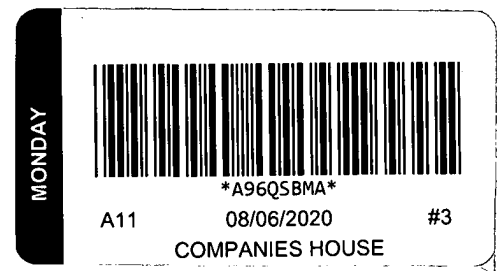


Company Registration No. 01870679

Broadridge Financial Solutions Limited

Annual Report and Financial Statements

For the year ended 30 June 2019



Broadridge Financial Solutions Limited

Report and financial statements 2019

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Broadridge Financial Solutions Limited

Report and financial statements 2019

Officers and professional advisers

Directors

D Kelly
A Amsterdam
T Carey

Registered office

193 Marsh Wall
London
E14 9SG

Bankers

Barclays Bank PLC
Heathrow Airport Branch
Cardinal Point, Newall Road
Heathrow Airport (London)
Hounslow
TW6 2AH

Secretary

TMF Corporate Administration Services Limited
8th Floor
20 Farrington Street
London, UK
EC4A 4AB

Auditor

Grant Thornton UK LLP
30 Finsbury Square
EC2A 1AG

Broadridge Financial Solutions Limited

Strategic report

The directors present their Strategic report and the audited financial statements for the year ended 30 June 2019.

Review and analysis of the business during the current year

The company's turnover for the year was £100.6m (2018: £84.6m). The pre-tax profit for the year was £7.7m (2018: £12.3m).

The company shall continue to operate as a host, developer and provider of security processing software and investor communications services.

Key Performance Indicators

Management use a range of performance measures to monitor and manage the business, which include:

- New business growth
- New client sales
- Sales to revenue conversion
- Internal growth

Development and financial performance during the year

Turnover for the year has increased by £16.0m (2018: £13.8m). In respect of the pre-tax result there was a decrease of £4.7m (2018: increase of £2.9m).

The financial position in respect to net current assets has increased by £33.8m (2018: increase of £42.2m) and within this number there has been a decrease in the net current amounts owed to group undertakings of £10.6m (2018: £22.4m decrease). There was also an increase in cash on hand of £2.6m (2018: £2.8m increase) and increase in other net assets of £6.0m (2018: £0.7m increase).

Broadridge Financial Solutions Limited forms part of the Global Technology and Operations Division, which is a member of the Broadridge Financial Solutions, Inc. group. Broadridge Financial Solutions, Inc. increased turnover and increased pre tax earnings during the year. Please refer to the Broadridge Financial Solutions, Inc. official website at www.broadridge.com for full financial statements, which do not form part of this report.

Coronavirus pandemic

The outbreak of the global coronavirus pandemic is considered to be a non-adjusting post balance sheet event. The Board have considered, and continue to do so, the impact of the virus on the business, however it is too early for the Board to quantify the potential financial impact on the company.

Broadridge Financial Solutions Limited

Strategic report (continued)

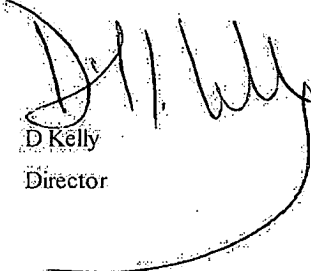
Principal risks and uncertainties

Trading conditions for the company remain uncertain with consolidation within the prospective and existing client bases providing both a risk and potential opportunity. The company is managing this risk and opportunity by investing in its current product offerings to enhance functionality for its clients, maintaining strong relationships with clients to establish their needs and the requirements in the broader market and seeking out new lines of business. In addition, future regulatory changes in the financial markets may also provide the company with both risks and potential opportunities, as prospective and existing clients reassess their overall requirements due to these changes.

Client revenues are based in Sterling, Dollars and Euros and as such are susceptible to currency variations.

Historically there has been no credit risk with regard to debtors. Group risks are discussed in the Broadridge Financial Solutions Inc's Annual Report, which does not form part of this Report.

