

Euroclear UK & Ireland Limited

Directors' Report and Financial
Statements for the year ended
31 December 2015

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Registered Company Number: 2878738

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2015

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Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2015

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their strategic report for the year ended 31 December 2015.

Principal activities and future developments

The principal activities of Euroclear UK & Ireland Limited (the 'Company') 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 has focused on providing high levels of standardisation, automation and harmonisation in the post trade industry. These objectives help to reduce risk and processing costs for our clients.

The Euroclear Group's vision is to make post-trade activities easy for our clients and to be the market's post-trade provider of choice. We aim to remain one of the world's pre-eminent providers of post-trade services, supporting the stability and development of the capital markets, locally and globally. The key elements of the Euroclear group's strategy are to:

- maintain and improve our domestic and international Central Securities Depository (CSD) services;
- broaden our service offering in fund products;
- extend our asset servicing and collateral management services; and
- expand our business opportunities beyond Europe.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Euroclear UK & Ireland Limited's strategy is to provide robust and reliable CSD services to the UK and Irish markets and to offer expanded services to the funds market.

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

- Further enhancements to Cleared Term DBV, in particular, to support LCH.Clearnet's Sterling General Collateral product;
- The introduction of Open Inventory Sourcing which allows clients to optimise collateral holdings throughout the Euroclear group; and
- The start of a program of work required for compliance with the Central Securities Depositories Regulation (CSDR).

CSDR, which became law in September 2014, introduces a complete review and standardisation of regulation that applies to (I)CSDs in the European Union, and also standardises settlement cycles and settlement discipline procedures across Europe. Compliance with its provisions will be a major focus for CSDs over the next two years.

Further CREST system enhancements will be introduced in 2016 including:

- A two hour extension of the operating day (in line with the extension of the hours of the RTGS payments system);
- Irish legal changes to enable paperless takeovers and electronic transfer of title;
- Additional facilities to encourage dividend payment within the CSD;
- Various CSDR related projects including the development of an enhanced US dollar settlement service for launch in 2017;
- Various enhancements to tools used by clients; and
- System upgrades to the billing mechanism and DTCC link.

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

Principal risks and uncertainties facing the Company

Euroclear UK & Ireland Limited has exposure to operational risk (the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events). Effective monitoring, appropriate reporting and comprehensive processes exist to ensure continuous availability of business critical services. The Company has additional data centres to sustain operations in the event of a local and regional-scale disaster. Crisis response capability is maintained through the regular transfer of activity between the primary data centres and adequate training of staff. The integrity, confidentiality and availability of our and our clients' data, and the continuous availability of our services, is a core objective for EUI. The Company has given significant attention to the increasing and changing threats from cyber risks and will continue to do so during 2016.

In 2016, compliance with the CSD Regulation will be a major focus for the group as the Euroclear (I)CSDs will apply for authorisation under the new regulation. The CSDR will also require changes by our clients for example to comply with record keeping requirements. The introduction of standardised settlement discipline and buy-in regimes across Europe will occur in mid-2018. The Company is well advanced with its CSDR implementation projects and detailed discussions with regulators are underway.

Euroclear UK & Ireland Limited, 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 diversified money market deposits with highly rated institutions. Cash flow and prudential cash requirements, including those necessary to support working and regulatory capital, are monitored regularly to ensure that sufficient funds are available.

The capital adequacy of Euroclear UK & Ireland is assessed using the maximum capital requirements of both the Financial Resources Requirement (see note 21) and the ICAAP process. The ICAAP process tests the likely availability of capital over the next 5 year period. The regulatory requirements are compared against internally generated requirements taking into consideration the operational risk, business risk and credit risk of the Company. The overall approach assesses the likely adequacy of EUI's current and future capital levels in light of the evolution of its risk profile. It also assesses the potential impact of more severe market conditions. There has been no change since the year-end in the major financial risks faced by Euroclear UK & Ireland Limited (see note 27).

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Directors' Report and Financial Statements for the year ended 31 December 2015
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Key performance indicators

In the opinion of the directors, the key financial performance indicator is profit before tax. Euroclear UK & Ireland Limited made a profit before tax of £40,017,000 (2014: £42,566,000). This is subject to a taxation charge of £8,149,000 (2014: £9,169,000). The drivers of this result are discussed below.

