Euroclear UK & Ireland Limited

Directors' Report and Financial Statements for the year ended 31 December 2013

Registered Company Number: 2878738

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their strategic report for the year ended 31 December 2013

Principal activities and future developments

The principal activities of Euroclear UK & Ireland during the year were the operation and continuing development of the CREST settlement 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 The CREST system also 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

The Euroclear group continues to adapt its operations in response to changes in market behaviour and new regulations Delivering relevant and timely services that meet client needs is our top priority. Automating and standardising critical post-trade processes, with business partners or through our own initiatives, remains an important means to reduce risk and processing costs both for our clients and for Euroclear

The Euroclear group's vision is to be the market's post-trade provider of choice – we strive to provide services that are precisely what clients want when they need it We aim to be one of the world's pre-eminent providers of post-trade services, supporting the stability and development of the capital markets, locally and globally Key elements of the Euroclear group's strategy are to

- broaden our service offering in fund products,
- build our asset servicing and collateral management capabilities, and
- expand our business opportunities beyond Europe

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

Euroclear UK & Ireland's strategy continues to be to provide a robust and reliable Central Securities Depository (CSD) services to the UK and Irish market and to offer expanded services to the funds market

Various service enhancements were introduced in the year to provide additional functionality:

- The CREST funds settlement service was a key success in 2013 It offers fully automated and reliable service for funds transactions and end to end STP (Straight Through Processing) for those who use our EMX funds order routing system
- An improved Euro settlement service provides a direct link to the TARGET2 payment system and offers settlement banks risk reduction and efficiency enhancements
- The move of IT production to the more flexible HP non-stop 'Blade' hardware offers cost savings by running a platform jointly with Euroclear Bank, and offers us an efficient route to a third live data centre as added resilience against a regional disaster.
- Improvements to the EMX service include a reregistration service and a new web front end to improve the look and feel of our order routing service

Further CREST system enhancements will be introduced to provide additional functionality, including

- Cleared Sterling General Collateral, an enhancement to support LCH Clearnet Ltd This will deliver a cleared term DBV product to the London market; and
- a stamp assessment tool, to enable clients to demonstrate to HM Revenue & Customs (HMRC) that they have met their stamp duty requirements

These enhancements will directly or indirectly help clients manage risks or reduce costs.

Principal risks and uncertainties facing the company

Euroclear UK & Ireland, 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 A prudent investment policy is followed for the investment of cash, based upon money market deposits with at least AA rated institutions, or at least A rated institutions for cash that is in excess of our Financial Resource Requirement Cash flow and prudential cash requirements, including those necessary to support working and regulatory capital, are monitored regularly to ensure that sufficient funds are available There has been no change since the year-end in the major financial risks faced by Euroclear UK & Ireland (see note 26).

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

Key performance indicators

In the opinion of the directors, the key financial performance indicator is profit before tax Euroclear UK & Ireland made a profit before tax of £33,737,000 (2012 £15,022,000) This is subject to a taxation charge of £7,796,000 (2012 £3,782,000) The drivers of this result have been discussed above.

Financial performance and dividends

The Company has performed well in the continuing difficult market conditions in 2013. Revenues have increased with transaction volumes, and the programme of measures to reduce costs and improve efficiency has continued, ensuring profitability

Euroclear UK & Ireland's profit after tax for the year was £25,941,000 (2012 profit after tax £11,240,000) The period end financial position of the Company remains strong with net assets of £84,254,000 (2012 net assets £73,303,000)

An interim dividend of £14,990,000 (£0 623 per ordinary share) was paid during the year (2012 Nil) A final dividend of £29,835,000 (£1 240 per ordinary share) has been proposed for 2013 (2012 Nil). It is to be agreed in the board meeting on 10 March 2014

By order of the Board

John Trundle

JOHN TRUNDLE
Chief Executive Officer
10 March 2014

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the audited financial statements of Euroclear UK & Ireland Limited for the year ended 31 December 2013 Euroclear UK & Ireland is domiciled and incorporated in the United Kingdom The address of its registered office is 33 Cannon Street, London, EC4M 5SB.