This report was approved by the board on 20 May 2020 and signed on its behalf by:



D Kelly
Director

Broadridge Financial Solutions Limited

Directors' report

Principal activities

The principal activities of the company continue to be those of a developer and provider of security processing software and investor communication services.

Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

The directors, who served throughout the year, were as follows:

D Kelly
A Amsterdam
T Carey

Employee involvement

Frequent meetings are held at each of the company's offices, with all employees invited, to discuss, among other things, the financial position and prospects. Opportunity is given at these meetings for senior management to be questioned about matters that concern employees. An opinion survey conducted annually also enables all employees to raise issues that concern them.

Employment of disabled persons

The company gives equal consideration to employment applications from disabled applicants and will hire on the basis of merit. Where necessary, aids and adaptations will be provided to ensure disabled employees can participate fully.

Disclosure in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008 certain matters, which are required to be disclosed in the directors' report, have been omitted as they are included in the strategic report on pages 2 to 3.

Going concern

The directors consider the company has adequate resources to remain in operation for the foreseeable future which includes a letter of support from the ultimate parent company Broadridge Financial Solutions, Inc. The directors have no reason to believe that, should financial support be required, it will not be made available and consider it appropriate to adopt a going concern basis in preparing the financial statements.

Corona virus pandemic

The outbreak of the global coronavirus pandemic is considered to be a non-adjusting post balance sheet event. The Board have considered, and continue to do so, the impact of the virus on the business, however it is too early for the Board to quantify the potential financial impact on the company.

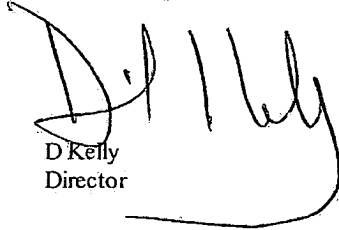
Broadridge Financial Solutions Limited

Director's report (continued)

Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office, and will be deemed to be reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 20 May 2020.



D Kelly
Director

Broadridge Financial Solutions Limited

Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditor's report to the members of Broadridge Financial Solutions Limited

Opinion

We have audited the financial statements of Broadridge Financial Solutions Limited (the 'company') for the year ended 30 June 2019, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

Conclusions relating to going concern

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' 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 this regard.

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.

Matter on which we are required to report under the Companies Act 2006

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 material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

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.



Anthony Thomas
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

21 May 2020

Broadridge Financial Solutions Limited

Statement of Comprehensive Income For the year ended 30 June 2019

	Note	Year ended 2019 £'000	Year ended 2018 £'000
Turnover	4	100,559	84,602
Cost of sales		(25,250)	(21,558)
Gross profit		75,309	63,044
Administrative expenses		(67,801)	(56,772)
Operating profit		7,508	6,272
Other income	8	-	6,470
Interest receivable and similar income	9	331	363
Interest payable and similar charges	10	(294)	(838)
Profit on ordinary activities before taxation	5	7,545	12,267
Tax on profit on ordinary activities	11	(1,702)	(2,668)
Profit for the financial year	19	5,843	9,599
Currency translation differences on foreign currency net investments		(32)	-
Total comprehensive income for the financial year		5,811	9,599

