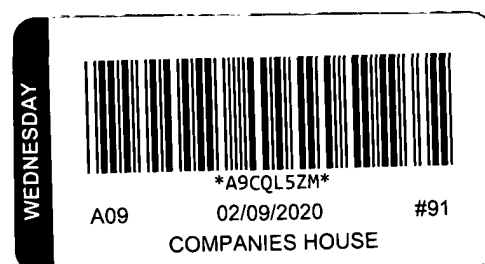


Fidelity Stock Plan Services UK Limited

(Registered Number: 2709979)

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2019



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DIRECTORS AND OTHER INFORMATION**Board of Directors**

Mark A. Haggerty (USA)

Danielle Deja (USA)

(appointed 15 October 2019)

Travis Carpico (USA)

(resigned 15 October 2019)

Independent Auditors

PricewaterhouseCoopers

One Spencer Dock

North Wall Quay

Dublin 1

Ireland

Registered Office

1 St Martin's Le Grand

London

EC1A 4AS

United Kingdom

Bankers

HSBC Bank plc

RMS Dept Level 2

2nd Floor

62-76 Park Street

London SE1 9DZ

United Kingdom

and

HSBC Trinkaus and Burkhardt AG

Königsallee 21/23

40212 Düsseldorf

Germany

STRATEGIC REPORT

Strategic report for the year ended 31 December 2019

The directors present their strategic report for Fidelity Stock Plan Services UK Limited (the "Company") for the year ended 31 December 2019.

Review of the business

Principal activities

The Company provides stock plan services to subsidiaries of US companies located in Europe and indigenous European companies. These services include direct management and administration of company stock plans, record keeping, call centre support, comprehensive participant education and specialized executive services. Fidelity Stock Plan Services UK Limited is the 100% parent of Fidelity Stock Plan Services GmbH (the "Subsidiary"). Fidelity Stock Plan Services UK Limited is a wholly-owned subsidiary of Fidelity Stock Plan Services, LLC (the "Parent") which in turn is a wholly-owned subsidiary of FMR LLC (the "Ultimate Parent Company")

On 29 April 2019, the Company commenced providing consultancy services on a cost plus basis of 10% to Fidelity Digital Asset Services LLC. The provision of the consultancy services ceased on 31 March 2020 as the associate performing this work transferred to a new legal entity, Fidelity Digital Assets, Ltd ("FDAS").

Fair review of the development and performance of the business and of its position

The Company generated revenue of £3,095,934 in 2019 (2018: £2,290,091) from the provision of stock plan and digital assets consultancy services. The results represent the consolidated position of the Company and the Subsidiary.

Company revenue is subject to a cost plus of 110% of total expenses. The performance of the business and its position are detailed in the consolidated statement of comprehensive income, consolidated balance sheet, company balance sheet, consolidated statement of changes in equity and consolidated statement of cash flows respectively. The Company earned a profit for the year of £148,755 (2018: £128,846). The directors consider that the outlook for the Company is positive with increasing business activity in stock plan services in 2020.

Key risks and uncertainties

The directors consider that the principal risks and uncertainties faced by the Company are in the following categories:

Economic risk

The Company is subject to risks related to Brexit, the global economic environment and changes in currency exchange rates related to the payment for services, which may be due in currency other than the Company's functional currency. Management actively monitors these risks to assess the impact they may have on the Company's operations.

The United Kingdom left the European Union on 31 January 2020 and has now entered an 11-month transition period that will end on 31 December 2020. The Company continues to utilise the Regulatory Co-ordination Program office to facilitate a Brexit working group which is a cross-functional taskforce assessing the ongoing impact of Brexit on the Company and the wider Group. The taskforce believe that the Brexit impact will be minimal on the Company and the wider Group. The foreign currency risk in the investment in Fidelity Stock Plan Services GmbH is reviewed on a regular basis.

In March 2020, the World Health Organisation (WHO) recognised the Covid-19 outbreak as a Global Pandemic. This has resulted in significant market volatility and declines in global markets and disruptions to commerce and travel. The Company has detailed business continuity plans for these situations and these have been put into effect to ensure operational continuity. The Company operates a cost plus model and this will further reduce any risk associated with the current Global Pandemic. The Company and FMR LLC will continue to assess the business and economic impact as the situation evolves.

Market risk

The Company is subject to market risk as the Company trades with international companies and is exposed to foreign exchange risk.

STRATEGIC REPORT (continued)**Key risks and uncertainties (continued)***Financial risk*

Counterparty risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

These risks are mitigated by vendor and counterparty vetting and ongoing monitoring of liquidity and capital. Further detail on financial risk is included in Note 13 to the consolidated financial statements.

Key performance indicators

The directors consider the key performance indicators of the Company are total operating expenses and profit before income tax. The total operating expenses for the year amounted to £2,804,496 (2018: £2,081,741), representing a 35% increase year on year. This increase in operating expenses was due to higher staff costs.

By order of the board

Danielle Deja
Director

Dated: 21 July 2020

DIRECTORS' REPORT

The directors submit their directors' report and the consolidated financial statements for the year ended 31 December 2019.

Future development

The outlook for the Company is positive with increasing business activity in stock plan services in 2020.

Post balance sheet events

In March 2020, the World Health Organisation (WHO) recognised the COVID-19 outbreak as a Global Pandemic. This has resulted in significant market volatility and declines in global markets and disruptions to commerce and travel. The Company has detailed business continuity plans for these situations and these have been put into effect to ensure operational continuity. The Company operates a cost plus model and this will further reduce any risk associated with the current Global Pandemic. The Company and FMR LLC will continue to assess the business and economic impact as the situation evolves. COVID-19 is a non-adjusting post balance sheet event.

