Euroclear UK & Ireland Limited

Directors' Report and Financial Statements
for the year ended 31 December 2019

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activities and future developments

Euroclear UK & Ireland Limited (the Company) is part of the Euroclear group, which is one of the world's pre-eminent and trusted providers of post-trade services. The Euroclear group's objectives are to:

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

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

Key elements of the Euroclear group's strategy are to:

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

The Company's strategy is consistent with the strategy of the Euroclear group. As the CSD for the UK and Ireland, the Company's strategy, including for the long-term is to:

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

The setting, and continued oversight, of the strategic aims and objectives of the Company are a matter reserved for the Board, and are set with a view to promoting the long-term sustainable success of the Company. The long-term success of the Company is an integral part of the Company's strategy, and is evidenced by the Company actively seeking to protect the long term stability of the CREST system, and in turn, the interests of the Company and its stakeholders.

The Board believes that embedding a robust governance structure ensures the strategy is implemented efficiently and effectively.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

The principal activities of the Company during the year were the operation and continuing development of the CREST system and the EMX message system.

The CREST system:

- provides advanced, low-cost electronic settlement facilities for a wide range of corporate and government securities, including those traded on the London Stock Exchange, Irish Stock Exchange, SWX Europe and various multilateral trading platforms
- settles transactions in money market instruments, investment funds and a variety of international securities and offers a range of asset servicing and optimisation facilities, including corporate action services.

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

2019 saw the Company delivering on its core objective to provide robust and reliable CSD services to the UK and Irish markets, as evidenced in the KPIs on page 4, whilst continuing to finalise its application to the Bank of England to operate under the Central Securities Depositories Regulation (CSDR), in a geopolitical environment that remained dominated by the United Kingdom's planned withdrawal from the European Union. The Company implemented a number of actions intended to both structurally and operationally meet the requirements of CSDR, as well as provide on-going service enhancements to support the efficient operation of the market.

Service enhancements in 2019

As part of the delivery of our service offering to customers, the Company regularly makes service enhancements to the underlying platform and systems. The main service enhancement during the year was the restructuring, in March 2019, of the Company's Central Bank access for Euros from an indirect link to the Target 2 system through the Central Bank of Ireland to a direct link to Target 2 through the European Central Bank. The main reason for this change was to ensure continuity of the service in Euros as the UK enters the transitional phase of its withdrawal from the EU. The exemption given by the European Securities and Markets Authority (ESMA) to enable the Company to continue to settle Irish securities and to provide settlement services in Euros is in place until March 2021.

Further enhancements during the year included:

- the addition of new settlement banks to the CREST system in order to support the Bank of England's risk reduction and de-tiering objectives
- a regular hardware refresh of the core platform to improve performance and ensure continuity over the medium to long term
- technical implementation of the payment of "dividends with options" as a precursor to facilitating issuers paying dividends in the CREST system
- a series of technical and functional changes to support CREST requirements.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Additionally, technical development work was undertaken throughout the year to support the new CSDR settlement discipline regime which is due to be implemented in February 2021, as well as project scoping work on the Shareholder Rights Directive 2 (SRD2), which comes into effect in September 2020.

During the year the Company undertook a comprehensive review of its tariff structure which will lead to a new tariff structure being implemented during 2020. The current tariff structure for the Company's core CSD services has been in place since 2012 and the key aims of the tariff review were:

- the fair distribution of the Company's costs, including regulatory, operational resilience and cyber security related costs, across CREST system users
- to rebalance revenues between fixed and variable sources
- to enable the Company to meet its core objective of continuing to provide secure, efficient and resilient services to its clients.

The tariff for the Company's funds order routing services was also reviewed as an evolution to the pricing changes implemented in August 2017.

UK's withdrawal from the European Union (EU)

Following the 2016 vote to leave the EU, the UK government served notice to the EU of its intention to withdraw from the EU on 29 March 2019. In 2018, terms for a 21 month transitional arrangement were negotiated between the UK government and the EU but these terms were rejected by the House of Commons in January 2019, meaning that the timing and terms of the UK's withdrawal remained uncertain for the majority of the year. Whilst a revised withdrawal agreement and withdrawal date of 31 January 2020 was agreed between the UK government and the EU in the second half of 2019, the terms of any long-term agreement between the UK and the EU are still to be determined, meaning that it remains difficult to fully quantify the longer-term implications of the decision to withdraw for the Company and the markets in which it operates.

The Company and the Euroclear group are working jointly to identify and manage potential impacts of the UK's withdrawal in different scenarios, including leaving the EU without any agreement in place at the end of the transition period in December 2020. The risks to the business of the Company as a result of the withdrawal decision are discussed below. The Company remains confident that it is well positioned to address the challenges and opportunities involved.

Central Securities Depositories Regulation (CSDR)

CSDR, which became law in September 2014, introduced a complete review and standardisation of the regulation that applies to international CSDs ((i)CSD) within the EU, including standardising permitted CSD activities and settlement discipline procedures across Europe.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Compliance with its provisions is an ongoing priority for the Company. The Company submitted an initial application for authorisation under the new regulation in September 2017 and completed the submission of its draft filing to the Bank of England in July 2019. Subsequently, the Company has focused on implementing processes, controls and actions in order for it to complete its filing in 2020. Settlement discipline measures under CSDR are scheduled to come into force in February 2021 and the Company is implementing system changes to comply with this new regime.

Key performance indicators

There are a number of financial and non-financial key performance indicators that the Company uses to monitor its performance. The key financial performance indicator is profit before tax. The Company made a profit before tax of £20,497,619 (2018: £18,744,533). This is subject to a taxation charge of £2,654,448 (2018: £3,438,972). The drivers of this result are discussed on page 12.

The Company also measures financial performance against its capital requirements under the Financial Reporting Requirement and the anticipated CSDR requirement. At the year end the company exceeded its capital requirement under FRR by 168% (2018: 158%) and exceeded its capital requirement under CSDR by 55% (2018: 50%).

The Company also monitors a wide variety of non-financial key performance indicators. The principal indicators relate to the availability of services and systems, where the Company has a generally good record in relation to its demanding production stability objectives. All measures were met during the year.

Key Performance Indicator (Unaudited)	Target	CREST system performance
Service resilience (completion of transactions within the business day)	100.00%	2019: 100% (2018: 100%) Euroclear UK & Ireland Limited settled 67.5 million transactions, with a value in excess of £306 trillion for the year.
System availability (ability for clients to interact continuously with the settlement system)	99.80%	2019: 99.92% (2018: 99.90%)

Key Performance Indicator (Unaudited)	Target	EMX System Performance
Service resilience (daily capability to forward all orders to the relevant counterparty)	100.00%	2019: 100% (2018: 100%) Euroclear UK & Ireland Limited processed 20.8 million messages, with a value in excess of £234 billion for the year.
System availability (available for message input for one or more participants)	99.80%	2019: 99.84% (2018: 99.91%)

As discussed on page 7, the Company outsources a number of services to its parent company. The performance of the service provision is closely monitored using a broad range of KPIs in line with the service delivery provisions in the service delivery plans (SDPs).

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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

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

Principal risks and uncertainties facing the Company

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

The Company actively seeks to mitigate risks, and has in place a 3 lines of defence model, with allocation of responsibilities as follows:

- 1st line – Risk takers and controls owners in business functions. 1st line is responsible for the ownership, responsibility and accountability for directly assessing, controlling and mitigating risks – both internal to the Company, and through outsourced providers
- 2nd line – Compliance and Risk Management. 2nd line is responsible for advising and challenging the 1st line on their controls and performing regular monitoring of 1st line adherence with regulatory requirements
- 3rd line – Internal Audit. 3rd line is responsible for providing independent assurance over 1st and 2nd line processes and governance – both internal to the Company, and in the oversight of third parties.

The 2nd line of defence have designed and embedded an Enterprise Risk Management Framework of which the biggest focus is operational risk. In 2020, the completion of the CSDR application process and the embedding of processes to ensure continued compliance with the new regulations will be the major priority for the Company. Other key areas of risk for 2020 will be to see continued and strong progress on our Cyber capability and to ensure we maintain our excellent record on operational resilience. Embedding a new Target Operating Model into the business and delivering on a number of key regulatory projects including SRD2 and the standardised settlement discipline and buy-in regime across Europe in February 2021, whilst enhancing our admissions process in line with Anti-Money Laundering Directive 4 and Anti-Money Laundering Directive 5. Longer term, a replacement for CREST is also planned in line with the company's IT strategy.