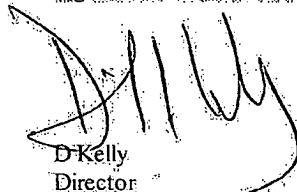
Broadridge Financial Solutions Limited

Statement of Financial Position As at 30 June 2019

	Note	30 June 2019 £'000	30 June 2018 £'000
Fixed assets			
Investments	12	35,249	36,801
Intangible assets	13	27,113	30,979
Tangible assets	14	1,596	469
		<u>63,958</u>	<u>68,249</u>
Current assets			
Work in progress		58,215	42,739
Debtors due within one year	15	35,211	28,565
Cash at bank and in hand		10,854	8,258
		<u>104,280</u>	<u>79,562</u>
Creditors: amounts falling due within one year	16	<u>(37,997)</u>	<u>(47,074)</u>
Net current assets		<u>66,283</u>	<u>32,488</u>
Total assets less current liabilities		<u>130,396</u>	<u>100,737</u>
Creditors: amounts falling due after more than one year	16	<u>(25,098)</u>	<u>(22,748)</u>
Provision for liabilities	17	<u>(56)</u>	<u>(851)</u>
Net assets		<u>105,087</u>	<u>77,138</u>
Capital and reserves			
Called-up share capital	18	41,208	41,208
Share premium account		34,519	15,244
Shares to be issued		2,707	1,866
Capital reserve		24,433	24,433
Profit and loss account		2,220	(5,613)
Equity shareholders' funds	19	<u>105,087</u>	<u>77,138</u>

These financial statements were approved by the Board of Directors on 20 May 2020

Signed on behalf of the Board of Directors



D. Kelly
Director

Company Registration No. 01870679

The notes on pages 13 to 26 form part of these financial statements.

Broadridge Financial Solutions Limited

Statement of Changes in Equity Year ended 30 June 2019

	Called-up share capital £'000	Share premium account £'000	Shares to be issued £'000	Capital Reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2017	41,208	45,631	1,476	24,433	(62,119)	50,629
Total profit for the year	-	-	-	-	9,599	9,599
Capital Introduction	-	15,244	-	-	-	15,244
Transfer to profit and loss reserves	-	(45,631)	(1,276)	-	46,907	-
Share option charge	-	-	1,666	-	-	1,666
At 30 June 2018	41,208	15,244	1,866	24,433	(5,613)	77,138
1 July 2018	41,208	15,244	1,866	24,433	(5,613)	77,138
Total profit for the year	-	-	-	-	5,843	5,843
Foreign exchange translation difference	-	-	-	-	(32)	(32)
Capital Introduction	-	19,275	-	-	-	19,275
Transfer to profit and loss reserves	-	-	(2,022)	-	2,022	-
Share option charge	-	-	2,863	-	-	2,863
At 30 June 2019	41,208	34,519	2,707	24,433	2,220	105,087

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

1. Company information

Broadridge Financial Solutions Limited is a limited liability company incorporated in England. The registered office is 193 Marsh Wall, London E14 9SG.

2. Significant judgements and estimates.

In the preparation of these financial statements, there were judgements made in respect of the collectability and recognition of work in progress over the service term of the contract, the estimation of goodwill on acquisition of subsidiary undertakings which are written off over its useful economic life of 10 years and the impairment of investments in subsidiaries. These are both further explained within the notes to the financial statements.

3. Principal accounting policies

The principal accounting policies are summarised below and have been applied consistently throughout the current and preceding year.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102.

Broadridge Financial Solutions Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available. Exceptions have been taken in relation to presentation of a cash flow statement, financial instruments, intra-group transactions, and remuneration of key management personnel.

Going concern

The directors consider the company has adequate resources to remain in operation for the foreseeable future which includes a letter of support from the ultimate parent company Broadridge Financial Solution, Inc. The directors have no reason to believe that, should financial support be required, it will not be made available and consider it appropriate to adopt a going concern basis in preparing the financial statements

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

3. Principal accounting policies (continued)

Share-based payments

The company has applied the requirements of FRS 20 share-based payments to the parent company Broadridge Financial Solutions, Inc.'s share based payment schemes that the employees participates in. In accordance with the transitional provisions, FRS 102 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006. The financial effects of FRS 102 are disclosed in note 7 to the accounts.

Broadridge Financial Solutions, Inc. issues equity-settled share-based payments to certain employees of the company. Equity-settled awards are satisfied by the delivery of shares in Broadridge Financial Solutions, Inc., the ultimate parent undertaking.

Equity-settled share based payments are measured at fair value at the date of the grant. We determine the fair value of stock options issued by using a binomial option-pricing model. The binomial option-pricing model considers a range of assumptions related to volatility, dividend yield, risk-free interest rate and employee exercise behaviour. Expected volatilities utilised in the binomial option-pricing model are based on a combination of implied market volatilities, historical volatility of the stock price and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The binomial option-pricing model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the stock option grants is derived from the output of the binomial model and represents the period of time that options granted are expected to be outstanding. Determining these assumptions are subjective and complex and therefore, a change in the assumptions utilised could impact the calculation of the fair value of our stock options.