The company monitors a wide variety of non-financial key performance indicators. The principal indicators relate to the availability of our services and systems where we have a consistent record in achieving our production stability objectives. To do so we also need to monitor that we have the necessary people, infrastructure and resources for current and future development and our success in implementing our key controls. We regularly monitor and review comprehensive operational management information enabling us to manage the business in a way that achieves our key financial and non-financial objectives.

Financial performance


The Company has performed well throughout 2015. Revenues have increased with transaction volumes although this was offset by the increase in administrative expenses reflecting additional project investments including but not limited to the implementation of cyber security measures.

Euroclear UK & Ireland Limited's profit and total comprehensive income for the year was £31,868,000 (2014 profit and total comprehensive income for the year: £33,397,000). The year end financial position of the Company remains strong with net assets of £84,791,000 (2014 net assets: £87,814,000).

Dividends

No interim dividend was paid during the year (2014: £nil). A final dividend of £12,993,000 (£0.540 per ordinary share) has been proposed for 2015 (2014: £34,888,000 (£1.450 per ordinary share)) (see note 20).

On behalf of the Board



JOHN TRUNDLE

Chief Executive Officer

1 March 2016

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2015

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the audited financial statements of Euroclear UK & Ireland Limited for the year ended 31 December 2015. Euroclear UK & Ireland Limited is domiciled and incorporated in the United Kingdom. The address of its registered office is 33 Cannon Street, London, EC4M 5SB.

In accordance with section 414C(11) of the Companies Act 2006 disclosures in relation to dividends and the future developments of Euroclear UK & Ireland Limited are presented in the Strategic Report.

Directors

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

Frederic Hannequart ‡ (*Chairman*)

John Trundle (*CEO*)

Sue Concannon ‡ *

Peter Sucaet ^Δ

Tom Challenor ‡ ^Ω

Philippe Tromp *

Appointed

8 April 2015

‡ Member of Nomination, Remuneration and Governance Committee

*Independent Director and Member of the Audit and Risk Committee

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

^Δ Member of the Audit and Risk Committee

Daksha Hirani was the Company Secretary throughout the year.

Indemnity and insurance of directors

As permitted by Euroclear UK & Ireland Limited articles of association, the directors of the Company have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Act. The indemnity has been in place since 17 December 2015 and is in force at the date the Directors' Report is approved. The Company maintains insurance for directors in respect of their duties as directors of Euroclear UK & Ireland.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Employees

Euroclear UK & Ireland Limited's policy is to consult and discuss with employees 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 Limited's performance.

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

Euroclear UK & Ireland Limited 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.

Remuneration policy

Euroclear UK & Ireland Limited has adopted 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 Limited 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2015 (CONTINUED)

Creditor payment policy

Euroclear UK & Ireland Limited'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 Limited'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 2015 the creditor days are calculated to be 9 days (2014: 3 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 2015: £70,000, 2014: £70,000).

Political donations

Euroclear UK & Ireland Limited made no political donations during the year (2014: Nil).

Financial instruments

The exposure of Euroclear UK & Ireland Limited to price risk, credit risk, liquidity risk and cash flow risk are discussed in note 27 on pages 32 to 35 of the financial statements.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Statement of directors' responsibilities

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

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

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

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

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

- (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.


Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2015
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Independent auditors

PricewaterhouseCoopers LLP acted as Euroclear UK & Ireland Limited'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 next General Meeting.

On behalf of the Board



JOHN TRUNDLE

Chief Executive Officer

1 March 2016

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2015

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

Report on the financial statements

Our opinion

In our opinion, Euroclear UK & Ireland Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit and 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2015

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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) ("ISAs (UK & 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.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2015

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual 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.