The Company maintains a Recovery, Restructuring and Wind-down (RRW) plan which assesses scenarios that could limit the ongoing operability of the Company, and analyses options available to the Company to recover from such a position. The RRW plan is reviewed and approved by the Board on at least an annual basis. The Company also has an ongoing Business Continuity programme to support the continuation of operations in the event of a local or regional-scale disaster. Crisis response capability is tested and maintained through the regular transfer of activity between the primary data centres and adequate training of staff. The integrity, confidentiality and availability of the Company's and its clients' data, and the continuous availability of its services, are a core objective. The Company has given significant attention to the increasing and changing threats from cyber risks and will continue to do so.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

The Company has identified a number of direct risks and threats from the UK's withdrawal from the EU and is taking actions to mitigate these risks and ensure continuity of service to its clients and market participants. The primary risk to the Company arises as a consequence of ceasing to be able to settle Irish securities and/or Euros. Revenues from servicing the Irish market currently represent 3% of the Company's revenues. The Company is working with a fellow subsidiary of the Euroclear group, Euroclear Bank, to transition the Irish securities settlement business to Euroclear Bank in order for the latter to provide issuer CSD services in respect of Irish corporate securities in future. The target date for this transition is March 2021 and the Company has received an exemption from ESMA to enable it to continue to settle Irish securities and to provide settlement services in Euros until this date.

The devaluation of Sterling following the decision to leave the EU had an adverse impact on the Company's cost base from 2017 onwards as the Company outsources a significant part of the services it requires to its parent company, Euroclear SA/NV, which is domiciled in Belgium. Whilst the outsourced services provided by the parent company are invoiced in GBP at a fixed rate agreed at the beginning of the financial year, a material component of the Company's costs are Euro-based. The Euroclear group employs currency hedging strategies that insulate the Company in the short term from foreign currency movements, and the GBP/EUR exchange rate has been relatively stable throughout 2019. The Company actively monitors the rate and stress tests its cost base to determine the impact of exchange rate movements on its profitability and hence capital adequacy. Other identified risks linked to the withdrawal from the EU will depend on the precise arrangements following the end of the transition period in December 2020, which are still to be determined. The Company continues to engage with its clients and other stakeholders as this subject evolves.

The Company, as a provider of settlement services, has minimal exposure to price (market) risk and does not extend credit to third parties, other than in the normal invoicing cycle. An investment policy is followed for the investment of cash resources, requiring regulatory capital to be invested in highly rated GBP-denominated securities, with surplus and working capital placed on deposit with highly rated institutions. Cash flow and prudential cash requirements, including those necessary to support working and regulatory capital, are monitored regularly to ensure that sufficient funds remain available as required.

The capital adequacy of the Company is assessed using the maximum capital requirements of the Financial Resources Requirement (FRR) (see note 20) and the anticipated CSDR requirement. The regulatory requirements are compared against internally generated requirements taking into consideration the operational risk, business risk and credit risk of the Company. The overall approach assesses the likely adequacy of the Company's current and future capital levels in light of the evolution of its risk profile. It also assesses the potential impact of more severe market conditions. The Board reviews the Company's capital needs, capital adequacy and dividend policy within the context of its overall governance framework, taking account of the Company's business strategy, investment needs, risk appetite and a broad range of risk factors. The Board regularly reviews the Company's capital monitoring level against both the FRR and the CSDR capital requirement. There has been no change since year-end concerning the major financial risks faced by the Company (see note 26).

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

At the date of this report, the COVID-19 pandemic is causing widespread disruption to the global economy and normal patterns of business activity across the world, including to the UK and Irish financial markets, leading to significant market volatility. The Company has focused on ensuring it maintains the high level of operational resilience required to support these markets during this time, which saw significantly higher settlement volumes processed through the CREST system during the second half of March 2020. At this time, the Company has successfully implemented its business continuity plan to safeguard the well-being of its employees whilst ensuring the continued operation of its functions and support to its clients during this period of increased settlement volumes across financial markets. The Company is continually monitoring the financial and operational resilience of its outsourced service providers to assess the impact of COVID-19 on their ability to continue to support the Company's operations.

The Company has conducted a series of additional stress tests to determine the impact of declines in market volume and value over the remainder of 2020 on its profitability and capital base. The results of these stress tests demonstrate the financial resilience of the Company, however the full extent of the impact of COVID-19 on the Company's operational and financial performance will depend on future developments including the duration and continued spread of the pandemic.

Section 172 Statement

Corporate governance is, in addition to our shareholder, increasingly focussed on wider stakeholder engagement. The Board aims to have a clear understanding of the views of, and engagement with, the Company's stakeholders, as it is the Board's belief that greater stakeholder engagement is key to the long term success of the Company in aligning with the Company's strategic goals.

In line with the requirements of s172 of the Companies Act 2006 (the Act), the Board gives focus to four key stakeholder groups, and their interests:

I. Workforce engagement

II. Marketplace, including customer and suppliers

III. Environment

IV. Community

The Company outsources a number of services to its parent company, Euroclear SA/NV, including its corporate responsibility programme that oversees elements of the stakeholder engagements detailed above. As part of the outsourced service, the approach of the group's engagement with the external stakeholders is described in the sections on pages 9 to 12 on marketplace, environment and community. The setting and approval of an outsourcing policy and overseeing the consistent implementation thereof, is a matter reserved for the Board. Where Euroclear SA/NV is the service provider, SDPs are implemented at inception and subsequently reviewed on an annual basis. The SDPs determine the level of services to be received, and the performance levels expected, which are monitored by the use of KPIs. The Board receives a quarterly update of any risks associated with the Company's critical service providers.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

The Company is a member of the Euroclear group Outsourcing Committee – an advisory committee created by the Group Risk Committee to develop, and monitor compliance with, the Euroclear group outsourcing framework and the critical service providers framework. The Chief Operating Officer is the Company's current representative at the Outsourcing Committee. Any matters requiring further consideration by the Company, will be escalated by the Chief Operating Officer through the established governance processes.

I. *Workforce engagement*

The Board of Euroclear UK & Ireland Limited considers the effective engagement with, and participation from, the workforce to be an important part of their long term strategy for the success of the business.

In line with best practice guidelines, the Board took the decision to increase employee engagement by the provision of a direct line of contact to the Board. Various mechanisms were considered and in May 2019 the Board appointed an existing non-executive director of the Company to the role of designated non-executive director to act as the voice of the workforce.

Mechanisms utilised throughout the year to engage with the workforce include, but are not limited to:

- Surveys, such as the annual staff-climate survey
- Town hall meetings
- Social media updates such as communication through the Company's intranet.

2020 will see the continued embedding of workforce engagement and the adoption of a Board Guidance Note will support this.

Diversity and inclusion in the workforce

The Company, as a member of the Euroclear group, adheres to the Euroclear mission for diversity. The mission aims to enrich the quality of what Euroclear does, by promoting equality of opportunity for all people regardless of gender, ethnicity, sexual orientation, religion or disability whilst removing any direct or indirect forms of discrimination. The Euroclear group is of the opinion that diversity and inclusion supports the long term success of the company. Innovation and creativity flourish in diverse workplace environments which are key elements in strengthening both our performance, and competitive advantage. Diversity supports the forging of relationships with our wide variety of existing and prospective clients, thereby supporting our global growth agenda. Encouraging and supporting diversity underpins our ability to engage and inspire all colleagues, thereby being an employer of choice.

2019 saw a focus on encouraging more women into middle and senior management roles; with continued focus on training and development for all staff and the promotion of flexible working to encourage a good balance between work and private life.

The Employee Diversity and Inclusion and Wellbeing strategies adhered to at EUI demonstrate the Company's commitment to creating an environment where all employees feel valued, respected and fully engaged to contribute to our future success.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Culture in the workplace

The Company's culture is multi-faceted. Whilst continuing to encourage a diverse and inclusive working environment, it has, throughout 2019, focussed on driving forward a culture of transparency and accountability to promote strong corporate governance both at Board level and throughout the organisation. The Company strives to set the tone from the top, and embraces a culture of accountability by implementing Statements of Responsibilities for/at Senior Management level to voluntarily align with the principles of the Senior Managers and Certification Regime. Reporting practices have been amended to ensure all senior management can be held to account when seeking approval to perform practices within their remit; and the linking of accountability and transparency to employee objectives has been introduced to demonstrate to employees that taking responsibility in their working practices fosters reward, thus incentivising the workforce to engage with the desired culture.

The Company believes that aligning culture, governance, company purpose and strategy as part of a wider governance framework assists in achieving the long-term objectives, and success, of the Company. Accountability and transparency are two key pillars of a robust corporate governance framework. Together with efficient and effective practices, the right culture underpins the Company's corporate governance framework which will, in turn, support the Company in achieving its strategic objectives of providing robust and reliable CSD services to the UK and Irish markets and offering expanded services to the funds market.