Directors

The following directors held office during the reporting period

Frederic Hannequart ‡ *(Chairman)*		
John Trundle *(CEO)*		
Mike Williams	Resigned	31 March 2013
Sue Concannon ‡ *		
Peter Sucaet	Appointed	27 February 2013
Tom Challenor ‡ Ω	Appointed	1 April 2013

‡ Member of Nomination and Remuneration Committee

*Independent Director and Member of the Audit and Risk Committee

Ω Senior Independent Director and Chairman of the Audit and Risk Committee

The Company Secretary throughout the year was Lisa Kelly, who has since resigned effective 19 February 2014.

Insurance of directors

Euroclear UK & Ireland maintains insurance for directors in respect of their duties as directors of Euroclear UK & Ireland

Employees

Euroclear UK & Ireland's policy is to consult and discuss with employees, through staff meetings and bulletins, matters likely to affect employees' interests. Information on matters of interest to employees is given through meetings and newsletters which seek to achieve a common awareness on the part of all employees, including the financial and economic factors affecting Euroclear UK & Ireland's performance

Euroclear UK & Ireland's training and development mission is to ensure that the organisation has the right skills developed at the right time through appropriate learning and development tools, as to meet the organisation's strategic needs and contribute to employee engagement

Euroclear UK & Ireland is an equal opportunities employer, its policy is to consider recruiting disabled workers for those vacancies that they are able to fill Arrangements would be made, wherever possible, for retaining employees who became disabled, to enable them to perform work appropriate to their aptitude and abilities

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

Remuneration policy

Euroclear UK & Ireland operates a remuneration policy designed to attract, retain and motivate executive directors and staff of the quality required to operate its business.

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 has adequate resources to continue to operate for the foreseeable future For this reason, the directors continue to adopt the 'going concern' basis in preparing the financial statements.

Creditor payment policy

Euroclear UK & Ireland's policy on the payment of suppliers is to settle according to the terms of payment once all contractual terms have been observed For all trade creditors, it is Euroclear UK & Ireland's policy to agree the terms of payment at the start of trading with that supplier, ensure that suppliers are aware of the terms of payment, and pay promptly in accordance with its contractual and other legal obligations Total creditor days are based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors For the year ended 31 December 2013 the creditor days are calculated to be 15 days as supplier invoices outstanding at year end were minimal (2012 12 days)

Charitable donations

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 for 2013 £70,000, 2012 £80,000)

Political donations

Euroclear UK & Ireland made no political donations during the year (2012: Nil).

Financial instruments

The exposure of Euroclear UK & Ireland to price risk, credit risk, liquidity risk and cash flow risk are discussed in note 26 on page 29 of the Financial Statements

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Statement of disclosure of information to auditors

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

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

Independent auditors

PricewaterhouseCoopers LLP acted as Euroclear UK & Ireland's auditors during the year

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

By order of the Board

JOHN TRUNDLE
Chief Executive Officer
10 March 2014

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

We have audited the financial statements of Euroclear UK & Ireland Limited for the year ended 31 December 2013 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on pages 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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

Matters on which we are required to report by exception

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

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

Simon Hunt (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 March 2014

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £ ' 000	2012 £ ' 000
Revenue	1c	95,893	86,177
Discounts	1c	-	(796)
Net revenue		95,893	85,381
Administrative expenses	2	(62,354)	(70,631)
Other losses	3	(38)	(44)
Operating profit	4	33,501	14,706
Finance income and costs			
Interest receivable and similar income	7	237	316
Interest expense	7	(1)	-
Profit before tax		33,737	15,022
Income tax expense	8	(7,796)	(3,782)
Profit and total comprehensive income for the year		25,941	11,240

