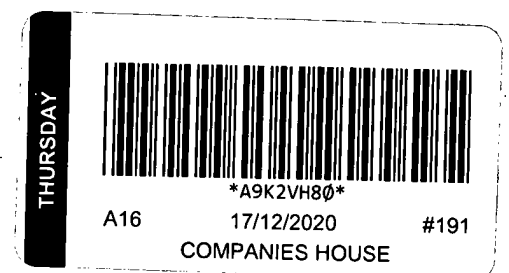


DTCC Europe Limited

Annual report and financial statements for the year ended 31 December 2019

Registered number: 08886892



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

DIRECTORS: Elizabeth Maria Dwyer Reese
Valerie Jane Harahush

SECRETARY: Martin David Richardson

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

DTCC EUROPE LIMITED
STRATEGIC REPORT
For the year ended 31 December 2019

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 2019, the Company generated total revenue of £43,154k (2018: £37,017k).

Key performance indicators

The key performance indicators for the year are as follows:

The Company's revenue increased by 17% from £37,017k to £43,154k. The Company's administrative expenses increased by 15% from £35,158k to £40,326k. 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 minimised 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

DTCC EUROPE LIMITED
STRATEGIC REPORT
For the year ended 31 December 2019

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 2019 and 2018 was £6,443k and £4,488k, 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. With the outbreak of the novel coronavirus ("COVID-19") and its potential impact on the global markets, the Directors have assessed the impact to the Company's business model and concluded the going concern basis is still appropriate. 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 three branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:

- Germany
- 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")

As a result of the European Union (Withdrawal Agreement) Act 2020 gaining royal assent on the 23 January 2020 and the ratification of the agreement by the European Council on 29 January 2020, the UK has left the EU on 31 January 2020 and entered into a transition period that will last until 23:00 GMT on 31 December 2020. During transition, the UK will be required to adhere to existing EU legislation / regulation as well as implement any new EU27 legislation / regulation that goes live during transition.

The Company continues to believe there will not be a material impact on the operations or financial results as the business is not directly subject to European regulation or cross border tariffs.

COVID-19

The outbreak of the novel coronavirus in many countries continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The World Health Organization has declared COVID-19 a "Public Health Emergency of International Concern." The global impact of the outbreak continues to evolve, many countries have reacted by instituting quarantines and restrictions on travel. Such actions are still creating disruption in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the novel coronavirus. Factors described herein that may affect market, economic and geopolitical conditions, and thereby adversely affect the Company's business include, without limitation, economic slowdown in the UK and internationally, changes in interest rates and/or a lack of availability of credit in the UK and internationally, changes in law and/or regulation, and uncertainty

regarding government and regulatory policy. The novel coronavirus presents uncertainty and risk with respect to the Company's business performance during 2020 and going forward, however given the nature to which the Company derives its revenue, there has been little negative impact on performance up until the date of these financial statements. The Company is still monitoring the spread of COVID-19 and the potential effects on its operations and business.

Section 172(1) Statement

The Directors are aware of their duty to act in the way each Director considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the Company's employees (where applicable);
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly between members of the Company.

Key Stakeholders

The Company considers its sole shareholder, the DTCC group of companies (the Group), its employees, our suppliers and the community in which it serves as key stakeholders. The Company is a service company to affiliated subsidiaries of DTCC. It doesn't have any external customers and is not regulated.

Stakeholder Engagement

As part of our stakeholder engagement, the Directors are committed to effective engagement with all stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders, the Directors seek to understand the relative interests and priorities of each stakeholder and to have regard to these, as appropriate, in its decision-making. As Directors of a company that is a member of the the Group, the Directors have significant resources available to them in order fulfill their duties under Section 172(1).

