corporation tax:		
Current year	474	415
Adjustments in respect of prior years	53	23
	<u>527</u>	<u>438</u>
Deferred tax:		
Current year	(14)	(17)
Adjustments in respect of prior years	(123)	(20)
Effect of rate change	9	2
	<u>(128)</u>	<u>(35)</u>
Tax charge	<u>399</u>	<u>403</u>

Corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated taxable profit for the year.

	<b>Year Ended 2018</b>	<b>Year Ended 2017</b>
	<b>£000s</b>	<b>£000s</b>
Profit before taxation	1,852	1,665
Tax at the UK corporation tax rate of 19.00% (2017: 19.25 %)	352	321
Non-deductible expenses	54	77
Branch taxes	55	—
Adjustment in respect of prior years	(71)	5
Effect of tax rate change	9	—
Tax charge for the year	<u>399</u>	<u>403</u>

**8. TAX (CONTINUED)**

**Deferred tax**

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

	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
As at 1 January	59	24
Deferred tax credit on capital allowances and other short-term timing differences	14	17
Deferred tax credit from prior year in the profit and loss account	123	20
Effect of tax rate change	(9)	(2)
As at 31 December	<u>187</u>	<u>59</u>
In respect of:		
Capital allowances	65	(24)
Other timing differences	122	83
Deferred tax asset at the end of the year	<u>187</u>	<u>59</u>

Deferred tax assets are calculated using rates of UK corporate tax expected to be in force 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 period ended 31 December 2018 was 19%.

**9. TANGIBLE FIXED ASSETS**

	<b>Finance Lease</b>	<b>Computer Equipment</b>	<b>Leasehold Improvements</b>	<b>Assets Under Construction</b>	<b>Fixtures, Fittings &amp; Equipment</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Cost</b>						
At 1 January 2018	—	1,266	5,675	—	937	7,878
Additions	101	225	221	175	36	758
Adjustment	—	—	(19)	—	—	(19)
At 31 December 2018	<u>101</u>	<u>1,491</u>	<u>5,877</u>	<u>175</u>	<u>973</u>	<u>8,617</u>
<b>Accumulated depreciation</b>						
At 1 January 2018	—	480	1,125	—	252	1,857
Charge for the year	25	281	635	—	137	1,078
Adjustment	—	—	(19)	—	—	(19)
At 31 December 2018	<u>25</u>	<u>761</u>	<u>1,741</u>	<u>—</u>	<u>389</u>	<u>2,916</u>
<b>Net book value</b>						
At 31 December 2018	<u>76</u>	<u>730</u>	<u>4,136</u>	<u>175</u>	<u>584</u>	<u>5,701</u>
At 31 December 2017	<u>—</u>	<u>786</u>	<u>4,550</u>	<u>—</u>	<u>685</u>	<u>6,021</u>

In addition, the Company's obligations under finance leases (see Note 13) are secured by the lessors' title to the leased assets, which have a carrying amount of £76k (2017: £nil).



**10. INTANGIBLE ASSETS**

	<b>Purchased Software £000s</b>	<b>Total £000s</b>
<b>Cost</b>		
At 1 January 2018	205	205
Additions	—	—
At 31 December 2018	<u>205</u>	<u>205</u>
<b>Accumulated amortisation</b>		
At 1 January 2018	125	125
Charge for the year	59	59
At 31 December 2018	<u>184</u>	<u>184</u>
<b>Net book value</b>		
At 31 December 2018	<u>21</u>	<u>21</u>
At 31 December 2017	<u>80</u>	<u>80</u>

**11. OTHER RECEIVABLES**

	<b>2018 £000s</b>	<b>2017 £000s</b>
Amounts falling due within one year:		
Amounts owed by group undertakings	4,178	6,919
Prepayments and accrued income	602	1,250
Other taxation	670	743
Other assets	291	129
Total trade and other included in current assets	<u>5,741</u>	<u>9,041</u>

**12. TRADE AND OTHER PAYABLES**

	<b>2018 £000s</b>	<b>2017 £000s</b>
Amounts falling due within one year:		
Accrued expenses	6,244	6,189
Amounts owed to group undertakings	3,809	9,496
Deferred rent	256	—
Long term incentive plan	1,334	805
Trade creditors	19	44
	<u>11,662</u>	<u>16,534</u>

*Long term incentive plan* - Long term employee benefits relate to liabilities arising from DTCC's long-term incentive plan, which is provided to certain designated employees of the company to establish retention incentives for certain key employees. The performance period is a three-year period commencing January 1 of each calendar year, unless modified, extended or terminated by DTCC's board of Directors and the Compensation and Human Resources Committee. Only those employees specifically designated by the Compensation Committee are eligible to participate in this plan. The associated liabilities for these plans are classified in current trade and other payables and long term incentive plan in non-current liabilities on the accompanying Balance Sheet.