2019 saw the introduction of the "Your Voice" survey. This is a targeted survey for all employees, hosted by a third party provider, which will be repeated annually. The new approach allows employees to provide detailed feedback on a range of topics, giving an in-depth view of the level of employee engagement. In 2019, 84% of colleagues took part in the survey, the resulting score was above the benchmark set for the year, with five key priorities identified for progression in 2020.

II. *Marketplace, including suppliers and customers*

There are four pillars to the Euroclear group's Marketplace strategy, to which the Company adheres. They are:

- Sustainable finance
- Know and trust your suppliers
- Risk-aware culture
- Staff awareness

Sustainable finance

In April 2019, PriceWaterhouseCooper LLP, published a white paper 'Impact of Euroclearability', which analyses the qualitative as well as quantitative benefits of several Euroclearable markets. The study found that Euroclearability is associated with a reduction in sovereign and corporate cost of borrowing and greater liquidity in domestic sovereign bond markets that could lead to substantial social/economic impacts.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

In the past year, the Euroclear group have observed a number of gaps in the sustainable finance market space, such as mistrust of data, fear of "green washing", lack of liquidity, the need for transparency, among others. The Euroclear group is exploring ways to leverage our global ecosystem and trusted infrastructure to help bridge some of those gaps, bring sustainable finance to the mainstream and further support the United Nations' Sustainable Development Goals.

Know and trust your suppliers

In 2019, the Euroclear group published its Supplier Code of Business Conduct on its website, which outlines the behaviours expected from its suppliers. The group also continued to monitor its suppliers through environmental, social and governance related questions in the Supplier questionnaire. The Euroclear group's modern slavery and human trafficking statement is published annually on its website.

Customers

The provision of support to customers as key stakeholders remains intrinsic to the Company's strategy to provide robust and reliable CSD services to the UK and Irish markets. During 2019 a number of service enhancements to the underlying platform and systems were undertaken, as described on pages 2 to 3.

To monitor customer satisfaction with the service, an annual customer satisfaction survey is conducted. For 2019, the survey indicated strong customer satisfaction with an overall client satisfaction score of 83% (an increase of 1% compared to 2018) and an increase in the Net Promoter Score by 1.9 points to 41.

Risk-aware culture

The Euroclear group has reinforced its operational risk management framework in the context of CSDR licensing over the last years. Effective identification, monitoring, management and appropriate reporting are at the centre of its approach. Being a market infrastructure, the integrity, confidentiality and availability of the group's and its clients' data, and the continuous availability of its services, remain very important.

A group-wide ethical and compliance framework is operated to adequately identify, monitor and manage legal and compliance risks. The areas monitored include amongst others, fraud, market abuse, sanctions and money laundering, and also consider the impacts arising from upcoming regulation. Furthermore, the group's Business Code of Conduct acts as a reference point for expected conduct and behaviours when working for the Euroclear group.

The Euroclear group recognises that risk is at the heart of all that it does, as a systemic risk manager, and its ability to manage such risks underpins the important position the group has in the global financial markets. In 2019, the group selected ServiceNow as its chosen integrated risk management system, which is designed to help embed an integrated, holistic approach to risk management across the entire Euroclear group on one platform. The initial roll-out to the Company occurred in early 2020.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Staff awareness

All staff and contractors of the Company follow a series of training sessions on topics such as bribery, fraud, anti-competitive behaviour, anti-money laundering, modern slavery, physical and logical access and other potential malicious behaviour.

The Company employs a 'Speak Up' policy to enable staff to raise concerns over any potentially unethical behaviour. In order to encourage staff to report any potential wrong doing or area for concern the policy includes both internal channels of reporting and an external ethics hotline run by an independent third party, 'Safecall.'

III. *Environment*

The Company, as part of the Euroclear group, takes its responsibility for helping to create a more just and equitable world seriously. The group's Corporate Responsibility Programme is run in full alignment with its business strategy and is divided into four streams. For more details on each of these streams, please refer to the group's sustainability report on www.euroclear.com/our responsibility, prepared in accordance with the Global Reporting Initiative Standards (Core). The 2019 report will be published in May 2020.

The main impact on the environment is caused by business travel and energy consumption. The Euroclear group has four main pillars in its Environment strategy:

- Emissions
- Resource use
- Supply chain
- Compliance

The Euroclear group has been carbon neutral to PAS2060 standards for eight years. It is committed to Science-Based emissions reduction Targets (SBT) and plans to review its SBT in 2020 in line with a 1.5 degree rise in temperature, rather than two degrees.

In 2019, the group launched its Euroclear Environment charter, where staff can sign up to Gold, Silver or Bronze commitments. This charter encourages staff to take actions, such as using public transport or the cycle to work scheme instead of using cars and by reducing single use plastics, which will help to protect the environment.

IV. *Community*

In 2019, the Euroclear group saw the cross-location projects that it sponsored as part of the group's 50th anniversary celebrations come to fruition. The 20 projects are all underway and already providing vital support to those who are most in need. The group also strengthened its partnership with its corporate charity, Build Africa, who have now merged with UK-based charity Street Child, meaning that the group can expand its impact even further in 2020.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

In 2019, there was a focus on building up the group's corporate volunteering offering which will launch across the group during 2020. 2019 saw continuing support for the following community initiatives at the Company:

- The 11th visit to Uganda as part of the Build Africa Initiative
- Continuation of the mentoring programme to provide support to children in schools across the country
- Support of the Young Enterprise (Junior Achievement) initiative which encourages employees to mentor and coach young people.

The Community Relations Committee encourages charitable donations and community involvement within the UK based operations of the Euroclear group. The group operates pro-active policies and supports employees in donating and raising funds. All donations in the UK as determined by this committee are paid through Euroclear SA/NV, London (total UK donation for 2019: £76,337, 2018: £71,240).

Financial performance

The Company performed well throughout 2019. Revenues have increased in the core CREST settlement services although this has been partially offset by an increase in administrative expenses reflecting additional project investments.

Euroclear UK & Ireland Limited's profit and total comprehensive income for the year was £18,001,702 (2018 profit and total comprehensive income for the year: £15,646,666). The year-end financial position of the Company remains strong, with total assets of £136,722,418 (2018 total assets: £121,606,260).

Dividends

No interim dividend was paid during the year (2018: £nil). At the date of signing no final dividend has been proposed for the year ending 31 December 2019.

By Order of the Board

CHRISTOPHER ELMS
Chief Executive Officer
24 April 2020

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements of Euroclear UK & Ireland Limited for the year ended 31 December 2019.

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

Directors

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

Members	Appointed/ Resigned	Board	Audit Committee	Risk Committee	Nominations, Remuneration & Governance Committees
Robert Hingley (Independent Chairman)		• (chair)		•	•
John Trundle (CEO)	31/08/2019 (resigned)	•			
Chris Elms (Interim CEO)	18/09/2019 (appointed)	•			
Tom Challenor (Independent Director)		•	• (chair)		•
Sue Concannon (Independent Director)		•	•		• (chair)
Philippe Tromp (Independent Director)		•	•	• (chair)	
Peter Sucaet (Non-Executive Director)		•		•	•
Yves Dupuy (Non-Executive Director)	04/01/2019 (appointed)	•			

Jennifer Parker was the Company Secretary throughout the year.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

The Directors attended the following number of meetings during the year.

Members	2019 MEETING ATTENDANCE			
	Board (22)*	Audit Committee (8)	Risk Committee (8)	Nominations, Remuneration & Governance Committees (10)
Robert Hingley (Independent Chairman)	20	-	8	9
John Trundle (CEO)	17	-	-	-
Chris Elms (Interim CEO)	3	-	-	-
Tom Challenor (Independent Director)	21	8	-	10
Sue Concannon (Independent Director)	20	8	-	10
Philippe Tromp (Independent Director)	21	8	8	-
Peter Sucaet (Non-Executive Director)	14	-	8	10
Yves Dupuy (Non-Executive Director)	10	-	-	-

* figures in brackets represent the total number of meetings held in the year

Diversity

The Company supports diversity both in the boardroom and company-wide. The Board defined, in 2015, a target of achieving (and maintaining) a minimum of one third representation of the under-represented gender within a four-year period. This was ratified by the non-executive directors of the Company in February 2017. In 2019, a decision was taken to extend the period to February 2022 and the Board and Board Committee Composition Policy (the BBCCP) was updated accordingly. The date was revised to reflect Directors' retirement by rotation on a 3 year basis and noting that two of the current independent non-executive Directors will each have completed at least 9 years of service as a Director of the Company by that date. This will allow time to implement an appropriate succession plan in line with the targets set out in the BBCCP.