Decision-Making

The Directors are also senior management of the Group and are engaged with the strategic direction of not only the Group but also the Company's role in that strategy. The Directors have the ability to influence Group decisions on items such as employee matters, procurement, and capital decisions such as payments of dividends etc. that impact the Company's ability to carry out its business. In making decisions, the Directors engages with stakeholders and consider relevant information from across the Group and the Company to help it understand the impact of its operations and the interests and views of our key stakeholders. It also reviews financial and operational performance, as well as information covering areas such as key risks and legal and regulatory compliance as appropriate. Key decisions the Directors make include the the approval of the Company's annual report and financial statements for the year-ended 31 December 2019, consideration of the provisions of the Modern Slavery Act 2015 (MSA 2015), review of the content of the Slavery and Human Trafficking Statement to ensure it accurately covers the actions taken by Company to ensure that slavery and human trafficking doesn't occur within our supply chain or business and approval and publishing of it on the Company's website. The Directors abide by and apply the Group's code of conduct in its decision-making responsibilities. The Group is viewed as a high-reputable, trusted partner of clients, regulators, employees, and communities. The Directors believe the Group's code of conduct and tone at the top provide the Company with the proper culture to maintain a reputation for high standards of business conduct.

Shareholder

Delivering for our sole shareholder ensures the business continues to be successful in the long term and can therefore continue to deliver for all our stakeholders.

DTCC Group of Companies

The Company's principal activity is to provide services to affiliated DTCC Group Companies. Through the Company's employee and supplier engagement as described above, the Company ensures it provides the appropriate benefit to its recipients, at an arm's length basis.

Employees

Our people make a critical difference to our success, and our investment in them protects and strengthens our culture. We expect our people to treat each other with dignity and respect, and do not tolerate discrimination, bullying, harassment or victimisation on any grounds.

Diversity and inclusion (D&I) are deeply rooted in our strategy and recruitments policy. As part of the DTCC Group, we define diversity as the qualities that make each of us unique. The distinctive experiences and world views that inspire creativity and spark innovation. We define inclusion as integrating these qualities into all aspects of our company culture to enable our business and people to grow, evolve and succeed. We promote and assist our Employee Resource Groups (ERGs), sponsor voices of inclusion series, conduct D&I initiatives and events, and uphold workplace policies, practices and accommodations.

Our dedicated qualified people and talent teams ensure we have sustained growth of diverse talent through formal executive sponsorship and accountability, transparency of the career progression process, targeted trainings for management and track and report the appropriate metrics required to sufficiently report on it.

In diversifying our workforce, we develop a robust pipeline of top diverse candidates, embed diversity in talent acquisition, expand DTCC branding, refine current sourcing and recruiting practices and ensure strategic workforce planning is in place.

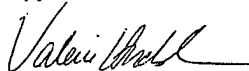
Suppliers

We practice responsible procurement. We value all our suppliers and create and maintain with them to ensure they are compliant with applicable law and our internal requirements. We aim to ensure all suppliers are paid in accordance within agreed payment terms.

Building Communities

Supporting communities in which we operate is a core value of the Group and is reflected in the Group's strategic sponsorship and partnerships, its thought leadership activities and its corporate social responsibility efforts around the globe.

Approved on behalf of the Board:



Valerie Jane Harahush, Director

Date: 15 December 2020

DTCC EUROPE LIMITED
DIRECTORS' REPORT
For the year ended 31 December 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 2019.

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 £1,955k (2018: £1,453k). No interim or final dividends were paid in 2019 and 2018. 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.

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

Post balance sheet events

Post balance events are disclosed in Note 19.

Directors

The following Directors held office throughout the year and to the date of approval of this report (except where otherwise shown):

Valerie Jane Harahush

Elizabeth Maria Dwyer Reese (appointed 6 March 2020)

Karl Gordon Spielmann (resigned 6 March 2020)

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.

Business relationships

The business relationships are disclosed in the strategic report.

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: 15 December 2020

DTCC EUROPE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2019

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DTCC EUROPE LIMITED
For the year ended 31 December 2019

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 2019 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 19.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DTCC EUROPE LIMITED
For the year ended 31 December 2019

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Fiona Walker (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
15 December 2020

DTCC EUROPE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

		2019	2018
	Notes	£000s	£000s
Revenue		42,007	35,695
Other income	15	1,147	1,322
Total Revenue	4	<u>43,154</u>	<u>37,017</u>
Administrative expenses		<u>(40,326)</u>	<u>(35,158)</u>
Operating profit		2,828	1,859
Finance costs		<u>(415)</u>	<u>(7)</u>
Profit before taxation		2,413	1,852
Tax charge	8	<u>(458)</u>	<u>(399)</u>
Profit for the financial year attributable to owners of the Company	5	<u>1,955</u>	<u>1,453</u>
Total comprehensive income for the year attributable to the owners of the Company		<u><u>1,955</u></u>	<u><u>1,453</u></u>

Revenue and operating profit are all derived from continuing operations.