The provision of consultancy services to Fidelity Digital Asset Services LLC ceased on 31 March 2020 as the associate performing this work transferred to a new legal entity, Fidelity Digital Assets, Ltd.

Results and dividends

The results for the year show a profit of £148,755 (2018: £128,846). The results represent the consolidated position of the Company and the Subsidiary. The directors do not recommend the payment of a dividend.

Directors and their interests

The names of persons who were directors at any time during the year ended 31 December 2019 are set out below:

Mark A. Haggerty (USA)

Danielle Deja (USA) appointed 15 October 2019

Travis Carpico (USA) resigned 15 October 2019

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing financial statements for the year ended 31 December 2019 and that applicable accounting standards have been followed.

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

Books of account

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at 1 Waterside, Citywest Business Campus, Dublin 24, Ireland but are also available at 1 St Martin's Le Grand, London EC1A 4AS, United Kingdom.

Policy and practice of payment

The Company endeavours to agree to terms of payment with suppliers prior to placing business. This ensures that suppliers are aware of the terms of payment in advance. It is the Company's policy to pay to agreed terms.

DIRECTORS' REPORT (continued)

Provision of information to auditors

The directors confirm that insofar as they are aware, that there is no relevant audit information of which the Company's auditors are unaware. The directors have taken the appropriate steps to ensure that the auditors are aware of all necessary information.

By order of the board



Danielle Deja

Director

Dated: 21 July 2020



Independent auditors' report to the members of Fidelity Stock Plan Services UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Fidelity Stock Plan Services UK Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the group consolidated balance sheet and the company balance sheet as at 31 December 2019; the group consolidated statement of comprehensive income, the group consolidated statement of cash flows, and the group consolidated statement of changes in equity and the company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.



Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Liam O'Mahony'.

Liam O'Mahony (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin

21 July 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 £	2018 £
REVENUE	2	3,095,934	2,290,091
OPERATING EXPENSES			
Auditors' remuneration		36,192	31,384
Depreciation	6	2,565	662
Depreciation charge on right-of-use assets	7	46,877	—
Legal and professional fees		424,430	290,290
Licence agreement with FMR IMUK	2.3	144,445	58,191
Staff costs:			
Salaries and benefits		1,443,949	1,133,156
Pension scheme contribution		109,923	57,070
Other staff costs		263,207	206,744
Travel and entertainment		152,720	87,761
Occupancy costs		33,848	57,638
Recruitment and agency		16,445	55,757
Other expenses		129,895	103,088
Total operating expenses		2,804,496	2,081,741
Operating profit		291,438	208,350
Lease interest expense	7	9,990	—
Profit before income tax		281,448	208,350
Tax charge on profit on ordinary activities	5	103,236	74,870
Profit on ordinary activities after taxation		178,212	133,480
Other comprehensive income			
Remeasurement of post employment benefit obligations	10	(16,610)	(7,483)
Exchange differences on translation of foreign operations		(12,847)	2,849
Total comprehensive income		148,755	128,846

There were no gains or losses other than those dealt with in the consolidated statement of comprehensive income above.

CONSOLIDATED BALANCE SHEET
As at 31 December 2019

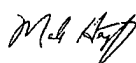
ASSETS	Notes	2019	2018
		£	£
Non-current assets			
Property and equipment	6	4,517	4,639
Right-of-use assets	7	253,047	—
Deferred tax asset	5	2,865	—
Total non-current assets		260,429	4,639
Current assets			
Cash and cash equivalents	8	571,017	312,088
Other receivables		18,931	47,268
Amounts due from the Ultimate Parent Company		304,541	227,187
Total current assets		894,489	586,543
TOTAL ASSETS		1,154,918	591,182
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	10	114,805	67,466
Lease liability	7	213,628	—
Total non-current liabilities		328,433	67,466
Current liabilities			
Lease liability	7	43,855	—
Other payables and accruals	9	281,696	222,680
Tax payable		117,005	63,876
Deferred tax liability	5	—	1,986
Total current liabilities		442,556	288,542
TOTAL LIABILITIES		770,989	356,008
Net assets		383,929	235,174
EQUITY			
Share capital		2	2
Other reserves		48,113	77,570
Retained earnings		335,814	157,602
TOTAL EQUITY		383,929	235,174

The consolidated financial statements on pages 9 to 34 were approved by the Board of Directors on 21 July 2020 and signed on its behalf by:



Danielle Deja
Director

Dated: 21 July 2020



Mark A. Haggarty
Director

Dated: 21 July 2020

COMPANY BALANCE SHEET
As at 31 December 2019

ASSETS	2019	2018
	£	£
Non-current assets		
Property and equipment	2,952	2,472
Deferred tax assets	2,865	—
Investment in Subsidiary	265,931	175,397
Total non-current assets	271,748	177,869
Current assets		
Cash and cash equivalents	232,367	158,761
Other receivables	11,078	27,699
Tax receivable	—	1,056
Amount due from the Ultimate Parent Company	86,338	—
Total current assets	329,783	187,516
TOTAL ASSETS	601,531	365,385
LIABILITIES		
Current liabilities		
Other payables and accruals	166,420	118,582
Amounts due to the Ultimate Parent Company	—	4,508
Tax payable	34,578	—
Deferred tax liability	—	1,986
Total current liabilities	200,998	125,076
TOTAL LIABILITIES	200,998	125,076
Net assets	400,533	240,309
EQUITY		
Share capital	2	2
Other reserves	72,446	85,053
Retained earnings	328,085	155,254
TOTAL EQUITY	400,533	240,309