There continues to be a 14% representation of women on the Board, which is made up of 7 directors, 1 of whom is female. The Company will continue to work towards the revised target set in the BBCCP, taking into account the benefits of diversity of gender, social and ethnic backgrounds and personal attributes, alongside the need to secure the most appropriate skill set, experience and expertise.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Board Advisory Committees

There are three Board Committees:

- The Nominations, Remuneration and Governance Committee
- The Audit Committee
- The Risk Committee.

In line with the requirements of CSDR, the Committees are advisory in nature.

Nominations, Remuneration and Governance Committee

The Nominations, Remuneration and Governance Committee (the NRGC) is an advisory committee of the Board, established to assist the Board in fulfilling its oversight responsibilities in relation to the nomination and remuneration of Board and Management Committee members, defining and overseeing the implementation of the Company's remuneration policy, Board and Committee composition, performance and succession planning as well as corporate governance matters as they apply to the Company.

During 2019, the NRGC has instructed, and reviewed the findings of, various governance assessments to continually challenge the adequacy of governance standards fostered at Board level. Assessments for the period included, but were not limited to:

- A governance review led by an external regulatory consultancy firm
- An annual self-assessment against the best practice guidelines
- Independence assessments of two independent non-executive directors being proposed for re-appointment in 2019
- Annual Board Skills assessment, inclusive of both self and peer assessment and a gap analysis, which provided direction for the Directors' training programme and Succession Planning. This in turn led to the proposal to appoint Cyber and Technology advisers to the Risk Committee in 2020 to fill a gap identified, and to provide direction when considering how best to mitigate cyber and technological risks
- Annual Board and Committee Effectiveness Reviews, with a Path to Green action plan defined for any areas highlighted as requiring additional attention.

The NRGC reviewed all policies within its remit during 2019, including the BBCCP and Remuneration Policy. The BBCCP was revised to ensure it adequately reflected the Board's current composition and the Board's forward-looking vision in terms of diversity, including gender diversity targets.

The Remuneration Policy was updated in 2019 to align with CSDR requirements and remuneration matters considered by the NRGC during the year included:

- Research into Non-Executive Director Remuneration, and a resultant proposal for a revised fee structure for 2020
- Considered and recommended the 2018 compensation awards and remuneration for 2019 for all Company staff, including the executive management team and control functions
- Considered and recommended the publication of the annual Gender Pay Gap Report.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued

The NRGC is composed of 4 Non-Executive Directors. 3 of whom are considered to be Independent, one of whom is the Chair (see page 13).

Audit Committee

The Audit Committee is an advisory committee of the Board established to assist the Board in fulfilling its financial reporting, audit, compliance, and ethics oversight responsibilities.

During 2019, whilst ensuring all of the aforementioned responsibilities were met, the Audit Committee has increased focus on a number of key areas, including compliance oversight.

By virtue of the Company being a wholly owned subsidiary, certain best practice guidelines relating to the external auditor do not apply to the Company as they are led at group level. These relate to the conduct of any tender process; recommendations to the Board about the external auditor's appointment, reappointment and removal; approval of the external auditor's remuneration and terms of engagement.

The Audit Chair is, however, closely involved in the tender process, and the Audit Committee remains responsible for formally recommending any change of auditor to the Board and for the approval of the external auditor's fees in relation to the Company.

The Audit Committee reviews the performance of the external auditors on an annual basis.

The Euroclear group policy prohibits the external auditor from providing non-audit services.

The Audit Committee is composed of 3 Non-Executive Directors, all of whom are considered to be Independent, one of whom is the Chair (see page 13).

Risk Committee

The Company's Risk Committee is an advisory committee of the Board, established to assist the Board in fulfilling its risk oversight responsibilities. During 2019, whilst ensuring all of the aforementioned responsibilities were met, the Risk Committee has increased focus on a number of key areas, including outsourcing and cyber and technology oversight.

The Risk Committee is composed of 3 Non-Executive Directors, 2 of whom are considered to be Independent, one of whom is the Chair (see page 13).

Indemnity and insurance of directors

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that Euroclear UK & Ireland Limited has adequate resources to continue to operate for the foreseeable future. The assessment includes the future profitability of the Company, the principal risks and uncertainties facing the Company and the mitigation of these risks (see page 5 to 6) and the maintenance of capital requirements under Bank of England's Financial Reporting Requirement (see note 20). Following the COVID-19 pandemic and the resulting market volatility (see page 7), the assessment on future profits and capital base have been flexed under various market stresses and additional assessments made on operational resilience. Following these assessments, the directors continue to adopt the 'going concern' basis in preparing the financial statements.

Political donations

Euroclear UK & Ireland Limited made no political donations during the year (2018: £nil).

Financial instruments

The exposure of Euroclear UK & Ireland Limited to price risk, credit risk, liquidity risk and cash flow risk are discussed in note 26 on pages 49 to 52 of the financial statements.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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

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

Statement of disclosure of information to auditor

In accordance with the provisions of Section 418 of the Companies Act 2006, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

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

Independent auditor

Deloitte LLP acted as Euroclear UK & Ireland Limited's auditors during the year.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the next General Meeting.

By Order of the Board

CHRISTOPHER ELMS
Chief Executive Officer
24 April 2020

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Euroclear UK & Ireland 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the accounting policies; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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.

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

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 directors' responsibilities statement, 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.

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

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.

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

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, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
24 April 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(£)	Note	2019	2018
Net fee income		**101,729,658**	**98,819,435**
Fee income		112,325,641	109,553,529
Fee expense		(10,595,983)	(10,734,094)
Administrative expenses	4	**(82,442,506)**	**(80,825,114)**
Other (losses)/gains	6	**318,309**	**310,198**
Net interest income	5	**981,406**	**673,223**
Interest income		987,755	681,568
Interest expense		(6,349)	(8,345)
Impairment losses on financial assets	26	**(89,248)**	**(233,209)**
Profit before tax		**20,497,619**	**18,744,533**
Taxation	7	**(2,654,448)**	**(3,438,972)**
Profit for the year		**17,843,171**	**15,305,561**
Changes in other comprehensive income			
Recyclable subsequently to profit/(loss)			
Changes in the fair value of debt instruments	18	157,959	33,231
Taxation relating to these items	18	572	(4,714)
Other comprehensive income for the year		**18,001,702**	**15,334,078**
Net adjustment on adoption of IFRS 9			
ECL on trade and other receivables		-	327,447
ECL on cash and cash equivalents		-	(14,859)
Total comprehensive income for the year		**18,001,702**	**15,646,666**

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

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

The notes on pages 27 to 52 form an integral part of the financial statements.

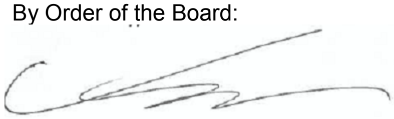
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(£)	Note	2019	2018
Assets			
Non-current assets			
Intangible assets	8	16,257	29,215
Property, plant and equipment	9	170,220	194,166
Investments in subsidiary undertakings	10	7,010	7,010
Financial assets at FVOCI	11	87,092,190	82,445,753
Deferred tax assets	13	71,990	43,636
Total non-current assets		**87,357,667**	**82,719,780**
Current assets			
Trade and other receivables	13	10,312,569	9,598,004
Current tax assets	7	4,257,409	-
Cash and cash equivalents	14	34,794,773	29,288,476
Total current assets		**49,364,751**	**38,886,480**
Total assets		**136,722,418**	**121,606,260**
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	6,015,100	6,015,100
Share premium		6,015,000	6,015,000
Other reserves	18	187,048	28,517
Retained earnings		107,435,191	96,569,536
Total equity		**119,652,339**	**108,628,153**
Liabilities			
Current liabilities			
Trade and other payables	15	16,670,079	11,578,396
Current tax liabilities	7	-	1,399,711
Provision for other liabilities and charges	16	400,000	-
Total current liabilities		**17,070,079**	**12,978,107**
Total equity and liabilities		**136,722,418**	**121,606,260**

The notes on pages 27 to 52 form an integral part of the financial statements.

The financial statements on pages 23 to 52 were approved by the Board of Directors on 24 April 2020 and authorised for issue on that date.