The accompanying notes on pages 14 to 31 are an integral part of these financial statements.

DTCC EUROPE LIMITED
BALANCE SHEET
As at 31 December 2019

		2019	2018
	Notes	£000s	£000s
Non-current assets			
Tangible assets	9	4,211	5,701
Right-of-use asset	10	10,129	—
Intangible assets	11	—	21
Deferred tax asset	8	390	187
Other non-current assets		170	235
Total non-current assets		<u>14,900</u>	<u>6,144</u>
Current assets			
Other receivables	12	8,311	5,741
Cash at bank and in hand		6,328	7,624
Total current assets		<u>14,639</u>	<u>13,365</u>
Total assets		<u>29,539</u>	<u>19,509</u>
Non-current liabilities			
Deferred rent		—	(1,668)
Dilapidation provision	15	(961)	(897)
Long term incentive plan		(478)	(476)
Lease liability		(9,748)	—
Obligations under finance leases		—	(19)
Other non-current liabilities		(450)	(183)
Total non-current liabilities		<u>(11,637)</u>	<u>(3,243)</u>
Current liabilities			
Taxes payable		(346)	(116)
Lease liability		(1,690)	—
Trade and other payables	14	(9,423)	(11,662)
Total current liabilities		<u>(11,459)</u>	<u>(11,778)</u>
Net current assets		<u>3,180</u>	<u>1,587</u>
Total net assets		<u>6,443</u>	<u>4,488</u>
Equity			
Called up share capital	16	—	—
Profit and (loss) account		6,443	4,488
Equity attributable to owner of the Company		<u>6,443</u>	<u>4,488</u>

The accompanying notes on pages 14 to 31 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 15 December 2020. 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 2019

	Called up share capital £000s	Profit and (loss) account £000s	Total equity £000s
Balance at 1 January 2018	—	3,035	3,035
Profit and total comprehensive income for the year	—	1,453	1,453
Balance at 31 December 2018	—	4,488	4,488
Profit and total comprehensive income for the year	—	1,955	1,955
Balance at 31 December 2019	—	6,443	6,443

The accompanying notes on pages 14 to 31 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 1. 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 6 and 7.

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 18.

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, certain revenue requirements of IFRS 15 and related party transactions.

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 16 Leases Issued January 2016	<ul style="list-style-type: none"> • Requires a lessee to recognise right-of-use assets and lease liabilities on the Balance Sheet, initially measured at the present value of the future lease payments. The amortisation of the right-of-use ("ROU") asset and interest expense on the lease liability are presented separately in the Statement of Comprehensive Income. • Lease incentives will be recognised as part of the measurement of the right of use assets and lease liabilities. ROU assets will be tested for impairment. • Changes the presentation of cash paid into principal portion (presented within financing activities) and interest (presented within operating activities) in the Statement of Cash Flows. • Measurement under finance leases changes to the residual value guarantees provided by the lessee to the lessor. • The impact on lessor accounting remains mostly unchanged from the superseded standard. 	<ul style="list-style-type: none"> • Adopted 1 January 2019. • The Company adopted the new lease accounting standards through a cumulative-effect adjustment without restating prior comparative period and elected the practical expedients permitted under the transition guidance within the standard, which permits the company not to reassess the following for any expired contracts: <ul style="list-style-type: none"> i) whether any contract contains leases, ii) lease classification (i.e. operating lease or finance lease) and iii) initial direct cost. • The adoption of the standard resulted in the recognition of ROU assets of £13,386k and lease liabilities of £14,706k as of 1 January 2019.
Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs Issued December 2017	<p>The <i>Annual Improvements</i> include amendments to four Standards:</p> <p>IAS 12 Income Taxes The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.</p> <p>IAS 23 Borrowing Costs The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</p>	<ul style="list-style-type: none"> • Adopted 1 January 2019. • The adoption of the standard did not have a material impact on the Financial Statements.
IFRIC 23 Uncertainty over Income Tax Treatments Issued June 2017	<p>The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:</p> <ul style="list-style-type: none"> • determine whether uncertain tax positions are assessed separately or as a group; and • assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: <ul style="list-style-type: none"> • If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. • If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method. 	<ul style="list-style-type: none"> • Adopted 1 January 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial impact of the initial application of IFRS 16

The incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 January 2019 are 3.01%, 3.12% and 3.26% depending on lease terms.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

	2019
	£000s
Operating lease commitments at 31 December 2018	16,334
Less: Effect of discounting the above amounts	(1,707)
Add: Finance lease liabilities recognised under IAS 17 at 31 December 2018	79
Lease liabilities recognised as at 1 January 2019	<u>14,706</u>

The Company has recognised £13,386k of ROU and £14,706k of lease liabilities upon transition to IFRS 16.

During the year, plant and equipment previously held under finance lease applying IAS 17, which amounted to £76k have been reclassified to 'ROU assets' under IFRS 16 at date of initial application as disclosed in Notes 9 and 10 respectively.

The Company has applied IFRS 16 using the modified retrospective approach.

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 5. 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. With the outbreak of COVID-19 and its potential impact on the global markets, the Directors have assessed the impact to the Company's business model and concluded the going concern basis is still appropriate.

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 adopted 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

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 DTCC group company affiliates up to 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

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 remeasured.

Leases

Before 1 January 2019

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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.

From 1 January 2019

The Company as lessor

The Company enters into lease agreements as a lessor with respect to its leased office space. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental 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

The Company adopted IFRS 16 Leases under the modified retrospective method. The Company determines if an arrangement is or contains a lease at contract inception and accounts for lease components separately from nonlease components of an arrangement. The Company recognises a right-of-use asset and a corresponding lease liability. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liability represent the Company's obligation to make lease payments arising from the lease. The ROU assets are initially measured at the amount equal to the lease liabilities, adjusted for the balances of accrued or prepaid rent and unamortised lease incentives provided by lessors.

Lease liabilities are recognised based on the present value of the future lease payments over the remaining lease term. The Company uses its incremental borrowing rate, factoring in the lease term, to determine the lease liability. When determining lease term, the Company considers renewal options that the Company is reasonably certain to exercise and termination options that the Company is reasonably certain not to exercise.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer ownership of the underlying asset or the cost of the ROU asset reflects that the Company expects to exercise a purchase option, the related ROU asset is depreciated over a useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The ROU assets are presented as a separate line in the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dilapidation provision

The provision for dilapidation relates to the leases of offices. Dilapidation costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised 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 dilapidation obligation. The unwinding of the discount is expensed as incurred and recognised in the Statement of Comprehensive Income as a finance cost. The estimated future costs of dilapidation 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 recognised but are disclosed unless the possibility of settlement is considered remote.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Company'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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets acquired separately (continued)

been adjusted. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Financial assets

All financial assets are recognised and de-recognised on a trade date basis and are initially measured at fair value plus transaction costs. All recognised financial assets are measured subsequently in their entirety at either amortised 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 recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised 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 amortised 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 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. The application of the effective interest method has the effect of recognizing interest income on the instrument in proportion to the amount outstanding such that the yield earned is constant over the period to maturity.

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Company's accounting policies

There are no 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

The useful lives of the Company's tangible fixed assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of tangible fixed assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets.

In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of tangible fixed assets would increase the recognised operating expenses and decrease non-current assets.

The carrying value of tangible fixed assets is disclosed in Note 9.

Discount rate for lease liability

The Company measures the lease liability at the present value of lease payments discounted using the incremental borrowing rate since the interest rate implicit in the lease cannot be readily determined. The incremental borrowing

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For the year ended 31 December 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Discount rate for lease liability (continued)

rate was estimated to be the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate applied to lease liabilities recognised in the statement of financial statement are 3.01%, 3.12% and 3.26% depending on lease terms for leases at initial recognition under IFRS 16 on 1 January 2019.