Simon Hunt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 March 2016

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)

Directors' Report and Financial Statements for the year ended 31 December 2015

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £ ' 000	2014 £ ' 000
Revenue		105,715	103,887
Administrative expenses	2	(66,357)	(61,718)
Other losses	3	(57)	(84)
Operating profit	4	39,301	42,085
Finance income and costs			
Interest receivable and similar income	7	717	485
Interest expense	7	(1)	(4)
Profit before tax		40,017	42,566
Income tax expense	8	(8,149)	(9,169)
Profit and total comprehensive income for the year		31,868	33,397

- (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 17 to 35 form part of the financial statements.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)

Directors' Report and Financial Statements for the year ended 31 December 2015

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 £ '000	2014 £ '000
Assets			
Non-current assets			
Intangible assets	9	21	28
Property, plant and equipment	10	58	75
Investments in subsidiary undertakings	11	7	7
Other non-current assets	12	2	12
Term Deposits	16	15,000	30,000
Deferred tax assets	13	103	135
		<u>15,191</u>	<u>30,257</u>
Current assets			
Trade and other receivables	14	9,453	10,135
Cash and cash equivalent	15	74,702	62,405
		<u>84,155</u>	<u>72,540</u>
Current liabilities			
Trade and other payables	17	(10,600)	(10,490)
Current tax liabilities		(3,895)	(4,433)
Provisions for liabilities and charges	18	(60)	(60)
		<u>69,600</u>	<u>57,557</u>
Net current assets		<u>69,600</u>	<u>57,557</u>
Net assets		<u>84,791</u>	<u>87,814</u>
Equity			
Ordinary Shares	19	6,015	6,015
Share premium account		6,015	6,015
Other Reserves	12	-	3
Retained Earnings		72,761	75,781
Total equity		<u>84,791</u>	<u>87,814</u>

The notes on pages 17 to 35 form part of the financial statements.

The financial statements on pages 13 to 35 were approved by the Board of Directors on 1 March 2016 and authorised for issue on that date.

Signed on behalf of the Board:



JOHN TRUNDLE

Chief Executive Officer

1 March 2016

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)**Directors' Report and Financial Statements for the year ended 31 December 2015****STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015		2014	
	£ '000	£ '000	£ '000	£ '000
Cash flows from operating activities				
Operating profit	39,301		42,085	
Adjustment for:				
Amortisation Charge	7		5	
Depreciation Charge	27		36	
Changes in working capital:				
Decrease/(Increase) in trade and other receivables	562		(1,655)	
Increase/(decrease) in trade and other payables	110		3,073	
Increase in provisions	-		60	
(Profit)/loss on disposal non-current assets	(15)		-	
Cash generated from operations		39,992		43,604
Interest received	837		192	
Interest paid	(1)		(4)	
Tax paid	(8,655)		(8,490)	
Net cash generated from operating activities		32,173		35,302
Cash flows from investment activities				
Term Deposits	15,000		(25,000)	
Purchase of property, plant and equipment	(10)		(50)	
Purchase of intangible assets	-		(27)	
Net cash generated from/(used in) investing activities		14,990		(25,077)
Net cash used in financing activities				
Proceeds from disposal of non-current assets	22		(2)	
Ordinary dividends paid	(34,888)		(29,835)	
Net cash used in financing activities		(34,866)		(29,837)
Net increase/(decrease) in cash and cash equivalents		12,297		(19,612)
Cash and cash equivalents as at 1 January		62,405		82,017
Cash and cash equivalents as at 31 December		74,702		62,405

The notes on pages 17 to 35 form part of the financial statements.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)

Directors' Report and Financial Statements for the year ended 31 December 2015

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Ordinary Shares £ ' 000	Share premium account £ ' 000	Other Reserves £ ' 000	Retained earnings £ ' 000	Total Equity £ ' 000
Balance as at 1 January 2014	6,015	6,015	5	72,219	84,254
Profit and total comprehensive income for the year	-	-	-	33,397	33,397
Dividend (£1.240 per ordinary share)	-	-	-	(29,835)	(29,835)
Loss in AFS Reserve	-	-	(2)	-	(2)
Balance as at 31 December 2014	<u>6,015</u>	<u>6,015</u>	<u>3</u>	<u>75,781</u>	<u>87,814</u>
Profit and total comprehensive income for the year	-	-	-	31,868	31,868
Dividend (£1.450 per ordinary share)	-	-	-	(34,888)	(34,888)
Loss in AFS Reserve (see note 12)	-	-	(3)	-	(3)
Balance as at 31 December 2015	<u>6,015</u>	<u>6,015</u>	<u>-</u>	<u>72,761</u>	<u>84,791</u>

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

The notes on pages 17 to 35 form part of the financial statements.