By Order of the Board:



CHRISTOPHER ELMS

Chief Executive Officer

24 April 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(£)	Note	Share Capital	Share premium	Other reserves	Retained earnings	Total equity
At 31 December 2018		**6,015,100**	**6,015,000**	**28,517**	**96,569,536**	**108,628,153**
Profit		-	-	-	17,843,171	17,843,171
Other comprehensive income	18	-	-	158,531	-	158,531
Dividend (£0.290 per ordinary share)	19	-	-	-	(6,977,516)	(6,977,516)
At 31 December 2019		**6,015,100**	**6,015,000**	**187,048**	**107,435,191**	**119,652,339**

(£)	Note	Share Capital	Share premium	Other reserves	Retained earnings	Total equity
At 1 January 2018		**6,015,100**	**6,015,000**	**-**	**91,369,343**	**103,399,44**
Profit		**-**	**-**	-	15,305,561	15,305,561
Other comprehensive income	18	**-**	**-**	28,517	-	28,517
Dividend (£0.420 per ordinary share)	19	**-**	**-**	-	(10,105,368)	(10,105,368)
At 31 December 2018		**6,015,100**	**6,015,000**	**28,517**	**96,569,536**	**108,628,153**

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

The notes on pages 27 to 52 form part of the financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(£)	Note	2019	2018
Profit before tax		**20,497,619**	**18,744,533**
Adjustments for:			
Amortisation charge	4	12,959	39,801
Depreciation charge	4	57,455	15,691
Interest income		(987.755)	(681,568)
Interest expense		6,349	8,345
Impairment		(894)	24,811
Unrealised loss on non-current assets	11(a)	59	(104)
Changes in working capital:			
Trade and other receivables		(673,323)	(249,678)
Trade and other payables		448,131	185,676
Adoption of IFRS 9 at 1.1.18		-	378,081
Cash generated from operating activities		**19,360,600**	18,465,588
Interest received		54,599	80,905
Interest paid		(5,869)	(7,032)
Tax paid		(3,335,422)	(4,274,938)
Net cash generated from operating activities		**16,073,908**	**14,264,523**
Cash flows generated (used in)/from investment activities			
Loans and receivables			-
Purchase of debt securities at FVOCI	11(b)	(31,615,108)	(88,507,523)
Redemptions and disposals of debt securities at FVOCI		28,058,522	6,660,211
Purchase of property, plant and equipment	9	(33,509)	(197,502)
Purchase of intangible assets	8	-	(3,715)
Net cash generated (used in)/from investing activities		**(3,590,095)**	**(82,048,529)**
Net cash used in financing activities			
Ordinary dividends paid	19	(6,977,516)	(10,105,368)
Net cash used in financing activities		**(6,977,516)**	**(10,105,368)**
Net decrease in cash and cash equivalents		**5,506,297**	**(77,889,374)**
Cash and cash equivalents at beginning of the year		29,288,476	107,177,850
Cash and cash equivalents at the end of the year		**34,794,773**	**29,288,476**

The notes on pages 27 to 52 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General Information

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

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

2. Accounting policies

(a) Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The estimates and associated assumptions are based on historical experience. Critical accounting estimates and judgements are discussed further in note 3.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about Euroclear UK & Ireland Limited as an individual undertaking and not with regard to its group.

In preparing the financial statements for the current year, consideration was given to new IFRSs, both those that are effective at the year end and those that have been issued but are not effective at the year end, as well as amendments to IFRS and IFRIC IC interpretations. The adoption of the following standards, IFRIC and amendments that became effective on 1 January 2019 had no impact on the entity's financial statements:

- IFRS 16: Leases
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- IFRIC 23: Uncertainty over Income Tax Treatments.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Annual improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

2. Accounting policies (continued)

(a) Basis of preparation (continued)

The following amendments to standards will become effective on 1 January 2020.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the Standards listed above and all other IFRSs not yet adopted will have a material impact on the entity's financial statements.

After making enquiries, the directors have formed a judgement that there is a reasonable expectation that Euroclear UK & Ireland Limited has adequate resources to continue to operate for the foreseeable future (see pages 7 and 17). For this reason, the directors continue to adopt the 'going concern' basis in preparing the financial statements.

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

(b) Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated into GBP at the rate of exchange ruling at the end of the financial year. Transactions in foreign exchange are translated at foreign exchange rates present on the date of the transaction.

(c) Fee income and expense

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

2. Accounting policies (continued)

(c) Fee income and expense (continued)

Fee income represents a return for services rendered (e.g. settlement, fund order routing, asset maintenance) and is recognised when the related service is performed. Annual charges are recognised on a straight-line basis over the period to which they relate. Fine income arising from the settlement discipline regime administered on behalf of the market is recognised when fines are levied.

Fee expense comprises the fair value of the consideration paid or payable for the cost for services rendered. Fee expense relates to network commission fees, for example custody fees and settlement fees on international securities. Fee expense is directly attributable to revenue earned and recognised when the related service is performed.

(d) Interest on monies held in trust

Interest income earned on balances related to the collection of Stamp Duty Reserve Tax on behalf of HM Revenue & Customs and Stamp Duty on behalf of the Irish Revenue Commissioners is recognised when receivable.

(e) Financial instruments

Classification and measurement. On initial recognition, a financial asset is classified as: measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVPL). The classification results from a two-step approach: The "characteristics" test will check whether the cash flows can be considered as solely payments of principle and interest (SPPI) and the business model for managing the asset.

A financial asset is classified and measured at amortised cost if it is not designated as FVPL, and if it meets both of the following conditions: it is held for collection of contractual cash flows (held to collect) and its contractual terms give rise to cash flows that represent SPPI. A financial asset classified and measured at amortised cost is recognised in the balance sheet on the settlement date at fair value plus any directly related transaction costs. It is subsequently measured at amortised cost using the effective interest method less any loss allowances.

A financial asset is classified and measured at FVOCI if it is not designated as FVPL, and if it meets both of the following conditions: it is held for collection of contractual cash flows and for selling the assets, and its cash flows represent SPPI. A financial asset classified and measured at FVOCI is recognised in the balance sheet on settlement date at fair value. Gains or losses arising from changes in the fair value are recognised directly in equity, until the asset is either sold or matures at which time the cumulative gain or loss previously recognised in equity is released to the income statement. Interest revenues are recognised using the effective yield method.

The Company may irrevocably elect to designate an equity instrument at FVOCI, if it is not held for trading. This election is made on an investment by investment basis. In this case dividends are recognised in profit and loss, but gains and losses are not recycled to profit and loss on derecognition and no impairment is recognised.

All other financial assets are measured at FVPL. The assets are initially recognised and subsequently measured at fair value. The movements in fair value are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

2. Accounting policies (continued)

(e) Financial instruments (continued)

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. When available, the Company measures the fair value of an instrument as the published price at the balance sheet date.

Business model assessment. A business model refers to how the Company manages its financial assets in order to generate cash flows. It is determined on a level that reflects how financial assets are managed to achieve a particular business objective. The Company's objective can be:

- solely to collect the contractual cash flows from the assets (held to collect)
- to collect both the contractual cash flows and cash flows arising from the sale of the assets (held to collect and sell)
- neither of the above, i.e. financial assets held for trading purposes, and the financial assets are classified as other business model.

Factors considered by the Company in determining the business model for a group of assets include objectives for the portfolios, how the asset's performance and risks are evaluated, managed and reported to management, and past experience.

Assessment of contractual cash flows as SPPI. The Company assesses whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

Reclassifications. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

(f) Impairment of financial assets

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

The Company recognises loss allowances on debt instruments measured at amortised cost and at FVOCI. No impairment loss is recognised on equity instruments.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

2. Accounting policies (continued)

(f) Impairment of financial assets (continued)

IFRS 9 requires the recognition of 12 month expected credit losses if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL, that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of the default. ECLs on financial assets are individually assessed.

The impairment requirements are complex and require management judgements, estimates and assumptions that are detailed in note 3.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contract, such as default or past due event
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties.

For trade receivables with no significant financing component, a simplified approach requiring the recognition of lifetime ECLs at all times applies. The expected credit losses on these assets are collectively assessed and estimated using a provision matrix based on the Euroclear group's historical credit loss experience. Macro-economic factors are not considered as historical observations show that they are irrelevant. Expected credit losses are based on the age of the receivables. If all or part of a client's receivable is confirmed as being irrecoverable, the value of that receivable will be reduced accordingly.

The Company writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

The aggregate of provision made (less amounts released and recoveries of bad debts previously written off) is charged against operating profit in the profit and loss account.

(g) Administrative expenditure

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

2. Accounting policies (continued)

(h) Intangible assets

Acquired computer software is capitalised on the basis of the cost incurred to acquire and to bring to use the specific software. These costs are amortised over the assets' estimated useful lives (normally estimated to be between three and five years).

The cost of internally developed intangible assets is capitalised only where these costs are separately identifiable and where the development project is expected to generate future economic benefit to the Company. The cost of these assets are amortised on a straight-line basis over the life of the system estimated at a period of 10 years.

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

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated using the straight-line method of cost less estimated residual value in equal annual instalments over the expected useful economic life of the assets. The periods generally applicable are:

Furniture and fixtures	Over 7 years
Office equipment, including personal computers	Over 2 to 5 years
Communications equipment	Over 2 to 5 years

(j) Investments in subsidiary undertakings

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

(k) Pensions

Euroclear UK & Ireland Limited operates a Company Personal Pension scheme for employees. This is a defined contribution scheme, and the costs of the scheme are charged to the income statement as incurred.