The fair value determined is recognised in the profit and loss account as an expense on a straight-line basis over the relevant vesting period.

Revenue recognition

Revenue is recognised at fair value. The company recognises revenues associated with software licenses and maintenance rateably over the software license term. Fees associated with services are recognised in the period services are rendered and earned and collectability is reasonably assured. Perpetual licence revenue is recognised in the period to which the contract is fulfilled.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, over the useful lives of the assets using the straight-line method. The rates of depreciation are as follows:

Leasehold improvements	- over the life of the lease
Fixtures, fittings and computers	- over three to seven years
Software licences	- over three years

Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off over its useful economic life, which is 10 years. Provision is made for any impairment.

Intangible assets relating to customer relationship arising on the acquisition of the assets of a business, is capitalised and written off over its useful economic life, which is 10 years.

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

3. Principal accounting policies (continued)

Work in progress

Direct costs that are incurred to set up or convert a client's systems to function with the company's technology are generally deferred and recognised on a straight-line basis which commences after client acceptance when the processing term begins. Deferred costs are amortised over the service term of the contract. These capitalised costs are reflected in Work in Progress in Current Assets in the Statement of Financial Position.

Deferred taxation

In accordance with FRS 102, deferred tax is provided in full on timing differences that result in an obligation at the Statement of Financial Position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from this in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Current taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Research and development

Research and development expenditure is written off in the year of expenditure.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Employee benefits

Short term employee benefits including annual leave and contributions to defined contribution pensions are recognised as an expense in the period in which they are incurred.

Functional currency and presentation currency

The company financial statements are presented in the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sterling (£) and rounded to the nearest £1,000.

Foreign exchange

Transactions denominated in foreign currencies are translated into Sterling at the rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the rates prevailing at that date. The resulting translation differences are dealt with in the profit and loss account. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Creditors

Short term trade creditors are measured at the transaction price.

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

3. Principal accounting policies (continued)

Consolidated financial statements

In accordance with Section 401 of the Companies Act 2006 consolidated accounts have not been prepared as the company is a wholly owned subsidiary of Broadridge Financial Solutions, Inc. Broadridge Financial Solutions, Inc is incorporated in the United States of America which prepares consolidated financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its group. See note 23 for details of date that consolidated accounts can be obtained.

4. Turnover

In the opinion of the directors, turnover derives from the principal activity of the company.

Geographical segment	2019 £'000	2018 £'000
Turnover by destination:		
UK	40,237	37,099
Rest of Europe	27,468	26,553
Asia	10,442	10,610
North America	21,479	9,414
Rest of World	933	926
	<u>100,559</u>	<u>84,602</u>

5. Profit on ordinary activities before taxation

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation is after charging/(crediting):		
Auditors' remuneration		
- Fees payable to the company's auditors for the audit of the company's annual accounts	62	60
- Fees payable to the company's auditors for the audit of fellow group companies annual accounts	7	7
Depreciation	Note 14	280
Customer relationship amortisation	Note 13	218
Software licenses amortisation	Note 13	626
Goodwill amortisation	Note 13	4,574
Foreign exchange loss		271
Intercompany management recharge		435
Rentals under operating leases:		
Plant and machinery		-
Land and buildings		1,726
Provision for dilapidations		(847)
	<u></u>	<u>23</u>

Intercompany management recharges are charges for management time and the associated costs, for those based in head office involved in overseeing the other international Broadridge Financial Solutions Limited locations. It is calculated based on the percentage of total revenue for each Broadridge Financial Solutions Limited country and the proportion of time management spends supporting each location. Each country is then recharged accordingly.

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

6. Information regarding directors and employees

	2019 £'000	2018 £'000
Directors' emoluments (excluding pension contributions)	<u>1,985</u>	<u>1,228</u>

	2019 Number	2018 Number
The number of directors who are members of a defined contribution scheme:	<u>1</u>	<u>1</u>

The emoluments of the highest paid director were £1,711k (2018: £922,394). Contributions of £32,226 (2018: £20,389) were paid to directors in respect of defined contribution schemes. Of this amount £32,226 (2018: £20,389) was paid to the highest paid director.