As permitted by section 408(3) of the Companies Act 2006, the income statement of Fidelity Stock Plan Services UK Limited is not presented in the Annual Report and Consolidated Financial Statements. Fidelity Stock Plan Services UK Limited has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Parent and the Subsidiary rather than its own cash flows.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share Capital	Other reserves	Retained Earnings	Total
	£	£	£	£
At 1 January 2018	2	82,204	24,122	106,328
Profit for the period	—	—	133,480	133,480
Other comprehensive income	—	(7,483)	—	(7,483)
Cumulative translation adjustment	—	2,849	—	2,849
At 31 December 2018	2	77,570	157,602	235,174
At 1 January 2019	2	77,570	157,602	235,174
Profit for the period	—	—	178,212	178,212
Other comprehensive income	—	(16,610)	—	(16,610)
Cumulative translation adjustment	—	(12,847)	—	(12,847)
At 31 December 2019	2	48,113	335,814	383,929

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

		2019	2018
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES	Notes		
Profit before income tax		281,448	208,350
Depreciation	6	2,565	662
Depreciation charge on right-of-use assets		46,877	—
Decrease/(increase) in prepayments and deposits		28,337	(35,855)
Increase in other payables and accruals		97,226	110,291
(Increase) in amounts due from the Ultimate Parent Company		(77,354)	(272,584)
Cash generated from operating activities		<u>379,099</u>	<u>10,864</u>
Lease interest expense	7	(9,990)	—
Income tax paid		<u>(49,310)</u>	<u>(22,833)</u>
Net cash generated from/(used by) operating activities		<u>319,799</u>	<u>(11,969)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of property and equipment	6	(5,034)	(5,301)
Proceeds from sale of fixed assets	6	2,591	—
Principal elements of lease payments		(39,387)	—
Net cash (used in) investing activities		<u>(41,830)</u>	<u>(5,301)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		277,969	(17,270)
Cash and cash equivalents at beginning of year		312,088	325,356
Effects of exchange rate changes on cash and cash equivalents		(19,040)	4,002
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>571,017</u>	<u>312,088</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank		<u>571,017</u>	<u>312,088</u>

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Company comprises Fidelity Stock Plan Services UK Limited, a limited liability company incorporated in the United Kingdom, which in turn is the 100% parent of Fidelity Stock Plan Services GmbH (the "Subsidiary"), a limited liability company incorporated in Germany. The registered office of the Company is 1 St Martin's Le Grand, London, EC1A 4AS, United Kingdom.

During the year, the Company was involved in the development of the stock plan services business in Europe with Fidelity Stock Plan Services GmbH operating call centre support for the stock plan services business in Europe. On 29 April 2019, the Company commenced providing consultancy services on a cost plus basis of 10% to Fidelity Digital Asset Services LLC. The provision of the consultancy services ceased on 31 March 2020 as the associate performing this work transferred to a new legal entity, Fidelity Digital Assets, Ltd.

The Company is a wholly-owned subsidiary of Fidelity Stock Plan Services, LLC (the "Parent") which in turn is a wholly-owned subsidiary of FMR LLC (the "Ultimate Parent Company").

These consolidated financial statements are presented in GBP, unless otherwise stated.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements.

2.1 Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of Fidelity Stock Plan Services UK Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

(ii) Principles of consolidation

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is exercised by the Company and are no longer consolidated from the date on which control ceases.

The acquisition method of accounting is used to account for business combinations. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed, if necessary, to ensure consistency with the policies adopted by the Company.

(iii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities, certain classes of property, plant and equipment and investment property – measured at fair value.

(iv) New and amended standards adopted

The Company made changes to the classification of operating expenses in the consolidated statement of comprehensive income due to the implementation of new accounting standards and this has resulted in the reclassification of some of the prior year operating expenses.

The Company has applied the following standards and amendments for the first time for the reporting period commencing 1 January 2019:

IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New and amended standards adopted (continued)

IFRS 16 Leases (continued)

IFRS 16 replaces existing leases guidance, including IAS17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the substance of Transactions Involving the Legal Form of a lease. The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model of lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the old standard, lessors continue to classify leases as finance or operating leases.

The Company has changed its accounting policy for leases where the Company is lessee. Up until 31 December 2018, leases of property, plant and equipment where the Company, as lessee, has substantially all the risks, were classified as finance leases. Finance leases were capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to the statement of comprehensive income over the lease period so as to produce constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term. For year ended 31 December 2018 there were no finance leases in the Company.

Leases in which a significant portion of the risks and rewards were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases were charged to the statement of comprehensive income on a straight-line basis over the period of the lease. For year ended 31 December 2018 the property leases in the Company were treated as operating leases.

The Company has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019 as per modified retrospective approach.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.3587%.

(1) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New and amended standards adopted (continued)

IFRS 16 Leases (continued)

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(2) Measurement of lease liabilities

	2019
	£
Operating lease commitments	355,992
Discounted using lease incremental borrowing rate at the date of initial application	296,055
Timing difference	(624)
FX on translation	18,172
Lease liability at 1 January 2019	<u>313,603</u>

	2019
	£
Lease liability recognised as at 1 January 2019	313,603
Of which are:	
Current lease liabilities	44,923
Non-current lease liabilities	268,680

(3) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid lease payments, accrued lease payments and rent free period relating to that lease recognised in the balance sheet as at 31 December 2018.