Dilapidation provision

The Company is legally required under its lease agreements with the lessors to restore its leased site to the original condition at the end of the lease contract term. The Company recognises the liability measured at the present value of the estimated costs of the obligation and capitalises such costs as part of the balance of the right-of-use asset. The amount of the dilapidation provision is accreted to the estimated undiscounted obligation that will be paid to restore the leased sites to the original condition and such accretion is recognised as expense. The unexpired terms of the leases are 7.5 and 9.5 years. Details of provision for dilapidation provision is disclosed in Note 15.

The dilapidation 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 dilapidation 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.

	Year Ended 2019	Year Ended 2018
	£000s	£000s
Revenue:		
UK	1,180	4,565
Non UK	41,974	32,452
	<u>43,154</u>	<u>37,017</u>

5. PROFIT FOR THE FINANCIAL YEAR

Profit for the year has been arrived at after charging:

	Year Ended 2019	Year Ended 2018
	£000s	£000s
Staff costs (Note 7)	27,619	24,045
Net foreign exchange loss	89	306
Depreciation of tangible fixed assets (Note 9)	1,436	1,078
Depreciation of right-use-assets (Note 10)	1,715	—
Amortisation of intangible assets (Note 11)	21	59
Interest expense on lease liabilities	375	—
	<u>31,255</u>	<u>25,488</u>

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6. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £56k (2018: £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:

	Year Ended 2019	Year Ended 2018
	Number	Number
Administration and general	78	50
Operations	272	288
Sales	13	5
	<u>363</u>	<u>343</u>

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

Their aggregate remuneration comprised:

	Year Ended 2019	Year Ended 2018
	£000s	£000s
Wages and salaries	23,638	20,502
Social security costs	2,777	2,462
Other pension costs – defined contribution	1,204	1,081
	<u>27,619</u>	<u>24,045</u>

The other pension costs included in administrative expenses in the Statement of Comprehensive Income of £1,204k (2018: £1,081k) represent contributions payable to the retirement scheme by the Company at rates specified in the rules of the schemes. As at 31 December 2019, £158k were due to be paid to the scheme (2018: £nil).

8. TAX

	Year Ended 2019	Year Ended 2018
	£000s	£000s
Corporation tax:		
Current year	717	474
Adjustments in respect of prior years	(56)	53
	<u>661</u>	<u>527</u>
Deferred tax:		
Current year	(198)	(14)
Adjustments in respect of prior years	(48)	(123)
Effect of rate change	43	9
	<u>(203)</u>	<u>(128)</u>
Tax charge	<u>458</u>	<u>399</u>

Corporation tax is calculated at 19% (2018: 19%) of the estimated taxable profit for the year.

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8. TAX (CONTINUED)

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

	Year Ended 2019	Year Ended 2018
	£000s	£000s
Profit before taxation	2,413	1,852
Tax at the UK corporation tax rate of 19% (2018: 19%)	458	352
Non-deductible expenses	43	54
Branch taxes	18	55
Adjustment in respect of prior years	(104)	(71)
Effect of tax rate change	43	9
Tax charge for the year	<u>458</u>	<u>399</u>

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.

	2019	2018
	£000s	£000s
As at 1 January	187	59
Deferred tax credit on capital allowances and other short-term timing differences	198	14
Deferred tax credit from prior year in the profit and loss account	48	123
Effect of tax rate change	<u>(43)</u>	<u>(9)</u>
As at 31 December	<u>390</u>	<u>187</u>
In respect of:		
Fixed assets	194	65
Other timing differences	196	122
Deferred tax asset at the end of the year	<u>390</u>	<u>187</u>

Deferred tax balances have been calculated at 17%, as that was the rate substantively enacted at the balance sheet date. Finance (No. 2) Act 2016 reduced the UK corporation tax rate from 19% to 17% from 1 April 2020 and was substantively enacted on 15 September 2016. However, in the Budget on 11 March 2020 the Government has announced that the reduction in the rate will be reversed and the corporation tax rate will remain at 19% from 1 April 2020.