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

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

The notes on pages 14 to 31 form part of the financial statements

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 £ ' 000	2012 £ ' 000
Assets			
Non-current assets			
Intangible assets	9	**6**	9
Property, plant and equipment	10	**61**	100
Investments in subsidiary undertakings	11	**7**	7
Other non-current assets	12	**12**	12
Term Deposits	16	**5,000**	-
Deferred tax assets	13	**163**	221
		5,249	349
Current assets			
Trade and other receivables	14	**8,186**	8,962
Cash and cash equivalent	15	**82,017**	70,836
		90,203	79,798
Current liabilities			
Trade and other payables	17	**(7,417)**	(4,979)
Current tax liabilities		**(3,781)**	(1,865)
Net current assets		**79,005**	72,954
Net assets		**84,254**	73,303
Equity			
Ordinary Shares	18	**6,015**	6,015
Share premium account		**6,015**	6,015
Other Reserves	12	**5**	5
Retained Earnings		**72,219**	61,268
Total equity		**84,254**	73,303

The notes on pages 14 to 31 form part of the financial statements

The financial statements on pages 10 to 31 were approved by the Board of Directors on 10 March 2014 and authorised for issue on that date

Signed on behalf of the Board

John Trundle

JOHN TRUNDLE

Chief Executive Officer

10 March 2014

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013		2012	
	£ ' 000	**£ ' 000**	£ ' 000	£ ' 000
Cash flows from operating activities				
Operating profit	**33,501**		14,706	
Adjustment for				
Amortisation Charge	**6**		20	
Depreciation Charge	**43**		60	
Changes in working capital				
Decrease/(Increase) in trade and other receivables	**825**		(1,289)	
Decrease/(Increase) in trade and other payables	**2,428**		(3,658)	
Cash generated from operations		**36,803**		9,839
Interest received	**198**		303	
Interest paid	**(1)**		-	
Tax paid	**(5,822)**		(3,842)	
Net cash generated from operating activities		**31,178**		6,300
Cash flows from investment activities				
Term Deposits	**(5,000)**		-	
Purchase of property, plant and equipment	**(4)**		(47)	
Purchase of intangible assets	**(3)**		-	
Net cash used in investing activities		**(5,007)**		(47)
Net cash generated from financing activities				
Revaluation of DTCC shares	-		-	
Ordinary dividends paid	**(14,990)**		-	
Net cash used in financing activities		**(14,990)**		-
Net increase in cash and cash equivalents		**11,181**		6,254
Cash and cash equivalents as at 1 January		**70,836**		64,583
Cash and cash equivalents as at 31 December		**82,017**		70,836

The notes on pages 14 to 31 form part of the financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Ordinary Shares £ ' 000	Share premium account £ ' 000	Other Reserves £ ' 000	Retained earnings £ ' 000	Total £ ' 000
Balance as at 1 January 2012	**6,015**	**6,015**	-	**50,028**	**62,058**
Profit and total comprehensive income for the year	-	-	-	**11,240**	**11,240**
Gain in AFS Reserve	-	-	**5**	-	**5**
Balance as at 31 December 2012	**6,015**	**6,015**	**5**	**61,268**	**73,303**
Profit and total comprehensive income for the year	-	-	-	**25,941**	**25,941**
Dividend (£0 623 per ordinary share)	-	-	-	**(14,990)**	**(14,990)**
Balance as at 31 December 2013	**6,015**	**6,015**	**5**	**72,219**	**84,254**

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

The notes on pages 14 to 31 form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Summary of significant accounting policies

A summary of the principal accounting policies, which have been applied consistently, is set out below:

(a) *Statement of compliance*

The financial statements of Euroclear UK & Ireland (the 'Company') have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

(b) Basis of preparation

The financial statements have been prepared under the historical cost convention

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 reporting period The estimates and associated assumptions are based on historical experience

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 as an individual undertaking and not with regard to its group

In preparing the financial statements for the current period, consideration was given to new IFRSs as well as amendments to IFRS and IFRIC interpretations There are no new IFRSs or amendments to existing IFRSs and IFRIC interpretations which apply to Euroclear UK & Ireland for the year under review.