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 Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRS 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, as modified by the revaluation of certain financial instruments.

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

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

In preparing the financial statements for the current year, consideration was given to new IFRSs 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 Limited for the year under review.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**

1. Summary of significant accounting policies (continued)

(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 Limited's activities. All revenue arises in the United Kingdom and Republic of Ireland and is shown net of Value Added Tax. Fee income represents a return for services rendered (e.g. settlement, fund order routing, asset maintenance) and is recognised when the related service is performed. Annual charges are recognised on a straight line basis over the period which they relate. Fine income arising from the settlement discipline regime administered on behalf of the market is recognised when fines are levied. Interest income earned on balances related to the collection of Stamp Duty Reserve Tax on behalf of HM Revenue & Customs and Stamp Duty on behalf of the Irish Revenue Commissioners is recognised when receivable.

(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 between three and five years).

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

1. Summary of significant accounting policies (continued)

(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 year.

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.

(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 Limited at cost.

(i) Foreign currencies

Euroclear UK & Ireland Limited uses GBP as both its functional and presentational currency. Monetary assets and liabilities denominated in foreign currencies are translated into GBP at the rate of exchange ruling at the end of the financial year. Transactions in foreign exchange are translated at foreign exchange rates present on the date of the transaction.

(j) Pensions

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**

1. Summary of significant accounting policies (continued)

(k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances including: cash on hand; deposits held on call with banks; and other short-term, highly liquid investments which are subject to insignificant risk of change in fair value.

(l) Provisions

Provisions are recognised where:

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

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

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

(m) Financial assets

The Company has 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.

(n) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

1. Summary of significant accounting policies (continued)

(o) Impairment of financial assets

The Company assesses at the end of each 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.

(p) Critical accounting estimates and judgements

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

2. Administrative expenses

	2015 £ '000	2014 £ '000
Employee related costs (note 5)	6,434	5,935
Services provided by parent company (note 25)	49,858	46,736
Network commissions	4,789	5,007
Other costs	5,276	4,040
	<u>66,357</u>	<u>61,718</u>

3. Other (gains)/losses

	2015 £ '000	2014 £ '000
Realised gain on disposal of non-current assets (note 12)	(14)	-
Foreign exchange losses	71	84
	<u>57</u>	<u>84</u>

4. Operating profit

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

	2015 £ '000	2014 £ '000
Amortisation	7	5
Depreciation	27	36
Auditors' remuneration:		
audit fees	120	120
other audit related	174	174

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**

5. Employee related costs

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

	2015 Number	2014 Number
Total - monthly average for year	<u>92</u>	<u>84</u>
Total - at 31 December	<u>94</u>	<u>89</u>

Employee related costs - all employees including directors employed by Euroclear UK & Ireland Limited

	2015 £ '000	2014 £ '000
Wages and salaries	4,201	3,900
Social security costs	605	588
Other pension costs	480	432
Other benefits (including termination benefits)	87	97
Bonus *	<u>1,061</u>	<u>918</u>
	<u>6,434</u>	<u>5,935</u>

*The bonus figure represents the amount payable to employees in relation to the performance for the year ended 31 December 2015.

6. Pensions

The cost of contributions to the Company Personal Pension scheme in the year was £480,000 (2014: £432,000). There were no outstanding or prepaid contributions at either 31 December 2015 or 31 December 2014. The scheme is classified as a defined contribution scheme.