The above amounts include gains made on the exercise of share options and the value of restricted stock awards or share options and performance based units received under long-term incentive schemes. One director exercised share options during the year (2018: 1). Restricted stock awards were received under long-term incentive schemes by two directors (2018: 2). One director was granted stock options. (2018: 1).

Average number of persons employed (including directors)	2019 Number	2018 Number
Sales and marketing	45	35
Finance, administration and operations	293	246
	<u>338</u>	<u>281</u>

	£'000	£'000
Staff costs (including directors)		
Wages and salaries	26,425	23,014
Social security	4,415	3,607
Pension costs	1,874	1,504
Share based compensation	2,863	1,666
	<u>35,577</u>	<u>29,791</u>

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

7. Share-based payments

The company charged the following amounts to the profit and loss account in 2019 and 2018 in relation to share-based payments under the parent company Broadridge Financial Solutions Inc.'s share-based payment schemes:

	2019 £'000	2018 £'000
Stock options	318	161
Restricted stock units	2,545	1,505
	<u>2,863</u>	<u>1,666</u>

Terms of share option plan

Stock Options: Stock options are granted to employees at exercise prices equal to the fair market value of the parent company, Broadridge Financial Solutions Inc.'s common stock on the dates of grant. Stock options are issued under a grade vesting schedule and, generally vest over five years and have a term of 10 years.

Compensation expense for stock options is recognised over the requisite service period for each separately vesting portion of the stock option award.

Performance based units: The parent company, Broadridge Financial Solutions Inc. has a performance based units program under which awards will be issued to certain key employees of the company upon the achievement, by the company, of specific performance metrics. The company records stock compensation expense for performance-based restricted stock on a straight-line basis over the performance period, plus a subsequent vesting period, which typically totals approximately two and a half years from the date of grant. The awards granted are to be settled in cash. The company records a liability for these performance based units. The liability and the corresponding stock compensation expense are adjusted to reflect the company's closing stock price as of the end of each reporting period.

Restricted Stock units: The parent company, Broadridge Financial Solutions Inc., has a restricted stock units program under which awards will be issued to certain key employees upon vesting, by the parent company. The company records stock expense on a straight-line basis over vesting period, which typically totals approximately two and a half years from the date of grant. These awards granted are to be settled either in cash or equity. The company records the value for these restricted stock units under equity. The equity, and the corresponding stock compensation expense are adjusted to reflect the company's closing stock price as of the end of each reporting period.

Movement on the company's incentive equity awards and weighted average exercise price during the year are as follows:

Stock options outstanding at 30 June 2019 had a range of exercise prices from \$36.97 to \$98.31.

The average share price of Broadridge Financial Solutions Inc. for the year ended 30 June 2019 was \$114.09 (2018: \$94.14).

Restricted stock units outstanding at 30 June 2019 had a closing stock price of \$127.68 (2018: \$115.10). The weighted average contractual life of those options was 15 months.

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

7. Share-based payments (continued)

For stock options issued to the company under the ultimate parent company Broadridge Financial Solutions Inc.'s share-based payment schemes, the fair value of each stock option was estimated on the date of grant using a binomial option-pricing model. The binomial option-pricing model considers a range of assumptions related to volatility, dividend yield, risk-free interest rate and employee exercise behaviour. Expected volatilities utilised in the binomial option-pricing model are based on a combination of implied market volatilities, historical volatility of the stock price and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The binomial option-pricing model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the stock option grants is derived from the output of the binomial model and represents the period of time that options granted are expected to be outstanding.