(4) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Right-of-use assets increased by	£ 318,227
Lease liabilities increased by	£ 313,603

2.2 Revenue

Revenue for the Company represents income for services provided to Fidelity Stock Plan Services, LLC charged on a cost plus 10% basis and services provided to Fidelity Digital Asset Services LLC on a cost plus 10% basis. Fidelity Stock Plan Services GmbH earns income for services provided to Fidelity Stock Plan Services, LLC charged on a cost plus 10% basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.2 Revenue (continued)

The Company has implemented IFRS 15 which came into effect on 1 January 2018. The Company has followed the five steps in the standard to assess all contracts and no material changes have been identified.

The five steps in the standard are: (1) Customer information/where does revenue come from? (2) Details of performance obligations (3) Details of transaction prices (4) How price is allocated to the performance obligations (5) When and how is revenue recognised.

Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is stated net of value-added tax, returns, rebates and discounts if any. All revenue recognised by the Company adheres to the five steps set out in IFRS 15.

Payment of all revenue falls due within thirty days of the calculation being finalized and services rendered. Settlement of all revenue is completed through the intercompany process.

2.3 Licence Fee

The office building at 1 St Martin's Le Grand, London, EC1A 4AS lease is held in FMR Investment Management (UK) Limited ("FMR IMUK") and a licence fee is charged to the Company. FMR IMUK has control and the power to substitute the leased space. As a result, the leased assets are accounted for in FMR IMUK and lease accounting does not impact the Company. Payments made under the licence agreement are charged on an accruals basis to the consolidated statement of comprehensive income. Payments are based on the Company's headcount and include occupancy and depreciation costs and are made on a monthly basis. At the year end an annual true-up / true-down of actual payments versus actual cost is calculated and charged to the consolidated statement of comprehensive income.

2.4 Property and Equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Depreciation is provided on a straight line basis so as to write off the residual value of tangible fixed assets over the expected useful economic life of the assets concerned. The estimated useful lives of tangible fixed assets are as follows:

Computer equipment	3 years
Furniture	5 years
Leasehold improvements	10 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.5 Financial assets and financial liabilities

(i) Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's financial assets at amortised cost comprise "amounts due from the Ultimate Parent Company", "other receivables" and "cash and cash equivalents" in the balance sheet. Under IFRS 9, financial assets at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

IFRS 9 establishes a new model for recognition and measurement of impairments in loans and receivables that are measured at Amortized Cost or Fair Value through Other Comprehensive Income — the 'expected credit losses' (ECL) model. IFRS 9 allows the Company to use a simplified "provision matrix" for calculating expected losses as a practical expedient (e.g., for trade receivables), if consistent with the general principles for measuring expected losses. The provision matrix is based on the Company's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (debtors more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. When a receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income. There were no impairments of financial assets required at year end as determined under ECL model noted above.

Financial assets at amortised cost are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(ii) Financial liabilities

Financial liabilities include trade payables and other monetary liabilities including amounts due to the Ultimate Parent Company.

All financial liabilities are recognized initially at the fair value net of transaction costs incurred. After initial recognition, they are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, canceled, or expires.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The consolidated financial statements are presented in pounds sterling denoted by the symbol "£", which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within other expenses. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group companies

The results and financial position of all the group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows;

- (a) assets and liabilities for each balance sheet presented or translated at the closing rate of that balance sheet
- (b) income and expenses for each income statement are translated at average exchange rates; and
- (c) all resulting exchange differences are recognised in the statement of comprehensive income

2.7 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. It comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profit against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.7 Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, consolidated balance sheet and company balance sheet.

2.8 Employee Benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are recognized in the consolidated statement of comprehensive income when the absences occur.

(ii) Post-employment obligations

The Company and the Subsidiary contribute to defined contribution schemes on a mandatory or contractual basis. The Company operates a defined contribution pension scheme and the Subsidiary operates a defined contribution scheme which is treated as a defined benefit plan for financial statement purposes. The schemes are generally funded through payments by the Company and the Subsidiary to trustee-administered funds. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The contributions are recognized as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Company has no further payment obligations once the contributions have been paid for employees.

The Subsidiary guarantees that at least paid in contributions will be paid out. The Subsidiary's defined contribution plan is treated as a defined benefit plan for financial statement purposes as guaranteeing paid in contributions means there are features of a defined benefit plan under IAS 19.

The liability or asset recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The Projected Unit Credit Cost Method is used to determine the present value of the defined benefit obligation and the related current service cost. Under this method, a "projected accrued benefit" is calculated based upon service as of the date of valuation, but when the benefit formula is based on future compensation and social security levels, using assumptions about the growth of those amounts projected to the age at which the employee is assumed to leave active service. In normal circumstances the "projected accrued benefit" is based upon the plan's accrual formula. In Germany, however, it is common practice to calculate a "project-and-prorate" benefit whereby the expected benefit upon commencement is calculated, and then prorated based on the ratio of attained service versus projected service.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet. Service costs are recognised in pension costs in the consolidated statement of comprehensive income.

(iii) Bonus payments

The expected cost of bonus payments is recognized as a liability when the Company has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus payments are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.8 Employee Benefits (continued)

(iv) Share-based compensation

The Company participates in various FMR LLC share-based compensatory plans and is allocated a compensation charge that is amortized over the period in which the compensation charge is earned by the employee participants. This charge is based on the Net Asset Value of FMR LLC Shares, as defined. The Company settles charges monthly in arrears with FMR LLC. The FMR LLC share plans are accounted for as share appreciation rights and provide holders with participation in FMR LLC's net asset value per share, as defined by FMR LLC, over their respective terms. These plans are cash settled at the end of their defined term or in the event employee participants are no longer eligible holders. The accumulated value of these plans including certain additional cash bonuses on selected plans is amortized over the applicable vesting periods with a charge to employee compensation and benefits.