7. Interest receivable and similar income and interest expense

	2015 £ '000	2014 £ '000
Bank interest income	(717)	(485)
Other interest expense	<u>1</u>	<u>4</u>
Net finance income	<u>(716)</u>	<u>(481)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**8. Income tax expense**

	2015 £ '000	2014 £ '000
UK Corporation Tax		
Current tax on income for the year	8,088	9,124
Adjustments in respect of prior years	29	17
Total Current Tax	<u>8,117</u>	<u>9,141</u>
Deferred Income Tax (note 13)		
Origination/Reversal of timing differences	21	28
Adjustments in respect of prior years	4	-
Remeasurement due to change in tax rate	7	-
Total Deferred Tax	<u>32</u>	<u>28</u>
Tax expense	<u>8,149</u>	<u>9,169</u>

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

	2015 £ '000	2014 £ '000
Profit before tax	40,017	42,566
UK Corporation Tax at 20.25% (2014: 21.5%)	8,103	9,152
Expenses not deductible for tax purposes	6	-
Adjustments in respect of prior years	33	-
Remeasurement of deferred tax due to change in tax rate	7	17
Tax charge	<u>8,149</u>	<u>9,169</u>

The tax expense for the year 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 19% will be effective from 1 April 2017, and a further reduction to 18% will be effective from 1 April 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**9. Intangible assets**

	Internally developed software £ '000	Purchased software £ '000	Total £ '000
Cost			
At 1 January 2015	24,724	3,222	27,946
Additions	-	-	-
At 31 December 2015	24,724	3,222	27,946
Accumulated amortisation			
At 1 January 2015	24,724	3,194	27,918
Charge for the year	-	7	7
At 31 December 2015	24,724	3,201	27,925
Net book value at 31 December 2015	-	21	21
Net book value at 31 December 2014	-	28	28

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 2015	69	-	236	305
Additions	-	-	10	10
Transfers	-	-	-	-
At 31 December 2015	69	-	246	315
Accumulated depreciation				
At 1 January 2015	69	-	161	230
Charge for the year	-	-	27	27
Transfers	-	-	-	-
At 31 December 2015	69	-	188	257
Net book value at 31 December 2015	-	-	58	58
Net book value at 31 December 2014	-	-	75	75

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**

11. Investments in subsidiary undertakings

		2015 £	2014 £
Investments in subsidiary undertakings		7,008	7,008
Subsidiary undertakings		Cost of Investments	
	Holding Equity Shares	2015 £	2014 £
<i>In the name of Euroclear UK & Ireland Limited</i>			
CREST Stamp Nominee (No.1) Limited	100%	2	2
CREST Stamp Nominee (No.2) Limited	100%	2	2
Trinity Nominees Limited	100%	2	2
CREST Depository Limited	100%	7,000	7,000
CRESTCo Limited	100%	2	2
<i>In the name of CREST Depository Limited</i>			
CREST International Nominees Limited	100%	2	2
CREST Client Tax Nominee (No.1) Limited	100%	2	2
CIN (Belgium) Limited	100%	2	2

The principal activity of CREST Stamp Nominee (No.1) Limited is the holding of UK Stamp Duty Reserve Tax payments collected on behalf of HM Revenue & Customs. The principal activity of CREST Stamp Nominee (No.2) Limited is the holding of Irish Stamp Duty collected on behalf of the Irish Revenue Commissioners.

The principal activities of CREST Depository Limited, CREST International Nominees Limited, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**12. Other non-current assets**

	2015 £ '000	2014 £ '000
At 1 January	12	12
Additions	-	2
Disposals	(10)	-
Gains transfer to equity	-	(2)
At 31 December	<u>2</u>	<u>12</u>

The other financial assets represent a holding of 25 preference shares at \$100 par value (2014: 25 preference shares at \$100 par value) in the Depository Trust and Clearing Corporation (DTCC), an unlisted entity, which is required to support membership of the DTCC system. 2,299,777 common stock were disposed of in the year. These shares are held in a nominee capacity via CIN (Belgium) Limited. The investment is designated in US dollars.

13. Deferred tax assets

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

	2015 £ '000	2014 £ '000
Beginning of the year	135	163
Income statement charge	(28)	(28)
Adjustment in respect of prior years	(4)	-
End of year	<u>103</u>	<u>135</u>

A deferred tax asset has been recognised at 31 December 2015 on temporary timing difference arising between the tax basis of accounting for assets and liabilities and their carrying values in the Financial Statements. The asset will be recovered against the expected future profits of the Company. The deferred tax asset recoverable within 12 months is £16,000 (2014: £19,000).