The following table presents the assumptions used to determine the fair values of the stock option grants immediately after the date of distribution in order to measure the incremental compensation cost:

	2019	2018
Weighted average risk-free interest rate	2.5%	2.7%
Weighted average dividend yield	2.0%	1.6%
Weighted average volatility factor	26.0%	23.8%
Weighted average expected life (in years)	5.9	6.5
Weighted average fair value (in dollars)	22.12	22.16

8. Other income

	2019 £'000	2018 £'000
Other income	-	6,470

Effective from 1 July 2017 Broadridge Financial Solutions Limited entered into a Platform Contribution Cross-License agreement with Broadridge Securities Processing Solutions LLC (a Broadridge group company) to share the costs of developing software. Broadridge Financial Solutions Limited sold a perpetual licence of its developed intellectual property in relation to this software to Broadridge Securities Processing Solutions LLC.

9. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable	331	363

10. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable	294	838

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

11. Tax charge on profit on ordinary activities

	2019 £'000	2018 £'000
Current tax		
UK corporation tax	1,959	2,208
Adjustment in respect of prior years	(289)	187
	<u>1,670</u>	<u>2,395</u>
Foreign tax suffered	65	128
Double tax relief	(33)	(121)
	<u>1,702</u>	<u>2,402</u>
Total current tax		
Deferred Tax		
Origination and reversal of timing differences	-	297
Effect of changes in tax rates	-	(31)
	<u>-</u>	<u>266</u>
Total deferred tax		
	<u>1,702</u>	<u>2,668</u>
Total tax per income statement		

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows.

	2019 £'000	2018 £'000
Profit/(loss) on ordinary activities before tax	<u>7,545</u>	<u>12,267</u>
Tax on profit on ordinary activities at 19% (2018: 19%)	1,434	2,331
Effects of:		
Expenses not deductible for tax purposes	861	827
Deferred tax asset not recognised	(92)	298
Higher rates on overseas taxes	32	6
Tax rate changes	-	(31)
Group relief claimed not paid	-	(466)
Impact of share options	(243)	(483)
Adjustment in respect of prior years	(289)	187
Rounding	(1)	(1)
	<u>1,702</u>	<u>2,668</u>
Total tax charge for the year		

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

12. Investments held as fixed assets

At 30 June 2019 the company held the following investments:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held
Broadridge City Networks (UK) Limited	United Kingdom	100%
Broadridge France SAS	France	100%
Message Automation Limited	United Kingdom	100%
Broadridge (Australia) Pty Ltd	Australia	100%
4Sight Group of Companies	United Kingdom	100%
Paladyne Systems Europe Limited	United Kingdom	100%

Broadridge City Networks (UK) Limited has the following wholly owned subsidiaries:

Name	Country of incorporation
Broadridge (Singapore) Private Limited	Singapore
Broadridge (Japan) Limited	Japan

For the undertakings listed above, the countries of operations are the same as the countries of incorporation or registration. The principal activity of the above undertakings is to provide implementation and support of security processing software and real time market information.

On 24th December 2014 Broadridge Australia Pty Ltd was acquired by Broadridge Financial Solutions International Limited and sold onto Broadridge Financial Solutions Limited. Therefore Broadridge Australia Pty Ltd is 100% subsidiary of Broadridge Financial Solutions Limited.

On 6th May 2016 Dojima Ltd was acquired by Broadridge Financial Solutions Limited.

On 10th June 2016 4Sight Financial Software Limited was acquired by Broadridge Financial Solutions Limited.

On 7th March 2017 Broadridge Financial Solutions Limited purchased the remaining 75% shareholding in Message Automation Limited.

On 1 July 2017 the business of Message Automation Limited was hived up into Broadridge Financial Solutions Limited at net asset value. The investment of Message Automation Limited was reduced to the intercompany balance owed to Message Automation Limited of £3.3m by a transfer to Goodwill.

On 20th June 2018 Broadridge Financial Solutions Limited purchased 100% of the share capital in Paladyne Systems Europe Limited from its affiliate Broadridge Managed Solutions Inc.

On 1 July 2018 the business of Paladyne Systems Europe Limited was hived up into Broadridge Financial Solutions Limited at net asset value. The investment of Paladyne Systems Europe Limited was reduced to the share capital in Paladyne Systems Europe Limited of £1 by transfer to Goodwill.