(l) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances including: cash on hand; deposits held on call with banks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

2. Accounting policies (continued)

(m) Provisions

Provisions are recognised where:

- there is a present obligation arising from a past event
- there is a probable outflow of resources and
- the outflow can be estimated reliably.

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

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

(n) Taxation

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

Deferred tax is provided in full on a non-discounted basis, using the liability method, on temporary differences arising between the tax bases of asset and liabilities at the anticipated rate of recovery and their carrying amount in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which the temporary differences can be used.

Current tax assets and liabilities are offset when they arise in the same entity and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax related to a transaction or event which is charged or credited directly to equity (e.g. fair value re-measurement of FVOCI) is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

(o) Dividends

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3. Critical accounting estimates and judgements

(a) Impairment of financial assets

The impairment requirements require management judgements, estimates and assumptions including the following:

Determining a significant increase in credit risk since initial recognition

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Euroclear group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Euroclear group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

IFRS 9 requires the recognition of 12 month expected credit losses if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). The Euroclear group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Euroclear group has reasonable and supportable information that demonstrates otherwise.

The Euroclear group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset is considered to have low credit risk when it has an internal or external credit rating of investment grade. For all exposures considered as low risk and classified in Stage 1, Credit Management will verify that the exemption is relevant through management judgment. In case it considers that the exposure should still be classified in Stage 2, even if it is eligible to the low risk exemption, credit will override the stage.

Forward-looking information

The Company is mainly exposed to highly rated financial institutions. Credit losses are not sensitive to small variations of macro-economic conditions. Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. Three scenarios are modelled to ensure an unbiased representative sample of the complete distribution when determining the expected loss.

Definition of default

IFRS 9 does not give explicit definition of default, but clearly states that it must be consistent with the one used for internal credit risk management purposes, with the rebuttable presumption that a 90 days past due is a default criteria. This definition is used when assessing whether the credit risk on a financial instrument has increased significantly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3. Critical accounting estimates and judgements (continued)

(a) Impairment of financial assets (continued)

Expected life

In order to assess the lifetime of the instrument and on which time horizon probability of default must be calculated, a maturity assessment is required. The maturity is the maximum contractual period over which the entity is exposed to risk, that should take into account the ability to demand repayment and any possible extensions. When determining the period over which an entity is expected to be exposed to credit risk the Euroclear group uses historical information and experience, and notably the period over which the entity was exposed on similar financial instruments. The period of exposure has been set to the contractual maturity of the financial asset where known and based on historical data for open-ended financial assets.

Discounting

Expected credit losses are discounted at the effective interest rate determined at initial recognition or an approximation thereof.

Calculation methodology

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The exposure at default for financial assets is represented by the assets' gross carrying amount at the reporting date.

Simplified approach for trade receivables

For trade receivables, estimates of ECL are based on the historical loss experience observed by the Company and split over various time buckets as detailed in note 26.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

4. Administrative expenses

(£)	Note	2019	2018
Staff costs			
- Wages and salaries		9,521,967	8,178,728
- Social security costs		1,311,413	1,053,471
- Other pension costs		877,919	761,929
- Other staff costs		1,159,742	774,265
Depreciation	9	57,455	39,801
Amortisation	8	12,959	15,691
Legal and professional		3,307,294	4,229,620
Services provided by parent company	24	55,849,667	55,504,212
Independent auditor's remuneration		347,050	395,750
Irrecoverable VAT		3,911,541	4,437,950
Provisions	16	400,000	-
Other costs		5,685,499	5,433,697
Total		82,442,506	80,825,114

Other costs represent occupancy, communications and other miscellaneous costs.

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

(£)	2019	2018
Fees payable to the Company's independent auditor for the audit of the Company's annual financial statements	156,050	157,750
Fees payable to the Company's independent auditor and its associated for the other services:		
Other audit-related: ISAE 3402 audit	191,000	238,000
Total	347,050	395,750

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

Number	2019	2018
Total – monthly average for the year	121	110
Total – at 31 December	125	120

The cost of contributions to the Company Personal Pension scheme in the year was £877,919 (2018: £761,929). There were no outstanding or prepaid contributions at either 31 December 2019 or 31 December 2018. The scheme is classified as a defined contribution scheme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

5. Net interest income

(£)	2019	2018
Interest income on financial instruments		
- cash and cash equivalents at amortised cost	95,841	93,500
- financial assets at FVOCI	891,914	588,068
Total interest income	**987,755**	**681,568**
Interest expense on financial instruments		
- cash and cash equivalents at amortised cost	(6,349)	(8,345)
Total interest expense	**(6,349)**	**(8,345)**
Net interest income	981,406	673,223

6. Other gains/(losses)

(£)		2019	2018
Foreign exchange losses		(186,106)	(78,690)
Interest on monies held in trust	25	504,415	388,888
Total		318,309	310,198

Interest is earned on balances related to the collection of Stamp Duty Reserve Tax on behalf of HM Revenue & Customs and Stamp Duty on behalf of the Irish Revenue Commissioners, see note 25.

7. Taxation

(£)	Note	2019	2018
UK Corporation Tax			
Current tax on income for the year		3,968,050	3,584,026
Adjustments in respect of prior years		(8,848)	841
Group loss relief		(1,237,828)	(104,913)
Total Current Tax		2,721,374	3,479,954
Deferred Tax	12		
Origination/Reversal of timing differences		(55,347)	4,917
Adjustments in respect of prior years		(10,316)	(45,899)
Remeasurement due to change in tax rate		(1,263)	-
Total Deferred Tax		(66,926)	(40,982)
Tax expense		2,654,448	3,438,972

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

7. Taxation (continued)

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

(£)	2019	2018
Profit before tax	20,497,618	18,744,533
UK Corporation Tax at 19.00% (2018: 19.00%)	3,894,548	3,561,461
Expenses not deductible for tax purposes	9,709	27,482
Current year group relief	-	(16,342)
Adjustment in respect of prior years	(1,249,809)	(133,629)
Tax charge	2,654,448	3,438,972

A change in the UK main corporation tax rate to 17% will be effective from 1 April 2020. The tax rate has subsequently been amended to 19% following the Finance Bill 2020, this bill has not been substantively enacted at the date of the signing of the financial statements.

The tax expense for the year comprises current and deferred tax.

The current tax balance sheet position has moved from a tax liability in the prior year to a tax asset in the current year due to a Consortium Relief claim made for group losses arising in the year-ending 31 December 2017 and 31 December 2018.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

8. Intangible assets

(£)	Internally developed software	Purchase software	Total
Cost			
At 1 January 2019	24,723,803	3,271,471	**27,995,274**
Additions	-	-	**-**
Disposals	-	(3,219,352)	**(3,219,352)**
At 31 December 2019	24,723,803	52,119	**24,775,922**
Accumulated amortisation			
At 1 January 2019	24,723,803	3,242,255	**27,966,058**
Additions	-	12,959	**12,959**
Disposals	-	(3,219,352)	**(3,219,352)**
At 31 December 2019	24,723,803	35,862	**24,759,665**
Net book value at 31 December 2019	-	16,257	**16,257**
Net book value at 31 December 2018	-	29,215	29,215

Internally developed software consisted entirely of the CREST system which has been fully amortised and continues to be in use. Purchased software no longer in use has been disposed of in the year.

9. Property, plant and equipment

(£)	Furniture and fixtures	Communication equipment	Total
Cost			
At 1 January 2019	69,115	462,109	**531,224**
Additions	-	33,509	**33,509**
At 31 December 2019	69,115	495,618	**564,733**
Accumulated depreciation			
At 1 January 2019	69,115	267,943	**337,058**
Additions	-	57,455	**57,455**
At 31 December 2019	69,115	325,398	**394,513**
Net book value at 31 December 2019	-	170,220	**170,220**
Net book value at 31 December 2018	-	194,166	194,166

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

10. Investments in subsidiary undertakings

(£)	2019	2018
Investments in subsidiary undertakings	7,010	7,010

Subsidiary undertakings		**Cost of Investments**	
(£)	**Ownership of Equity Shares**	**2019**	**2018**
In the name of Euroclear UK & Ireland Limited			
CREST Stamp Nominee (No.1) Limited	100%	2	2
CREST Stamp Nominee (No.2) Limited	100%	2	2
Trinity Nominees Limited	100%	2	2
CREST Depository Limited	100%	7,000	7,000
CRESTCo Limited	100%	2	2
CREST USD Nominee Limited	100%	2	2
In the name of CREST Depository Limited			
CREST International Nominees Limited	100%	2	2
CREST Client Tax Nominee (No.1) Limited	100%	2	2
CIN (Belgium) Limited	100%	2	2

The principal activity of CREST Stamp Nominee (No.1) Limited is the holding of UK Stamp Duty Reserve Tax payments collected on behalf of HM Revenue & Customs.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

11. Financial assets at FVOCI

Financial assets at FVOCI comprise unlisted equity shares and debt securities. Unlisted equity shares are not held for trading and the Company has irrevocably elected to recognise them as FVOCI. Debt securities are held for contractual cash flows and for selling the financial assets. The related cash flow represents SPPI and fulfil the recognition requirements of FVOCI.