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

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of Euroclear UK & Ireland's activities Revenue is shown net of Value Added Tax Revenue represents transaction fees, message fees and standing charges for using the systems; revenue earned for collecting Stamp Duty Reserve Tax on behalf of HM Revenue & Customs and Stamp Duty on behalf of the Irish Revenue Commissioners, and income from administering the settlement discipline regime on behalf of the market All revenue arises in the United Kingdom and Republic of Ireland and is recognised at the point the relevant service is provided

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

1. Summary of significant accounting policies (continued)

Discounts are standard price reductions based on eligible fees. They are calculated at rates set out in Euroclear UK & Ireland's published tariff and are accounted for on an accruals basis, so that revenues are not overstated where discount payments are outstanding. No discounts were given to customers in 2013

(d) Administrative expenditure

All items of expenditure are included in administrative expenses, as there are no directly attributable selling and marketing costs

(e) Intangible assets and amortisation

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 over three years with some exceptions)

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.

(f) Property, plant and equipment and depreciation

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 4 to 5 years
Communications equipment	Over 4 to 5 years

(g) Taxation

Corporation tax payable is provided at the current rate on the profits arising in the period

Deferred income 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

1. Summary of significant accounting policies (continued)

(h) Investments

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 at cost

(i) Foreign currencies

Euroclear UK & Ireland 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 Foreign exchange gains and losses on the retranslated amounts for assets and liabilities are recognised in the income statement as they arise

(j) Pensions

Euroclear UK & Ireland 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

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at fair value

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with a maturity of not more than six months including: cash on hand, deposits held on call with banks, and other short-term, highly liquid investments which are subject to insignificant risk of change in fair value.

(l) Financial assets

The Company retains financial assets primarily in the form of trade and other receivables and cash and cash equivalents These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

1. Summary of significant accounting policies (continued)

(m) Available-for-sale investments

Available-for-sale investments are those financial assets which are intended to be held for an indefinite period of time, but which may be sold in response to changes in the group's financial environment.

Available-for-sale investments 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 Where the fair value of unlisted equity investments cannot be reliably measured, they continue to be valued at cost

(n) Impairment of financial assets

The Company assesses at each end of reporting period whether there is objective evidence that financial assets are impaired Where there is an indication of impairment, an assessment of the difference between the carrying amount and the present value of estimated future cash flows is performed Any excess of carrying amount over the present value of estimated future cash flows is reduced through the use of an allowances account

(o) Critical accounting estimates and judgements

There were no critical accounting estimates and judgements applied in the preparation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2. Administrative expenses

	2013 £'000	2012 £'000
Employee benefit expense (note 5)	**5,796**	5,304
Services provided by parent company (note 24)	**46,621**	56,412
Network commissions	**4,433**	3,954
Other costs	**5,504**	4,961
	62,354	70,631

3. Other losses

	2013 £'000	2012 £'000
Exchange rate loss	**38**	44
	38	44

4. Operating profit

Operating profit on ordinary activities before interest and tax after taking into account

	2013 £'000	2012 £'000
Amortisation charge	**6**	20
Depreciation charge	**43**	60
Auditors' remuneration		
audit fees	**128**	144
other audit related	**236**	193

5. Employee benefit expense

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

	2013 Number	2012 Number
Total - monthly average for year	**81**	77
Total - at 31 December	**79**	79

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

5. Employee benefit expense (continued)

Employee benefit expense - all employees including directors employed by Euroclear UK & Ireland

	2013 £ ' 000	2012 £ ' 000
Wages and salaries	3,927	3,656
Social security costs	583	457
Other pension costs	408	378
Other benefits (including termination benefits)	246	255
Bonus *	632	558
	5,796	5,304

*The bonus figure represents the amount payable to employees in relation to the performance for the year ended 31 December 2013.

6. Pensions

The cost of contributions to the Company Personal Pension scheme in the year was £408,000 (2012 £378,000) There were no outstanding or prepaid contributions at either 31 December 2013 or 31 December 2012 The scheme is classified as a defined contribution scheme

7. Finance income and costs

	2013 £ ' 000	2012 £ ' 000
Bank interest income	237	316
Other interest expense	(1)	-
Net finance income	236	316

8. Income tax expense

	2013 £ ' 000	2012 £ ' 000
UK Corporation Tax		
Current tax on income for the year	7,814	3,647
Adjustments in respect of prior years	(76)	60
Total Current Tax	7,738	3,707
Deferred Income Tax (note 13)		
Origination/Reversal of timing differences	47	66
Remeasurement due to change in tax rate	11	9
Total Deferred Tax	58	75
Tax expense	7,796	3,782

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

8. Income tax expense (continued)

The tax on Euroclear UK & Ireland'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

	2013 £'000	2012 £'000
Profit before tax	33,737	15,022
UK Corporation Tax at 23 25% (2012 24 5%)	7,844	3,680
Expenses not deductible for tax purposes	17	4
Adjustments in respect of prior years	(76)	89
Remeasurement of deferred tax due to change in tax rate	11	9
Tax charge	7,796	3,782

The tax expense for the period comprises current and deferred tax Tax is recognised in the income statement.