The allocated share based compensation charge is accounted for in the consolidated statement of comprehensive income of the Company calculated by reference to the net asset value per share with adjustments arising upon ultimate vesting and payment of these share compensation plans.

2.9 Leases

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments. Right-of-use asset and liability are recorded on the Company's balance sheet. Payments are charged to the consolidated statement of comprehensive income account on a straight-line basis over the period of the lease. Depreciation on the right-of-use asset and interest on the lease liability are charged to the consolidated statement of comprehensive income account on a straight-line basis over the period of the lease.

2.10 Other payables and accruals

These amounts represent liabilities for goods and services provided to related party companies and third parties prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and bank overdrafts.

2.12 Operating Expenses

Operating expenses are accounted for in the consolidated statement of comprehensive income and comprise payroll costs, auditor's remuneration, legal and professional fees, depreciation, depreciation charge on right-of-use assets, licence agreement with FMR IMUK, occupancy costs, recruitment and agency, travel and entertainment and other expenses. These expenses are accounted for on an accruals basis.

2.13 Share Capital

Ordinary shares are classified as equity only for the Parent company. Subsidiary is eliminated on consolidation. The distribution of share capital is made in a form of dividend payment to the Parent company. The Company calculates its dividend payment by analyzing the excess cash levels using cash forecast and liquid capital impact analysis. The dividend payment is approved by the board of directors and paid out of the operating bank account. Dividend payments are accounted for in equity in the month the dividend payment is declared.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Income tax

The Company is subject to income taxes in the UK and Germany. Significant judgment is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain.

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

The recognition of deferred tax assets is based on future profitability assumptions. In the events of changes to these profitability assumptions, the deferred tax asset will be assessed and adjusted accordingly.

(ii) Property and equipment

Items of property and equipment are tested for impairment if there is any indication that the carrying value of these assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate to be used in order to calculate the present value.

(iii) Employee benefit obligation

The Subsidiary operates a defined contribution plan which is treated as a defined benefit plan for financial statement purposes as guaranteeing paid in contributions means there are features of a defined benefit plan under IAS 19. The Subsidiary guarantees at least paid in contributions will be paid out. Independent actuaries use the Projected Unit Credit Cost Method to determine the present value of the defined benefit obligation and the related current service cost. The actuaries use a number of assumptions (discount rate, expected long-term return on assets, price inflation, salary increases, increase in social security and pension increases) to determine the present value and service costs. Remeasurement gains and losses arising from experience adjustments and the assumptions are recognised in the period which they occur, directly in other comprehensive income.

4. Directors' remuneration

The directors did not receive any remuneration from the Company in the current or prior year financial reporting periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Income tax expense

(i) Tax on profit on ordinary activities comprised:

	2019 £	2018 £
Current tax		
Current tax on profit for the year	110,199	61,149
Adjustments for current tax of prior periods	(2,112)	13,936
Total current tax	108,087	75,085
Deferred tax		
Increase in deferred tax assets	(4,851)	(215)
Total deferred tax	(4,851)	(215)
Income tax expense	103,236	74,870

(ii) Factors affecting tax for the year

The effective rate of corporation tax in the UK of 19% for 2019 which is the equivalent of the standard rate of 19% (2018: 19%). A reconciling item has been included to account for the difference between the German tax rate and the domestic tax rate. The differences are explained below:

	2019 £	2018 £
Profit before tax	281,448	208,350
Profit on ordinary activities multiplied by the domestic rate of corporation tax of 19% (2018: 19%)	53,475	39,587
<i>Effects of:</i>		
Foreign tax rate	19,884	14,649
Disallowable Expense	44,275	7,482
German GAAP to IFRS adjustment	(1,200)	156
Adjustment in respect of prior years	(2,112)	13,936
Share scheme add-backs	(6,691)	(515)
Capital allowances in excess of depreciation	456	(210)
Premeasurement of deferred tax	(4,851)	(215)
Current tax for the year	103,236	74,870

(iii) Deferred tax asset

The Company does not plan to dispose of its investment in its subsidiary in the foreseeable future and the Company does not plan to make any dividends from the subsidiary to the Parent therefore there is no deferred tax measured in respect of the Company's investment in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Income tax expense (continued)

(iii) Deferred tax asset (continued)

	2019 £	2018 £
At beginning of year	(1,986)	(2,201)
Origination during year	4,851	215
At end of year	2,865	(1,986)
Comprised as follows:		
Due after one year		
Shares scheme	3,303	(1,798)
Fixed assets	(438)	(188)
	2,865	(1,986)

6. Property and equipment

	Computer Equipment £
Cost	
At 31 December 2018	5,301
Additions	5,034
Disposals	(3,060)
At 31 December 2019	7,275
	Computer Equipment £
Accumulated depreciation	
At 31 December 2018	(662)
Charge	(2,565)
Disposals	469
At 31 December 2019	(2,758)
Net Book value at	
31 December 2018	4,639
31 December 2019	4,517

7. Leases

This note provides information for leases where the Company is a lessee.

Fidelity Stock Plan Services UK rents office space from a related party, FMR Investment Management (UK) Ltd, in 1 St Martin's Le Grand, London, UK. The licence agreement is for a period of 12 months and it was not classified as a lease.