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9. TANGIBLE FIXED ASSETS

	Finance Lease £000s	Computer Equipment £000s	Leasehold Improvements £000s	Assets Under Construction £000s	Fixtures, Fittings & Equipment £000s	Total £000s
Cost						
At 1 January 2019	101	1,491	5,877	175	973	8,617
Additions	—	362	62	63	134	621
Transfer	—	—	175	(175)	—	—
Adjustment	(101)	—	(849)	—	—	(950)
At 31 December 2019	—	1,853	5,265	63	1,107	8,288
Accumulated depreciation						
At 1 January 2019	25	761	1,741	—	389	2,916
Charge for the year	—	367	917	—	152	1,436
Transfer	—	—	—	—	—	—
Adjustment	(25)	—	(250)	—	—	(275)
At 31 December 2019	—	1,128	2,408	—	541	4,077
Net book value						
At 31 December 2019	—	725	2,857	63	566	4,211
At 31 December 2018	76	730	4,136	175	584	5,701

As at 31 December 2019 and 2018, the company assessed that the carrying values of the above properties approximate the corresponding fair values. There was no impairment in 2019 and 2018.

On 1 January 2019, the net book value of the site improvements relating to capitalised costs from the dilapidations provision was reclassified to ROU assets when applying IFRS 16. In addition, the carrying amount of the finance lease asset was reclassified to right-of-use assets and lease liabilities respectively without any adjustments when applying IFRS 16 (Note 10).

10. RIGHT OF USE ASSET

The Company has office space leases and computer equipment leases as at 31 December 2019. The average lease term of 9.16 years for the leases and 5 years for the computer equipment leases.

	Office space £000s	Computer equipment £000s	Total £000s
Cost			
At 1 January 2019	13,310	76	13,386
Additions	—	11	11
Modifications	(1,553)	—	(1,553)
At 31 December 2019	11,757	87	11,844
Accumulated depreciation			
At 1 January 2019	—	—	—
Depreciation for the year	1,693	22	1,715
At 31 December 2019	1,693	22	1,715
Carrying values			
At 31 December 2019	10,064	65	10,129
At 31 December 2018	—	—	—

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11. INTANGIBLE ASSETS

	Purchased Software £000s	Total £000s
Cost		
At 1 January 2019	205	205
Additions	—	—
At 31 December 2019	<u>205</u>	<u>205</u>
Accumulated amortisation		
At 1 January 2019	184	184
Charge for the year	21	21
At 31 December 2019	<u>205</u>	<u>205</u>
Net book value		
At 31 December 2019	<u>—</u>	<u>—</u>
At 31 December 2018	<u>21</u>	<u>21</u>

12. OTHER RECEIVABLES

	2019 £000s	2018 £000s
Amounts falling due within one year:		
Amounts owed by group undertakings	6,661	4,178
Prepayments and accrued income	881	602
Other taxation	575	670
Other assets	194	291
Total trade and other included in current assets	<u>8,311</u>	<u>5,741</u>

Amounts owed by group undertakings are transactions entered into between two or more members of the DTCC group that are wholly owned.

13. LEASE LIABILITY

The Company has entered into lease agreements with a third party lessor covering its office and computer equipment for period between 5 to 10 years. The lease agreements can be renewed under such terms and conditions as may be mutually agreed upon by the parties.

As at 31 December 2019, future minimum lease payments together with the present value of the minimum lease payments are, as follows:

	2019 £000s
Maturity analysis:	
Year 1	2,020
Year 2	1,913
Year 3	1,908
Year 4	1,890
Year 5	1,888
Onwards	<u>2,977</u>
	12,597
Less: Unearned interest	<u>(1,158)</u>
	<u>11,438</u>
Analysed as:	
Current	(1,690)
Non-current	<u>(9,748)</u>
	<u>(11,438)</u>

The Company does not face a significant liquidity risk with regard to lease liabilities. Lease liabilities are monitored within the Company's Finance function.

DTCC EUROPE LIMITED
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For the year ended 31 December 2019

14. TRADE AND OTHER PAYABLES

	2019	2018
	£000s	£000s
Amounts falling due within one year:		
Accrued expenses	6,054	5,379
Amounts owed to group undertakings	150	3,809
Deferred rent	0	256
Long term incentive plan	1,828	1,334
Trade creditors	373	19
Other taxes and social security	1,018	865
	<u>9,423</u>	<u>11,662</u>

Amounts due to group undertakings are transactions entered into between two or more members of the DTCC group that are wholly owned.