14. Trade and other receivables

	2015 £ '000	2014 £ '000
Trade receivables	457	323
Amounts owed by group undertakings (note 25)	7	9
Other debtors and prepayments	196	910
Accrued income	<u>8,793</u>	<u>8,893</u>
	<u>9,453</u>	<u>10,135</u>

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.

Accrued income represents revenue earned in 2015 but not received as at year end.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)

Directors' Report and Financial Statements for the year ended 31 December 2015

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**

15. Cash and cash equivalents

	2015 £ '000	2014 £ '000
Cash at bank and in hand	25,682	12,405
Short-term bank deposits	49,020	50,000
	<u>74,702</u>	<u>62,405</u>

16. Term Deposits

	2015 £ '000	2014 £ '000
Term Deposit	15,000	30,000
	<u>15,000</u>	<u>30,000</u>

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

17. Trade and other payables

	2015 £ '000	2014 £ '000
Trade creditors	266	61
Amounts owed to group undertakings (note 25)	5,649	4,294
Other creditors	154	63
Tax and social security	926	1,625
Employee benefits	984	906
Accruals and deferred income	2,621	3,541
	<u>10,600</u>	<u>10,490</u>

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

All current trade and other payables are due within six months.

18. Provisions for liabilities and charges

	2015 £ '000	2014 £ '000
At 1 January and 31 December	<u>60</u>	<u>60</u>

The provision of £60,000 represents the potential exposure to legal claims arising from the pending UK interpretation of holiday pay under the EU Working Time Directive.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**

19. Ordinary shares

	2015 £ '000	2014 £ '000
Allotted and fully paid share capital		
24,060,400 (2014: 24,060,400) Ordinary Shares of 25 pence each	6,015	6,015
	<u>6,015</u>	<u>6,015</u>

20. Dividends

	2015 £ '000	2014 £ '000
Equity - Ordinary		
Final paid: £nil (2014: £1.450) per 25p share	-	34,888
	<u>-</u>	<u>34,888</u>

In addition, the directors are proposing a final dividend in respect of the financial year ending 31 December 2015 of £0.54 per share which will absorb an estimated £12,993,000 of shareholder's funds.

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

The above requirement has been met consistently throughout the year.

It is the policy of Euroclear UK & Ireland Limited to maintain high levels of liquidity. Capital is held in the form of cash deposits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

22. Contingent liabilities

As part of the corporate restructuring arrangements effected in 2005, the property leases held by Euroclear UK & Ireland Limited were novated to Euroclear SA/NV. In 2012 there was a partial surrender and extension of the lease of the premises at 33 Cannon Street. Under the terms of the lease the landlord requested Euroclear UK & Ireland Limited guarantee the rent, currently £2,409,000 per annum (2014: £2,409,000) until the end of the lease in 2026. The total contingent liability is £24,496,000 (2014: £26,905,000).

23. Future commitments

As part of the transfer of the EMX business, Euroclear UK & Ireland Limited 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 £179,000 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 Limited will be released from the commitment.

Euroclear UK & Ireland Limited has future commitments of £5,270,000 that correspond to the development costs related to infrastructure and innovation projects currently under development or already launched that Euroclear SA/NV, as owner, will charge out in future years.

24. Ultimate parent company

Euroclear UK & Ireland Limited 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.

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

The registered office of Euroclear UK & Ireland Limited 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.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)**Directors' Report and Financial Statements for the year ended 31 December 2015****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)****25. Related party transactions**

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

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

Other services are either invoiced subsequent to the service being provided, or on a quarterly or annual basis if the service is on-going. All invoicing is in accordance with agreed arrangements for that particular service.

None of the intercompany charges are secured.