The lease information below is related to the office space occupied by the Subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Leases (continued)

(i) Amounts recognised in the consolidated balance sheet.

The balance sheet shows the following amounts relating to leases:

	31 December 2019	1 January 2019*
	£	£
Right-of-use assets		
Leasehold building	253,047	318,227
	<u>253,047</u>	<u>318,227</u>
Lease Liabilities		
Current	43,855	44,923
Non-current	213,628	268,680
	<u>257,483</u>	<u>313,603</u>

* In the previous year, the Company recognised property leases as operating leases under IAS 17 Leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 2.1.

Additions to the right-of-use assets during the 2019 financial year were £NIL.

(ii) Amounts recognised in the consolidated statement of comprehensive income.

The statement of comprehensive income shows the following amounts relating to leases:

	2019	2018
	£	£
Depreciation charge on right-of-use assets	46,877	—
Lease interest expense	<u>9,990</u>	<u>—</u>

The total cash outflow for leases in 2019 was £49,377 (2018: £NIL).

8. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank	<u>571,017</u>	<u>312,088</u>

9. Other payables and accruals

	2019	2018
	£	£
Accounts payable	4,505	19,709
Payroll taxes	135,424	91,238
Professional services	72,619	82,984
Other accruals	69,148	28,749
	<u>281,696</u>	<u>222,680</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Employee benefit obligations

(a) Defined contribution plan treated as a defined benefit plan

	2019 £	2018 £
Non-current	114,805	67,466
Total employee benefit obligation	114,805	67,466

Fidelity Stock Plan Services GmbH operates a defined contribution plan. The Subsidiary's defined contribution plan is treated as a defined benefit plan as guaranteeing paid in contributions means there are features of defined benefit plan.

The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Plan Compensation is equal to the yearly rate of pay as of the beginning of the fiscal year. The accrued cash balance as at date of retirement is converted into an annual pension payment. The plan is unfunded; therefore an asset method is not applicable. The Projected Unit Credit Cost Method is used to determine the present value of the defined benefit obligation and the related current service cost. Under this method, a "projected accrued benefit" is calculated based upon service as of the date of valuation, but when the benefit formula is based on future compensation and social security levels, using assumptions about the growth of those amounts projected to the age at which the employee is assumed to leave active service. In normal circumstances the "projected accrued benefit" is based upon the plan's accrual formula. In Germany, however, it is common practice to calculate a "project-and-prorate" benefit whereby the expected benefit upon commencement is calculated, and then prorated based on the ratio of attained service versus projected service.

(b) Consolidated balance sheet amounts

The amounts recognised in the consolidated balance sheet and the movements in the net defined benefit obligation are as follows:

	Present value of obligation £	Fair value of plan assets £	Total £
At 1 January 2019	155,066	(87,600)	67,466
Current service cost	63,092	—	63,092
Interest expense/(income)	2,844	(1,996)	848
Total amount recognised in statement of comprehensive income	65,936	(1,996)	63,940
Remeasurements			
Return on plan assets	—	(29,267)	(29,267)
Loss from change in financial assumptions	37,116	—	37,116
Experience (gain)	8,762	—	8,762
Total amount recognised in other comprehensive income	45,878	(29,267)	16,611
Exchange differences	(3,187)	(620)	(3,807)
Contributions:			
Employers	—	(29,405)	(29,405)
Plan participants	—	(16,239)	(16,239)
Benefit payments	16,239	—	16,239
At 31 December 2019	279,932	(165,127)	114,805

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Employee benefit obligations (continued)

(c) Significant estimates: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:	2019	2018
Discount rate	1.20%	1.90%
Price inflation	1.75%	1.75%
Rate of salary increase	2.75%	2.75%
Pension increases for in-payment benefits	1.75%	1.75%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics. It is assumed that all active employees will retire at the earliest age possible under the German social system, i.e. at age 63, except for females born before 1952 who may retire as early as age 60.

Representative rates (not due to disability, retirement or mortality) at which participants are assumed to leave the Company by age and gender are shown below:

Age	Males	Females
20	14.90%	25.00%
30	6.90%	10.00%
40	1.60%	3.00%
50 & up	0.00%	0.00%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Original Value	Sensitivity Analysis	Effect on DBO
Discount rate	1.20%	0.50 %	(16,527)
Discount rate	1.20%	(0.50)%	19,670

The sensitivity analysis shall show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual report period.

The major categories of plan assets are as follows:

	Allocation percentage 31/12/2019 Quoted	Allocation percentage 31/12/2019 Unquoted	Allocation percentage 31/12/2019 Total
Equities	93.00%	0.00%	93%
Bonds/Derivatives	5.00%	0.00%	5%
Other/Cash	0.00%	2.00%	2%
Total	98.00%	2.00%	100%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the Projected Unit Cost Method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

(d) The expected maturity profile of Defined Benefit Obligation is:

12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/30/2024	31/12/2025 through 31/12/2029
£	£	£	£	£	£
350	1,114	1,947	2,873	3,903	38,896

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Employee benefit obligations (continued)

(e) Risk exposure

Through its defined contribution pension plan which is treated as a defined benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

(i) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to high quality corporate bond yields; if plan assets underperformed this yield, this will create a deficit. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of this plans bond holdings.

The Company ensures that the investments positions are actively managed with a long-term outlook in line with the obligations under the pension schemes. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. The pension plans are invested in equities, bonds and cash which gives a diversified portfolio. The failure of any single investment would not have a material impact on the overall level of assets.