**13. LEASE ARRANGEMENTS**

*Operating Leases*

**The Company as lessee**

	<b>Year Ended 2018</b>	<b>Year Ended 2017</b>
	<b>£000s</b>	<b>£000s</b>
Lease expensed during the year	1,902	1,885

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Within one year	2,179	2,142
In the second to fifth years inclusive	8,845	8,568
After five years	5,173	6,986
	<u>16,197</u>	<u>17,696</u>

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of 10 years.

A dilapidations provision has been formed for the expected cost of returning other rented offices to their original condition when they are vacated. As at 31 December 2018, the dilapidations provision was £897k (2017: £897k). Dilapidation costs are calculated at present value using a discount rate of 1.02 for lease contracts ending within 7.5 years.

**Dilapidation**

The movement of the provision for dilapidation is detailed as follows:

	<b>Year Ended 2018</b>	<b>Year Ended 2017</b>
	<b>£000s</b>	<b>£000s</b>
Beginning balance	897	886
Recognised during the year	—	—
Accretion of interest	—	11
Ending balance	<u>897</u>	<u>897</u>

Accretion of interests forms part of the interest expenses as reported in the Statement of Comprehensive Income. The accretion of interest for the year ending 31 December 2018 was £371.

**The Company as lessor**

	<b>Year Ended 2018</b>	<b>Year Ended 2017</b>
	<b>£000s</b>	<b>£000s</b>
Rental income from subleases earned during the year	1,322	775

The Company subleases office space in two locations. In July 2017, the Company signed an agreement to sublease 32,394 square feet that it currently occupies to a third party through 16 May 2025 unless break options are applied in accordance with the sublease. In addition, in August 2017, the Company signed another agreement to sublease 3,425 square feet that it currently occupies to a third party through 31 August 2022 unless break options are applied

**13. LEASE ARRANGEMENTS (CONTINUED)**

**The Company as lessor (continued)**

in accordance with the sublease. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments:

	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Within one year	411	411
In the second to fifth years inclusive	1,370	1,575
After five years	282	487
	<u>2,063</u>	<u>2,473</u>

**Finance Leases**

As at 31 December

2018, future minimum lease payments under the finance lease, together with the present value of the minimum lease payments are, as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Within one year	23	—
In the second to fifth years inclusive	65	—
After five years	—	—
	<u>88</u>	<u>—</u>
Present value of minimum lease payments	<u>87</u>	<u>—</u>

It is the Company's policy to lease certain of its Computer Equipment under finance leases. The average lease term is 5 years. For the year ended 31 December 2018, the average effective borrowing rate was 4.5 per cent (2017: nil per cent). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling. The fair value of the Company's lease obligations is approximately equal to their carrying amount. The Company's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in Note 9.

**14. SHARE CAPITAL**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Issued and fully paid:		
1 ordinary share of \$1 each	<u>1</u>	<u>1</u>

The Company has one class of ordinary shares, which carry no right to fixed income. There have been no changes in share capital during the period. The company has 1,000 authorised shares of \$1 each.

## 15. RELATED PARTY TRANSACTIONS

### Directors Remuneration

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

	Year Ended 2018 £000s	Year Ended 2017 £000s
<b>Directors' remuneration</b>		
Emoluments	104	91
Amounts receivable (other than shares and share options) under long-term incentive schemes	13	9
	<u>117</u>	<u>100</u>

The Directors of the Company have been directly employed by the Company. The Directors do not provide services solely to the Company; therefore they were allocated a percentage of their total costs to DTCC Europe 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](http://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

In 2019, the lessee for the July 2017 sublease, totaling 32,394 square feet, exercised their break options and will return all of the subleased space in accordance with the agreement. The future minimum lease payments under this sublease total £1,309k.

In addition and as a consequence, DTCC exercised its break option to terminate the current lease. A five year lease for a smaller space is being negotiated in the same location with the same lessor. The total future minimum lease payments under this lease total £1,928k.

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