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

Related Party	Services provided (by)/to the group	Revenue		(Charge)	
		2015	2014	2015	2014
		£ ' 000	£ ' 000	£ ' 000	£ ' 000
Parent	IT Services	-	-	31,082	28,335
	Commercial, Product Management & Strategy	-	(7)	5,732	6,339
	Support Services	-	-	13,044	12,062
	Dividend Paid	-	-	34,888	29,835
Fellow subsidiaries *	Commercial, Product Management & Strategy	(736)	(665)	2,406	1,996
	Support Services	-	-	-	1
	Royalty Payment	-	-	369	345
Other	Other services	-	-	29	26

Related Party	Receivable		(Payable)	
	2015	2014	2015	2014
	£ ' 000	£ ' 000	£ ' 000	£ ' 000
Parent	-	-	(5,137)	(3,826)
Fellow subsidiaries *	6	9	(504)	(462)
Other	1	-	(8)	(6)

*of the total receivable for 2015, none (2014: none) represents cash and cash equivalents (note 15)

KEY:

Parent: Euroclear SA/NV

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

Other: Euroclear Investments

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)****25. Related party transactions (continued)****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 Limited and the group as well as voting members of Euroclear UK & Ireland Limited'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 Limited.

	2015 £ ' 000	2014 £ ' 000
Short-term employee benefits	887	790
Post employment benefits	37	30
Other long-term benefits	60	58
Total remuneration and compensation	984	878

Directors' emoluments

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

	2015 £ ' 000	2014 £ ' 000
Aggregate remuneration	433	385
Short-term employee benefits	1	1
Long-term benefits	60	58
Total remuneration and compensation	494	444
The emoluments of the highest paid director:		
Aggregate remuneration	357	330
Short-term employee benefits	1	1
Long-term benefits	60	58
Total remuneration and compensation	418	389

At 31 December 2015, the number of directors and independent directors was 6 (2014: 5). Of these, 2 did not receive any remuneration from Euroclear UK & Ireland Limited (2014: 2). The emoluments of these directors are paid by the parent company which makes no recharge to Euroclear UK & Ireland Limited. Accordingly, the above details include no emoluments in respect of these directors.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

25. Related party transactions (continued)

The number of directors and non-executive directors who participate in the defined contribution pension scheme is none (2014: none).

The highest paid director has not exercised any share options or received any shares under a long term incentive scheme for the year ending 31 December 2015.

26. Monies held in trust

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

Subsidiary	Held in trust for:	2015 £ '000	2014 £ '000
CREST Stamp Nominee (No. 1) Limited	HM Revenue and Customs	111,448	105,733
CREST Stamp Nominee (No. 2) Limited	HM Revenue and Commissioners	2,788	6,642

27. Financial risk management

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

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

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

(a) Management of market risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

27. Financial risk management (continued)

(i) Currency risk

The Euroclear group operating model is designed to facilitate the supply of services between entities in different locations, including to Euroclear UK & Ireland Limited from various European countries. Foreign exchange risk arises from the supply of services where the underlying cost has been accounted for in Euro. Related party transactions are 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 Limited does not maintain overdrafts or loans.

The average rate of interest received in the year was 0.35% (2014: 0.37%). If the average interest rate in the year had been 1.35% (2014: 1.37%), the resulting effect would be an increase in revenue of £2.3 million (2014: £2.4 million). This would have increased profit before tax for the year by 6% (2014: 6%).

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**27. Financial risk management (continued)***(b) Management of credit risk*

Credit risk is the risk that Euroclear UK & Ireland Limited is exposed to loss if another party fails to perform its financial obligations to the Company. Credit risk 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 year 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.

	2015 £ '000	2014 £ '000
Neither past due or impaired	2	5
Past due but not impaired		
less than 6 months	428	295
6 to 12 months	12	4
over 12 months	15	19
	<u>457</u>	<u>323</u>
Impaired		
less than 6 months	2	-
6 to 12 months	-	-
over 12 months	171	160
	<u>173</u>	<u>160</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

27. Financial risk management (continued)

(c) Management of liquidity risk

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

Responsibility for Euroclear UK & Ireland Limited's liquidity has been delegated by the Board to the Executive Committee. Cash reserves are managed to ensure that Euroclear UK & Ireland Limited is able to meet its financial obligations at all times. As detailed in note 1(k), Euroclear UK & Ireland Limited 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 Bank of England has set a Financial Resources Requirement which requires that sufficient liquid financial assets are retained. Monthly reports are filed with the Bank of England to evidence that the requirement is met.

28. Events after the reporting period

Per note 20, a final dividend of £12,993,000 has been proposed for the year ending 31 December 2015 but not yet approved by the Board.