(ii) Inflation risks

The Company's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

(iii) Life expectancy

The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

11. Share capital

Authorised share capital	2019	2018
	£	£
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
Allocated, issued and fully paid		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

12. Other reserves

Other reserves represent the shareholder's capital contribution of £80,973 which is a non-refundable gift to the Company and (£32,860) of other comprehensive losses.

13. Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (mainly interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk arise in the normal course of business. The Company's overall risk management seeks to minimize any potential adverse effect on the Company's financial performance. These risks are managed by the Company's financial management policies and practices described below:

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates principally to the Company's cash and cash equivalents. Cash and cash equivalents comprises cash at bank.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Cash at bank represents current deposits which are highly liquid, with no maturity dates and are redeemable on demand. The cash at bank is non-interest bearing so it is not exposed to interest rate risk and therefore no interest rate sensitivity analysis is disclosed.

(ii) Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British Pounds (£) and Euros (€). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company has an investment in a German subsidiary whose functional currency is Euro and whose net assets are exposed to foreign currency translation risk.

Monetary assets and liabilities in the Subsidiary by functional currency (Euro (€))

	2019	2018
	€	€
Foreign currency exposures		
Cash and cash equivalents	399,907	170,570
Other receivables	9,274	21,769
Amounts due from the Ultimate Parent Company	257,540	266,908
Other payables and accruals	(270,864)	(190,858)
Total currency of denomination	395,857	268,389

Monetary assets and liabilities from the above tables have been converted using year end 2019 exchange rate into British Pounds (£)

	2019	2018
	£	£
Foreign currency exposures		
Cash and cash equivalents	338,650	153,327
Other receivables	7,854	19,568
Amounts due from the Ultimate Parent Company	218,090	239,926
Other payables and accruals	(229,373)	(171,564)
Total currency of denomination	335,221	241,257

	2019	2018
	£	£
Parent	335,221	241,257
Total	335,221	241,257

The reasonable shifts in exchange rates below are based on historic volatility. If the €/£ rates moved by +/- 5% then the effect on profit/loss would be as follows:

	2019	2018
	€/£	€/£
Total in the consolidated financial statements	335,221	241,257
Reasonable shift	5%	5%
Total effect on Profit of +ve movements	16,761	12,063
Total effect on Profit of -ve movements	(16,761)	(12,063)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from cash and cash equivalents which represent cash at bank, amounts due from the Ultimate Parent Company and related parties, including intercompany transactions and intercompany receivables.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

The Company's cash and cash equivalents are held in major financial institutions located in the United Kingdom and Germany with a credit rating of AA- and A-1 respectively, issued by Standard & Poor's as at 31 December 2019 (2018: AA- and A-1+), which management believes are of high credit quality. The Company has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to its counterparty. The maximum exposure is the sum of the amounts due from related parties on the balance sheet and the carrying amounts of the cash. Management considers that the Company has a significant concentration of credit risk as most of the balances are due from related parties. However, management considers that the credit risk exposure on intercompany transactions and intercompany receivables to be minimal based on the credit history of the related parties. The Company did not provide any guarantees which would expose the Company to credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to maintain sufficient cash to meet its liquidity requirements. The Company finances its working capital requirements through a combination of funds generated from operations and from Parent funding.

The tables below summarise the maturity profile of the Company's financial assets and liabilities as at 31 December 2019 and 31 December 2018.

As at 31 December 2019

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£	£	£	£	£	£
Assets						
Other receivables	—	18,931	—	—	—	18,931
Cash and cash equivalents	571,017	—	—	—	—	571,017
Amounts due from the Ultimate Parent Company	304,541	—	—	—	—	304,541
	<u>875,558</u>	<u>18,931</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>894,489</u>

As at 31 December 2019

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£	£	£	£	£	£
Liabilities						
Other payables and accruals	—	139,930	141,766	—	—	281,696
Tax payable	—	—	117,005	—	—	117,005
Employee benefit obligation	—	—	—	10,187	104,618	114,805
Lease liability	—	—	43,855	213,628	—	257,483
	<u>—</u>	<u>139,930</u>	<u>302,626</u>	<u>223,815</u>	<u>104,618</u>	<u>770,989</u>

As at 31 December 2018

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£	£	£	£	£	£
Assets						
Other receivables	—	47,268	—	—	—	47,268
Cash and cash equivalents	312,088	—	—	—	—	312,088
Amounts due from the Ultimate Parent Company	227,187	—	—	—	—	227,187
	<u>539,275</u>	<u>47,268</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>586,543</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

As at 31 December 2018

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£	£	£	£	£	£
Liabilities						
Other payables and accruals	—	110,946	111,734	—	—	222,680
Tax payable	—	—	63,876	—	—	63,876
Employee benefit obligation	—	—	—	7,215	60,251	67,466
	—	110,946	175,610	7,215	60,251	354,022

(d) Capital management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Company's stability and growth; and
- To maintain a strong capital base to support the development of its business

(e) Fair value estimation

The carrying amounts of the financial assets and liabilities approximate their fair values as of 31 December 2019 and 31 December 2018 as the majority of the Company's financial assets and liabilities are expected to mature within one year of the reporting date.