The current income 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

A change in the UK main corporation tax rate to 23% was effective from 1 April 2013, and further reductions to 21% and 20% will be effective from 1 April 2014 and 2015 respectively

The changes in the main corporation tax rate gave rise to an adjustment of £11,000 in the calculation of deferred tax.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

9. Intangible assets

	Internally developed software £ ' 000	Purchased software £ ' 000	**Total £ ' 000**
Cost			
At 1 January 2013	24,724	3,190	**27,914**
Additions	-	3	**3**
At 31 December 2013	24,724	3,193	**27,917**
Accumulated amortisation			
At 1 January 2013	24,724	3,181	**27,905**
Charge for the year	-	6	**6**
At 31 December 2013	24,724	3,187	**27,911**
Net book value at 31 December 2013	-	6	**6**
Net book value at 31 December 2012	-	9	9

Internally developed software consisted entirely of the CREST system which has been fully amortised and continues to be in use

10. Property, plant and equipment

	Furniture and fixtures £ ' 000	Office Equipment £ ' 000	Communications equipment £ ' 000	**Total £ ' 000**
Cost				
At 1 January 2013	69	19	714	**802**
Additions			4	**4**
Disposals	-	(3)	(546)	**(549)**
At 31 December 2013	69	16	172	**257**
Accumulated depreciation				
At 1 January 2013	68	10	624	**702**
Charge for the year	1	3	39	**43**
Disposals	-	(3)	(546)	**(549)**
At 31 December 2013	69	10	117	**196**
Net book value at 31 December 2013	-	6	55	**61**
Net book value at 31 December 2012	1	9	90	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

11. Investments in subsidiary undertakings

	2013	2012
	£	£
Investments in subsidiary undertakings	**7,008**	7,008

Subsidiary undertakings		**Cost of Investments**	
	Holding Equity Shares	**2013**	2012
		£	£
In the name of Euroclear UK & Ireland Limited			
CREST Stamp Nominee (No 1) Limited	100%	**2**	2
CREST Stamp Nominee (No 1) Limited	100%	**2**	2
Trinity Nominees Limited	100%	**2**	2
CREST Depository Limited	100%	**7,000**	7,000
CRESTCo 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 collection of UK Stamp Duty Reserve Tax on behalf of HM Revenue & Customs The principal activity of CREST Stamp Nominee (No 2) Limited is the collection of Irish Stamp Duty on behalf of the Irish Revenue Commissioners.

The principal activities of CREST Depository Limited, CREST International Nominees Limited, CREST Client Tax Nominee (No. 1) Limited and CIN (Belgium) Limited are in connection with the provision of the CREST custody service for international securities.

Trinity Nominees Limited and CRESTCo Limited did not trade during the year

All the subsidiary companies are incorporated in England and Wales

12. Other non-current assets

	2013	2012
	£'000	£'000
At 1 January	**12**	7
Gains transfer to equity	**-**	5
At 31 December	**12**	12

The other financial assets represent a holding of 2 28770 (2012 2 26795) common stock 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

13. Deferred tax assets

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

	2013 £'000	2012 £'000
Beginning of the year	**221**	296
Income statement charge	**(47)**	(104)
Adjustment in respect of prior years	**(11)**	29
End of year	**163**	221

A deferred tax asset has been recognised at 31 December 2013 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

14. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**159**	588
Amounts owed by group undertakings (note 24)	**448**	1,194
Other debtors	**4**	403
Tax and social security	**-**	308
Prepayments	**210**	314
Accrued income	**7,365**	6,165
	8,186	8,972