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

12. Investments held as fixed assets (continued)

	Total £'000
Cost	
At 1 July 2018	60,950
Transfer to Goodwill	<u>(1,552)</u>
At 30 June 2019	59,398
Provision	
At 1 July 2018	(24,149)
Impairment charge for the year	<u>-</u>
At 30 June 2019	(24,149)
Net book value	
At 30 June 2019	<u>35,249</u>
At 30 June 2018	<u>36,801</u>

An impairment review of investments was performed by comparing the calculated value in use of the investments compared to the carry amount of the investments. Based on the impairment review performed no impairment was deemed necessary (2018: nil).

13. Intangible assets

	Goodwill £'000	Customer Relationships £'000	Software Licenses £'000	Total £'000
Cost				
At 1 July 2018	44,183	1,722	1,987	47,892
Transfer from Investments	1,552	-	-	1,552
At 30 June 2019	<u>45,735</u>	<u>1,722</u>	<u>1,987</u>	<u>49,444</u>
Amortisation				
At 1 July 2018	15,261	714	938	16,913
Charge for the year	4,574	218	626	5,262
At 30 June 2019	<u>19,835</u>	<u>932</u>	<u>1,564</u>	<u>22,331</u>
Net book value				
At 30 June 2019	<u>25,900</u>	<u>790</u>	<u>423</u>	<u>27,113</u>
At 30 June 2018	<u>28,922</u>	<u>1,008</u>	<u>1,049</u>	<u>30,979</u>

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

13. Intangible assets (continued)

Goodwill relates to the acquisition of Broadridge City Networks (UK) Limited on 30 June 2011 for the consideration of £15.7m. The value of net assets at aquisition was £2.8m and therefore the residual goodwill arising from this aquisition was £12.9m.

On 1 July 2012, the company purchased the Gloss and Proactive Broker business from Broadridge Securities Processing Solutions Inc resulting in goodwill of £1.1m being generated. On 1 July 2012 the company also bought the net assets of the South African branch of the business from Broadridge City Networks (UK) Limited. Goodwill of £0.1m was generated resulting from this acquisition.

On 1st October 2013, the company purchased the assets of Bonaire UK Limited business from Broadridge Securities Processing Solutions Inc resulting in goodwill of £4.7m and intangible assets relating to customer relationship of £1.0m.

On 30th June 2015, the company purchased the assets of Broadridge FX and Liquidity Solutions LLC for the operations outside North America resulting in goodwill of £3m and £0.6m of customer relationships being generated.

On 6th May 2016, the company purchased the assets of Dojima LLC resulting in goodwill of £0.9m and customer relationships of £0.1m.

On 1 July 2017 the business of Message Automation Limited was hived up into Broadridge Financial Solutions Limited at net asset value. The investment of Message Automation Limited was reduced to the intercompany balance owed to Message Automation Limited of £3.3m by a transfer to Goodwill.

On 1 July 2018 the business of Paladyne Systems Europe Limited was hived up into Broadridge Financial Solutions Limited at net asset value. The investment of Paladyne Systems Europe Limited was reduced to the share capital in Paladyne Systems Europe Limited £1 by transfer to Goodwill.

Amortisation of intangible assets is included in administrative expenses.

14. Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and computers £'000	Communication equipment £'000	Total £'000
Cost				
At 1 July 2018	1,883	2,649	-	4,532
Additions	341	727	339	1,407
Disposals	-	(39)	-	(39)
At 30 June 2019	2,224	3,337	339	5,900
Accumulated depreciation				
At 1 July 2018	1,869	2,194	-	4,063
Charge for the year	18	227	35	282
Disposals	-	(39)	-	(39)
At 30 June 2019	1,887	2,382	35	4,306
Net book value				
At 30 June 2019	337	955	304	1,596
At 30 June 2018	14	455	-	469

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

15. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	16,808	8,827
Amounts owed by group undertakings	15,797	12,570
Other debtors	1,262	894
Prepayments and accrued income	1,344	6,274
	<u>35,211</u>	<u>28,565</u>

An impairment loss of £72k (2017: £122k loss) was recognised against trade debtors.