The Company categorizes financial instruments that are measured in the balance sheet at fair value, based upon the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and
- regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: Inputs for the asset or liability are not based on observable market data (that is, unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include quoted dealer quotes for similar instruments and other techniques, such as discounted cash flow analysis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial risk management objectives and policies (continued)

(e) Fair value estimation (continued)

The following table presents the Company's assets that are measured at fair value at 31 December 2019:

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Other receivables	—	18,931	—	18,931
Cash and cash equivalents	571,017	—	—	571,017
Amounts due from the Ultimate Parent Company	—	304,541	—	304,541
Total assets	571,017	323,472	—	894,489

The following table presents the Company's liabilities that are measured at fair value at 31 December 2019:

	Level 1 £	Level 2 £	Level 3 £	Total £
Liabilities				
Other payables and accruals	—	281,696	—	281,696
Tax payable	—	117,005	—	117,005
Employee benefit obligation	—	114,805	—	114,805
Lease liability	—	257,483	—	257,483
Total liabilities	—	770,989	—	770,989

The following table presents the Company's assets that are measured at fair value at 31 December 2018:

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Other receivables	—	47,268	—	47,268
Cash and cash equivalents	312,088	—	—	312,088
Amounts due from the Ultimate Parent Company	—	227,187	—	227,187
Total assets	312,088	274,455	—	586,543

The following table presents the Company's liabilities that are measured at fair value at 31 December 2018:

	Level 1 £	Level 2 £	Level 3 £	Total £
Liabilities				
Other payables and accruals	—	222,680	—	222,680
Tax payable	—	63,876	—	63,876
Employee benefit obligation	—	67,466	—	67,466
Total liabilities	—	354,022	—	354,022

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Investment in subsidiary

The Company's principal subsidiaries at 31 December 2019 and 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Company %	Principal activities
Fidelity Stock Plan Services GmbH	Germany	100	Dedicated equity compensation support and solutions service provider.

15. Related party transactions

(a) Parent entities

The Company is owned and/or controlled by the following entities:

Name	Type	Place of Incorporation	Ownership of interest	
			2019	2018
Fidelity Stock Plan Services, LLC	Immediate Parent Company	USA	100%	100%
FMR LLC	Ultimate Parent Company	USA	100%	100%

(b) Key management compensation

All directors' whose remuneration is borne by the Company are also deemed as the key management personnel of the Company. Their compensation is disclosed in the director's remuneration (see note 4).

(c) Transactions with other related parties

The following transactions occurred with related parties:

	Notes	2019 £	2018 £
Revenue from cost plus on the provision of stock plan services	(i)	2,883,004	2,290,091
Revenue from cost plus on the provision of FDAS services	(ii)	212,930	—
Licence fee charged by a related party	(iii)	144,445	58,191
Lease expense	(iv)	66,034	53,944
IT and HR charges	(v)	18,532	34,217
Legal charges	(vi)	35,935	52,191
Finance charges charged from a related party	(vii)	129,294	103,240
Other fees paid to related parties	(viii)	58,179	29,881

Notes:

- (i) Revenue received from Fidelity Stock Plan Services, LLC. for the provision of services.
- (ii) Revenue received from Fidelity Digital Assets Services LLC for the provision of services.
- (iii) FMR Investment Management (UK) Ltd charged the Company rent for space occupied in 1 St Martin's Le Grand, London, EC1A 4AS.
- (iv) FIL Investment Services GmbH charged for space occupied in Kastanienhöhe 1, 61476 Kronberg in Taunus, Germany, HRB 6111.
- (v) These are fees paid to FMR Investment Management (UK) Ltd in relation to IT and HR services.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Related party transactions (continued)

(c) Transactions with other related parties (continued)

- (vi) These are fees for legal and administrative services paid to FMR Investment Management (UK) Ltd.
- (vii) The administrative fees were paid to a related party in relation to accounting and finance services provided by the related party.
- (viii) The balance represents expenses charged by Enterprise Infrastructure for IT support to the Company.

(d) Outstanding balances arising from sales/purchases of services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2019	2018
	£	£
Current receivables		
FMR LLC (Ultimate Parent Company)	304,541	227,187

The balances with the Ultimate Parent Company are interest-free, unsecured and repayable on demand. All intercompany transactions with FMR LLC and affiliated companies are charged or credited through an intercompany account with FMR LLC and may not be the same as those which would otherwise exist or result from agreements and transactions among unaffiliated third parties.

The Company generally is credited for its receivables and is charged for its liabilities through its intercompany account with FMR LLC. The Company may offset its intercompany payables against its intercompany receivables and the net will ultimately be settled by FMR LLC.

In 2019 net liabilities of approximately £308,478 (net liabilities 2018: of approximately £344,706 offset against the receivable with FMR LLC) have been offset against the receivable from FMR LLC.

16. Ultimate Parent Undertaking

The directors regard FMR LLC, a company registered in the United States of America, as the Ultimate Parent Company and the largest of which the Company is a member and for which group financial statements are prepared.

FMR LLC is located at 245 Summer Street, Boston, MA 02210, USA.

17. Staff

The average number of staff employed by the Company during the year, excluding directors was 22 (2018: 19).

18. Events after the Balance Sheet date

In March 2020, the World Health Organisation (WHO) recognised the COVID-19 outbreak as a Global Pandemic. This has resulted in significant market volatility and declines in global markets and disruptions to commerce and travel. The Company has detailed business continuity plans for these situations and these have been put into effect to ensure operational continuity. The Company operates a cost plus model and this will further reduce any risk associated with the current Global Pandemic. The Company and FMR LLC will continue to assess the business and economic impact as the situation evolves. COVID-19 is a non-adjusting post balance sheet event.

The provision of consultancy services to Fidelity Digital Asset Services LLC ceased on 31 March 2020 as the associate performing this work transferred to a new legal entity, Fidelity Digital Assets, Ltd.