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 1 January 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.

15. LEASE ARRANGEMENTS

Applicable prior to 1 January 2019 - Operating lease (IAS 17)

The Company as lessee

	Year
	Ended
	2018
	£000s
Lease expensed during the year	1,902

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:

	2018
	£000s
Within one year	2,179
In the second to fifth years inclusive	8,845
After five years	5,173
	<u>16,197</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.

Applicable prior to 1 January 2019 - Finance lease (IAS 17)

The Company leases certain 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% (2017: nil%). 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.

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15. LEASE ARRANGEMENTS (CONTINUED)

Applicable prior to 1 January 2019 - Finance lease (IAS 17) (Continued)

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:

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

Dilapidation

A dilapidation 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 2019, the dilapidation provision was £961k (2018: £897k). Dilapidation costs are calculated at present value using a discount rate of 1.02% for lease contracts ending within 6.5 years. The movement of the provision for dilapidation is detailed as follows:

	Year	Year
	Ended	Ended
	2019	2018
	£000s	£000s
Beginning balance	897	886
Recognised during the year	25	0
Accretion of interest	39	11
Ending balance	<u>961</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 2019 was £39k (2018: £11k).

The Company as lessor

	Year	Year
	Ended	Ended
	2019	2018
	£000s	£000s
Rental income from subleases earned during the year	1,147	1,322

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 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:

	2019	2018
	£000s	£000s
Within one year	411	411
In the second to fifth years inclusive	1,164	1,370
After five years	77	282
	<u>1,652</u>	<u>2,063</u>

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16. SHARE CAPITAL

	2019	2018
	£	£
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.

17. RELATED PARTY TRANSACTIONS

Directors Remuneration

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

	Year Ended 2019	Year Ended 2018
	£000s	£000s
Directors' remuneration		
Emoluments	96	104
Amounts receivable (other than shares and share options) under long-term incentive schemes	7	13
	<u>103</u>	<u>117</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.

18. ULTIMATE CONTROLLING PARTY

The Company's ultimate parent and controlling entity is DTCC, which is incorporated in the United States of America, and heads the largest and smallest group of companies of which the Company is a member. DTCC prepares consolidated financial statements in accordance with US GAAP. Copies of its financial statements can be obtained from www.dtcc.com. The registered address of DTCC (UK) Limited is 1 Snowden Street, Broadgate Quarter, London, EC2A 2DQ. The registered address of DTCC is 55 Water Street, New York, NY, 10041, United States.

19. EVENTS AFTER THE BALANCE SHEET DATE

The recent outbreak of the novel coronavirus ("COVID-19") in many countries continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The World Health Organization has declared COVID-19 a "Public Health Emergency of International Concern." The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting quarantines and restrictions on travel. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the novel coronavirus. Factors described herein that may affect market, economic and geopolitical conditions, and thereby adversely affect the Company's business include, without limitation, economic slowdown in the UK and internationally, changes in interest rates and/or a lack of availability of credit in the UK and internationally, changes in law and/or regulation, and uncertainty

19. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

regarding government and regulatory policy. The Company is closely monitoring the spread of COVID-19 and the potential effects on its operations and business.

In May 2020, the Company signed a reversionary lease for office space with a term of 5 years commencing on 19 May 2020 and expiring on and including 18 May 2025. The Company recognised a ROU asset of £874k and lease liability of £874k. The incremental borrowing rate applied to lease liabilities recognised in the balance sheet for the ROU was 1.13%.

In May 2020, one of the sublease tenants exercised the right to end the sublease with the Company on 31 August 2020 under the break option for the entire office space and proposed a new lease to retain a smaller portion of the existing office space. In October 2020, a new sublease was signed with the Company for a term of years from and including 1 September 2020 to and including 22 June 2026. The principal rent is £93,940 per annum (and any increase in it in accordance lease provisions).

In October 2020, a new sublease was entered into with an third party for office space for a term from and including 1 July 2020 to and including 31 December 2021. The principal rent is £69,575 per annum.

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