16. Creditors

Amounts falling due within one year:

	2019 £'000	2018 £'000
Trade creditors	2,245	2,319
Amounts owed to group undertakings	9,570	16,927
Accruals and deferred income	21,693	20,543
Other taxes and social security	2,204	1,866
VAT	558	840
Corporation tax	1,444	1,838
Other creditors	283	2,741
	<u>37,825</u>	<u>47,074</u>

Creditors amounts falling due after more than one year:

	2019 £'000	2018 £'000
Accruals and deferred income	<u>25,098</u>	<u>22,748</u>

17. Provisions for liabilities

	Balance at 30 June 2018 £'000	Change in provision £'000	Utilised £'000	Balance at 30 June 2019 £'000
Dilapidation provision	851	(795)	-	56
	<u>851</u>	<u>(795)</u>	<u>-</u>	<u>56</u>

The dilapidation provision relates to future costs to be incurred to make good dilapidations or other damage occurring to the leased properties during the rental period. It is expected that the expenditure on the properties will be incurred over the remaining lease term.

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

18. Called-up share capital

	2019 £'000	2018 £'000
Authorised:		
100,000,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:		
41,208,333 ordinary shares of £1 each	<u>41,208</u>	<u>41,208</u>

19. Reconciliation of movements in equity shareholders' funds

	2019 £'000	2018 £'000
Share premium	19,275	15,244
Shares to be issued		
- Expense on granted shares	2,863	1,666
Profit for the financial year	5,998	9,599
Exchange differences	<u>(32)</u>	<u>-</u>
Net increase to equity shareholders' funds	28,104	26,509
Opening equity shareholders' funds	<u>77,138</u>	<u>50,629</u>
Closing equity shareholders' funds	<u>105,242</u>	<u>77,138</u>

The ultimate parent company Broadridge Financial Solutions, Inc. has granted rights to its equity instruments to certain employees of the company. The share-based compensation is accounted for as equity-settled in the consolidated financial statements of the ultimate parent company. UITF 44 requires the company to record an expense for such compensation (see note 7) in accordance with FRS 102 (share based payments) with a corresponding increase in equity as a contribution from the ultimate parent share options £284k (2018: £161k) and restricted stock units £558k (2018: £1,426k).

20. Pension arrangements

The company operates a defined contribution pension scheme for the majority of its employees and one director. The assets of the scheme are held separately from those of the company in an independently administered fund. The charge to the profit and loss account for the financial year was £1,874 (2018: £1,504k). There was £276 contribution outstanding as at 30 June 2019 (2018: £213k).

Broadridge Financial Solutions Limited

Notes to the financial statements Year ended 30 June 2019

21. Operating lease commitments

The company's minimum operating lease payments are as follows:

	2019 £'000	2018 £'000
Within one year	1,612	808
Within two to five years	5,335	-
	<u>6,947</u>	<u>808</u>

During the year the company extended the leases at Marsh Wall by 4 years with total commitment £4,466k and entered into a new office lease in Arthur Street, London with total commitment of £2,410k.

22. Capital commitments

The company had no capital commitments at 30 June 2019 or 30 June 2018.

23. Related party transactions

The company has taken advantage of the exemption granted by section 33 of FRS 102, "Related Party Disclosures", not to disclose transactions with Broadridge Financial Solutions Inc. group companies or interests of the group which are related parties.

24. Ultimate parent company

The ultimate parent company and controlling party of Broadridge Financial Solutions Limited is Broadridge Financial Solutions Inc. which is incorporated in the United States of America. The immediate parent company is Broadridge Financial Solutions International Limited which is incorporated and registered in England and Wales.

The parent company of the largest such group is Broadridge Financial Solutions Inc. Copies of the financial statements of Broadridge Financial Solutions Inc. are available at www.broadridge.com.

25. Coronavirus pandemic

The outbreak of the global coronavirus pandemic is considered to be a non-adjusting post balance sheet event. The Board have considered, and continue to do so, the impact of the virus on the business and have included details in the strategic report and directors report. It is too early for the Board to quantify the potential financial impact on the company