Fair value of financial instruments

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market price in active markets for the same instruments. A market is regarded as active if quoted prices are readily and regularly available (exchange, dealer, broker, pricing service or regulatory agency) and if these prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level 2: The fair value of these instruments is determined by using the quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments, quoted prices for similar instruments in markets that are less active, or other valuation techniques. The valuation techniques maximise the use of observable market data where it is available. If all significant inputs that are required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(a) Unlisted equity shares

(£)	**2019**	**2018**
At 1 January	1,953	1,849
Foreign exchange	(59)	104
At 31 December	1,894	1,953

The financial assets at FVOCI represent a holding of 25 preferred shares at $100 par value (2018: 25 preferred shares at $100 par value) in the Depository Trust and Clearing Corporation (DTCC), an unlisted entity, which is required to support membership of the DTCC system. These shares are held in a nominee capacity via CIN (Belgium) Limited. The investment is designated in US dollars. Fair value is assessed on the par value of the shares as there is no observable market data available for this financial asset (level 3). All fair value adjustments are recognised in OCI.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

11. Financial assets at FVOCI (continued)

(b) Debt securities

(£)	2019	2018
At 1 January	82,443,800	-
Additions	31,615,108	88,507,523
Redemptions and disposals	(26,700,000)	(6,400,000)
Gains/losses from changes in fair value		
- gains/(losses) on held securities	197,996	8,420
Amortisation of discounts and (premiums)	(313,573)	(311,294)
Net change in accrued interest	(153,035)	639,151
At 31 December	87,090,296	82,443,800

All debt securities (level 1) are listed and have fixed coupons. Further information on the valuation techniques used for the assessment of impairment and risk exposure can be found in notes 3 and 26 respectively.

On disposal any remaining balance in FVOCI reserve is recycled to profit and loss. There were no gains or losses recycled to the profit and loss in the year.

12. Deferred tax assets

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

(£)	2019	2018
At 1 January	43,636	65,329
Income statement charge		
- property, plant and equipment	(10,735)	(6,987)
- loss allowances for financial assets	(8)	(2,643)
- provisions	68,000	-
- IFRS 9 opening balance adjustment	(39,219)	(65,493)
- adjustment in respect of prior years	10,316	53,430
At 31 December	71,990	43,636

A deferred tax asset has been recognised at 31 December 2019 on temporary timing difference arising between the tax basis of accounting for assets and liabilities and their carrying values in the Financial Statements. The asset will be recovered against the expected future profits of the Company. The deferred tax asset recoverable within 12 months is £55,571 (2018: £26,427).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

13. Trade and other receivables

(£)	Note	2019	2018
Trade receivables	26	456,770	384,542
Amounts owed by group undertakings	24	3,623	6,676
Other debtors and prepayments		419,371	485,094
Accrued income		9,432,805	8,721,692
Total		10,312,569	9,598,004

Trade receivables and amounts owed by group undertakings are categorised as loans and advances and are short-term, hence their carrying value is a reasonable approximation of their fair value. Loans and advances are classified and measured at amortised cost, further information on impairment can be found in note 3. Information on risk exposure can be found in note 26.

Accrued income represents revenue earned in 2019 but not received as at year end.

14. Cash and cash equivalents

(£)	2019	2018
Cash at bank and in hand	34,794,773	23,290,047
Short-term bank deposits	-	5,998,429
Total	34,794,773	29,288,476

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

15. Trade and other payables

(£)	Note	2019	2018
Trade creditors		247,148	320,893
Amounts owed to group undertakings	24	9,750,211	4,938,445
Other creditors		282,403	346,133
Tax and social security		1,282,026	344,021
Employee benefits		1,765,309	1,771,490
Accruals and deferred income		3,342,982	3,857,414
Total		16,670,079	11,578,396

All amounts owed to group undertakings are due on receipt of invoice.

All current trade and other payables are unsecured and are due within six months. The carrying value is considered a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

16. Provisions for other liabilities and charges

(£)	2019	2018
At 1 January 2019	-	-
Addition	400,000	-
At 31 December 2019	400,000	-

The provision relates to end of contract costs associated with outsourced services.

17. Share Capital

(£)	2019	2018
Authorised, allotted and fully paid share capital		
24,060,400 (2018: 24,060,400) Ordinary Shares of 25 p each	6,015,100	6,015,100
Total	6,015,100	6,015,100

18. Other reserves

FVOCI revaluation reserve comprises adjustments arising from the adoption of IFRS 9 as at 1 January 2018 and the changes in fair value of financial assets classified at FVOCI.

(£)	Note	FVOCI revaluation reserve
At 1 January 2019		**28,517**
Fair value adjustments	11	197,996
ECL on FVOCI assets		(894)
Deferred tax on fair value adjustments		(38,571)
At 31 December 2019		187,048

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

19. Dividends

(£)	2019	2018
Equity – Ordinary		
Final paid in respect of 2018: £0.290 (final paid in respect of 2017: £0.420) per 25p share	6,977,516	10,105,368
Total	6,977,516	10,105,368

At the date of signing no final dividend has been proposed for the year ending 31 December 2019.

20. Management of capital

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

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

The Company is required by the Bank of England to retain financial resources (i.e. liquid financial assets and net capital) sufficient for the proper performance of its regulated activities. The Bank of England monitors compliance with this based upon 150% of the Financial Resources Requirement, which is calculated as six months' cash operating expenses relevant to the delivery of the regulated services.

The above requirement has been met consistently throughout the year.

It is the policy of Euroclear UK & Ireland Limited to maintain high levels of liquidity. Capital is held in the form of cash deposits (note 14) and debt securities (note 11).

21. Contingent liabilities

As part of the corporate restructuring arrangements effected in 2005, the property leases held by Euroclear UK & Ireland Limited were novated to Euroclear SA/NV. In 2012, there was a partial surrender and extension of the lease of the premises at 33 Cannon Street Under the terms of the lease the landlord requested that Euroclear UK & Ireland Limited guarantee the rent, currently £2,409,411 per annum (2018: £2,409,411) until the end of the lease in 2026. The total contingent liability is £14,858,035 (2018: £17,267,446).

22. Future commitments

Euroclear UK & Ireland Limited has future commitments of £14,616,744 (2018: £10,385,145) that correspond to the development costs related to infrastructure and innovation projects currently under development or already launched that Euroclear SA/NV, as owner, will charge out in future years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

23. Ultimate parent company

Euroclear UK & Ireland Limited is a wholly owned subsidiary of Euroclear SA/NV, which is incorporated in Belgium.

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

The registered office of Euroclear Holding SA/NV is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium. Copies of the Euroclear Holding SA/NV group financial statements and the Euroclear SA/NV financial statements can be obtained from this address.

24. Related party transactions

Euroclear UK & Ireland Limited has entered into various agreements with group entities for the provision of services. These are priced on an arm's length basis in accordance with the group's intercompany transaction policy.

Services provided by the parent are invoiced monthly and settled by way of a monthly prepayment. At the end of the year, a final adjustment for each invoice is prepared.

Other services are either invoiced subsequent to the service being provided, or on a quarterly or annual basis if the service is on-going. All invoicing is in accordance with agreed arrangements for that particular service. None of the intercompany charges are secured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

24. Related party transactions (continued)

The following transactions have been made with related parties during the year:

Related Party (£)	**Services provided (by)/to the group**	**2019 (Revenue)**	2018 (Revenue)	**2019 Charge**	2018 Charge
Parent	IT Services	**-**	-	**34,387,865**	32,394,881
	Commercial, Product Management & Strategy	**-**	-	**6,808,902**	7,887,368
	Support Services	-	-	**14,652,900**	15,221,963
	Royalty Payment	-	-	**386,004**	374,789
	Dividend Paid	**-**	-	**6,977,516**	10,105,368
Fellow subsidiary	Commercial, Product Management & Strategy	**(1,061,780)**	(836,234)	**7,257,901**	7,159,589
	Support Services	**-**	-	**-**	-
	Royalty Payment	**-**	-	**-**	-
Other	Other	**-**	-	**-**	-

Related Party (£)	**2019 Receivable**	2018 Receivable	**2019 (Payable)**	2018 (Payable)
Parent	-	-	**(4,168,016)**	(4,404,987)
Fellow subsidiaries	**3,623**	6,676	**(630,883)**	(533,458)
Other	-	-	**(4,951,312)**	-

KEY:

Parent: Euroclear SA/NV

Fellow subsidiaries: Euroclear Bank SA/NV, Euroclear Nederland, Euroclear France and Euroclear Sweden AB

Other: Euroclear Investments SA, DTCC-Euroclear Global Collateral Limited

Other payables of £4,951,312 relates to corporation tax consortium relief reclaimed by the Company and payable to DTCC-Euroclear Global Collateral Limited.