Amounts owed by group undertakings are categorised as loans and receivables and are short-term, hence their carrying value is a reasonable approximation of their fair value

15. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank and in hand	**11,537**	33,336
Short term bank deposits	**70,480**	37,500
	82,017	70,836

16. Term Deposits

	2013 £'000	2012 £'000
Term deposit	**5,000**	-

Term deposits are cash balances with banks with a maturity of more than one year

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

17. Trade and other payables

	2013 £ ' 000	2012 £ ' 000
Trade creditors	**373**	315
Amounts owed to group undertakings (note 24)	**855**	478
Other creditors	**231**	447
Tax and social security	**1,445**	-
Employee benefits	**697**	702
Accruals and deferred income	**3,817**	3,048
	7,417	4,989

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

All current trade and other payables are due within six months

18. Ordinary shares

	2013 £ ' 000	2012 £ ' 000
Authorised, alotted and fully paid share capital		
24,060,400 (2012 24,060,400) Ordinary Shares of 25 pence each	6,015	6,015
	6,015	6,015

19. Dividends

	2013 £ ' 000	2012 £ ' 000
Equity - Ordinary		
Interim paid £0 623 (2012 nil) per 25p share	14,990	-
	14,990	-

In addition, the directors are proposing a final dividend in respect of the financial year ending 31 December 2013 of £1 24 per share which will absorb an estimated £29 8m of shareholders' funds. It is to be agreed in the board meeting on the 10 March 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

20. Management of capital

The Company considers the following to be elements of its capital

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

The Company is required by the Financial Conduct Authority (FCA) to retain financial resources (i.e liquid financial assets and net capital) sufficient for the proper performance of its regulated activities The FSA 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 to maintain high levels of liquidity Capital is held in the form of cash deposits

21. Contingent liabilities

As part of the corporate restructuring arrangements effected in 2005, the property leases held by Euroclear UK & Ireland 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 Euroclear UK & Ireland guarantee the rent, currently £2,409,000 per annum (2012. £2,409,000) until the end of the lease in 2026. The total contingent liability is £29,315,000 (2012 £31,724,000)

22. Future commitments

As part of the transfer of the EMX business, Euroclear UK & Ireland has adopted EMX Company Limited's commitment to discount the future charges (in respect of the use of the EMX system) of the four original system sponsors The current aggregate value of £299,055 is to compensate all sponsors for the expenditure incurred at the outset of the system development The commitment is limited to £15,000 per annum per sponsor Compensation is provided via usage of the EMX system, if usage of the system is discontinued then Euroclear UK & Ireland will be released from the commitment

23. Ultimate parent company

Euroclear UK & Ireland is a wholly owned subsidiary of Euroclear SA/NV, which is incorporated in Belgium. The ultimate parent and the controlling entity is Euroclear plc, which is incorporated in England and Wales

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

23. Ultimate parent company (continued)

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

The registered office of Euroclear UK & Ireland is 33 Cannon Street, London EC4M 5SB. Copies of the Euroclear plc group financial statements and the Euroclear SA/NV financial statements can be obtained from this address

24. Related party transactions

Euroclear UK & Ireland 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 is secured.
The following transactions have been made with related parties during the year

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

24. Related party transactions (continued)

Related Party	Services provided (by)/to the group	Revenue 2013 £'000	Revenue 2012 £'000	(Charge) 2013 £'000	(Charge) 2012 £'000
Parent	IT Services	-	-	(27,775)	(35,940)
	Commercial, Product Management & Strategy	-	-	(6,427)	(6,690)
	Support Services	-	-	(12,419)	(13,782)
	Dividend Paid	-	-	(14,990)	-
Fellow subsidiaries *	Commercial, Product Management & Strategy	629	201	1,699	(1,289)
	Support Services	-	262	-	(66)
	Royalty Payment	-	-	(260)	(354)
Other	Other services	-	-	(19)	(17)

Related Party	Receivable 2013 £'000	Receivable 2012 £'000	(Payable) 2013 £'000	(Payable) 2012 £'000
Parent	443	1,152	(414)	-
Fellow subsidiaries *	5	32	(435)	(454)
Other	-	-	(5)	(13)