Key management personnel remuneration and other compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity or of the parent of the entity.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

24. Related party transactions (continued)

(£)	2019	2018
Short-term employee benefits	2,836,577	2,367,116
Post-employment benefits	99,404	91,860
Other long-term benefits	72,000	58,195
Total remuneration and compensation	3,007,981	2,517,171

Directors' emoluments

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

(£)	2019	2018
Aggregate remuneration	1,104,856	653,679
Short-term employee benefits	808	894
Post-employment benefits	2,857	-
Long-term benefits	17,143	-
Total remuneration and compensation	1,125,664	654,573
The emoluments of the highest paid director:		
Aggregate remuneration	392,565	288,000
Short-term employee benefits	-	894
Long-term benefits	-	-
Total remuneration and compensation	392,565	288,894

At 31 December 2019, the number of directors and independent directors was 7 (2018: 6). During the year, 1 director did not receive any remuneration from Euroclear UK & Ireland Limited (2018: 2). The emoluments of this director is paid by the parent company which makes no recharge to Euroclear UK & Ireland Limited. Accordingly, the above details include no emoluments in respect of this director.

The number of directors and non-executive directors who participate in the defined contribution pension scheme is 1 (2018: none). The highest paid director has not exercised any share options or received any shares under a long term incentive scheme for the year ending 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

25. Monies held in trust

Two of the subsidiary companies of Euroclear UK & Ireland Limited hold monies in trust as disclosed below. The monies are held in trust and as such are not included on the statement of financial positions of Euroclear UK & Ireland Limited.

(£)		**2019**	**2018**
Subsidiary:	Held in trust for:		
CREST Stamp Nominee (No.1) Limited	HM Revenue and Customs	131,216,960	89,925,657
CREST Stamp Nominee (No.2) Limited	Office of the Revenue Commissioners	3,389,653	4,709,496

26. Financial risk management

The Company's activities expose it to a variety of financial risks (including currency risk, cash flow interest rate risk and credit risk). The Company manages these risks through various control mechanisms.

Overall responsibility for risk management rests with the Board of Euroclear UK & Ireland Limited. Day to day responsibility is delegated to the Management Committee.

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

(a) Management of market risk

Market risk is the uncertainty on future earnings and on the value of assets and liabilities (on or off the statement of financial position) due to changes in interest rates and foreign exchange rates. Market risk comprises currency risk, interest rate risk and other price risk.

(i) Currency risk

The Euroclear group operating model is designed to facilitate the supply of services between entities in different locations, including to Euroclear UK & Ireland Limited from various European countries. Foreign exchange risk arises from the supply of services where the underlying cost has been accounted for in Euro. Related party transactions are invoiced in GBP at a fixed rate agreed at the beginning of the year. This mitigates a significant proportion of the Company's short term exposure to foreign exchange risk arising from currency exposures.

A consistent approach has been applied to the management of foreign currency transactions. A group view is taken in relation to the requirement for hedging exchange rate exposure, given the bi-directional flows of recharge arrangements.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

26. Financial risk management (continued)

(ii) Interest rate risk

Interest rate risk arises on interest-bearing assets (e.g. loans, deposits placed and receivables) and borrowings.

The Company's exposure to interest rate risk in relation to interest expense is minimal, as Euroclear UK & Ireland Limited does not maintain overdrafts or loans.

The average rate of interest received in the year was 0.29% (2018: 0.26%). If the average interest rate in the year had been 1.29% (2018: 1.26%), the resulting effect would be an increase in revenue of £1.7 million (2018: £1.7 million). This would have increased profit before tax for the year by 8% (2018: 9%).

(iii) Price risk

The Company has minimal exposure to price risk. The profile of financial assets held (see note 11) are not subject to significant fluctuations in market price.

(b) Management of credit risk

Credit risk is the risk that Euroclear UK & Ireland Limited is exposed to loss if another party fails to perform its financial obligations to the Company. Credit risk arises from cash and cash equivalents, contractual cash flows of debt securities classified as FVOCI and trade receivables. The credit risk exposure is minimised as:

- strict investment policy on debt securities limiting, among others, the allowed counterparties, types of instruments, concentration, currency and maturity;
- the majority of customers are regulated entities: more than 70% (by value of fees) are entities subject to capital adequacy requirements; and
- customers largely settle amounts by monthly direct debit.

Exposure to credit risk is monitored on an on-going basis through regular review of customers' outstanding balances and investment portfolio performance. Exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. At the end of the year, there were no significant concentrations of credit risk.

Impairment provisions on financial assets are provided in accordance with IFRS 9.

Debt securities are considered to have a low credit risk (stage 1) and requires the recognition of 12 month expected credit losses. Fair value on debt securities is based on inputs that are quoted market prices in active markets (level 1). A market is regarded as active if quoted prices are readily available and if these prices represent actual and regularly occurring market transactions on an arm's length basis. The loss allowance for debt securities is recognised in OCI and is offset by the fair value movement otherwise recognised in OCI (see note 11).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

26. Financial risk management (continued)

(b) Management of credit risk (continued)

The impairment of trade receivables is applied using the simplified approach, requiring the recognition of lifetime ECLs at all times. The expected credit losses on these financial assets are estimated using a provision matrix based on the Euroclear group's historical credit loss experience. Expected credit losses are based on the age of the receivables. The below table provides the impairment profile of trade receivables. Included in the below is £467,586 of impairment relating to customers in administration that have an impairment rate of 100% applied.

(£)	Expected loss rate	31 December 2019	31 December 2018
Carrying amount			
Current	0.01%	8,670	3,093
Less than 30 days	0.50%	112,904	157,268
30 to 60 days	1.00%	68,022	19,480
60 to 90 days	5.00%	8,690	6,442
90 to 360 days	15.00%	263,937	209,245
Over 360 days	40.00%	558,040	458,367
Total Carrying amount		1,020,263	853,895
Impairment			
Current	0.01%	-	-
Less than 30 days	0.50%	2,313	1,046
30 to 60 days	1.00%	1,933	453
60 to 90 days	5.00%	1,827	541
90 to 360 days	15.00%	104,090	97,555
Over 360 days	40.00%	453,330	369,758
Total Impairment		563,493	469,353

The application of ECL approaches outlined above to the financial assets resulted in the following impairment (gains)/losses being recognised in profit and loss during the year:

(£)	2019	2018
12 month expected credit loss		
Impairment gains/(losses) on cash and cash equivalents	(4,026)	(13,917)
Impairment gains/(losses) on financial assets at FVOCI	(894)	24,811
Total 12 month expected credit loss	(4,920)	10,894
Lifetime expected credit loss		
Impairment gains/(losses) on trade receivables	94,168	222,315
Total lifetime expected credit loss	94,168	222,315
Total impairment losses on financial assets	89,248	233,209

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

26. Financial risk management (continued)

(c) Management of liquidity risk

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

Responsibility for Euroclear UK & Ireland Limited's liquidity has been delegated by the Board to the Management Committee. Cash reserves are managed to ensure that Euroclear UK & Ireland Limited is able to meet its financial obligations at all times. Euroclear UK & Ireland Limited holds most of its liquid assets in the form of debt securities or cash or cash equivalents, which give rise to little or no liquidity risk.

In addition, the Bank of England has set a Financial Resources Requirement which requires that sufficient liquid financial assets are retained. Monthly reports are filed with the Bank of England to evidence that the requirement is met.

27. Events after the balance sheet date

On 11 March 2020 the World Health Organisation declared the spread of the COVID-19 virus to be a global pandemic, the consequences to the Company of this have been discussed further on pages 7 and 17. The medium to long term impact of the pandemic is still uncertain and the financial impact on the wider marketplace continues to change. The COVID-19 pandemic is a non-adjusting post balance sheet event. The Company does not consider there to be a material impact to its financial statements at 31 December 2019 as a result of the COVID-19 pandemic.

Euroclear is a carbon neutral company **PAS2060 certified**

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