*of the total receivable for 2013, none (2012 none) represents cash and cash equivalents (note 15)

KEY

Parent Euroclear SA/NV

Fellow subsidiaries Euroclear Bank, Euroclear Nederland, Euroclear France, Euroclear Sweden and EMX Company Limited

Other Euroclear Investments

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 directors of Euroclear UK & Ireland and the group as well as voting members of Euroclear UK & Ireland's Executive Committee

The following information is presented only in respect of those members of key management personnel who have rendered services to Euroclear UK & Ireland

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

24. Related party transactions (continued)

	2013 £'000	2012 £'000
Short-term employee benefits	723	820
Post employment benefits	13	13
Other long-term benefits	92	46
Total remuneration and compensation	**829**	879

Directors' emoluments

The following information is presented only in respect of the directors of Euroclear UK & Ireland. At 31 December 2013, the number of directors and independent directors was 5 (2012 5) Of these, 2 did not receive any remuneration from Euroclear UK & Ireland (2012 2) The number of directors and non-executive directors who participate in the defined contribution pension scheme is 1 (2012 0)

	2013 £'000	2012 £'000
Aggregate remuneration	308	406
Short-term employee benefits	1	2
Long-term benefits	92	46
Total remuneration and compensation	**401**	454
The emoluments of the highest paid director.		
Aggregate remuneration	247	266
Short-term employee benefits	1	1
Long-term benefits	92	34
Total remuneration and compensation	**340**	301

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 2013

25. Monies held in trust

Two of the subsidiary companies of Euroclear UK & Ireland hold monies in trust as disclosed below:

Subsidiary	Held in trust for	2013 £'000	2012 £'000
CREST Stamp Nominee (No 1) Limited	HM Revenue and Customs	100,352	75,891
CREST Stamp Nominee (No 2) Limited	Irish Revenue and Commissioners	7,768	8,133

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

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 Day to day responsibility is delegated to the Executive Committee

Additional information on Euroclear UK & Ireland'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 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 accounted for in GBP This mitigates a significant proportion of the Company's 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

(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 does not maintain overdrafts or loans

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

26. Financial risk management (continued)

The average rate of interest received in the year was 0 32% (2012· 0 36%) If the average interest rate in the year had been 1 32% (2012 1 36%), the resulting effect would be an increase in revenue of £1 5 million (2012 £1.6 million) This would have increased profit before tax for the year by 4% (2012 10%)

The Company employs a prudent treasury policy whereby surplus funds are placed on money market deposit for periods of up to 3 years Interest rates obtained are monitored to ensure that interest income is maximised

(iii) Price risk

The Company does not hold investments or trade in any financial instruments where value fluctuates with market prices (with the exception of the other financial asset disclosed in note 12)

(b) Management of credit risk

Credit risk is the risk that Euroclear UK & Ireland is exposed to loss if another party fails to perform its financial obligations to the Company Credit risk exposure is minimised as

- 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 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 reporting period there were no significant concentrations of credit risk

Impairment provisions are provided for balances which are considered to be at risk and could result in a loss to the Company These balances are identified as due from parties in administration Further analysis of trade receivables by payment due status is provided in the table below

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

26 Financial risk management (continued)

	2013 £'000	2012 £'000
Neither past due or impaired	**18**	164
Past due but not impaired		
less than 6 months	**11**	306
6 to 12 months	**97**	37
over 12 months	**33**	81
	159	588
Impaired		
less than 6 months	**8**	-
6 to 12 months	**7**	6
over 12 months	**144**	131
	159	137

(c) Management of liquidity risk

Liquidity risk is the risk that Euroclear UK & Ireland, 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's liquidity has been delegated by the Board to the Executive Committee Cash reserves are managed to ensure that Euroclear UK & Ireland is able to meet its financial obligations at all times As detailed in note 1(l), Euroclear UK & Ireland holds most of its liquid assets in the form of cash or cash equivalents, which give rise to little or no liquidity risk.

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

27. Events after the reporting period

Per note 19, a final dividend of £29 8m has been proposed but not yet approved by the Board