

Euroclear UK & Ireland Limited

Directors' Report and Financial
Statements for the year ended
31 December 2016



Registered Company Number: 2878738

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016

TABLE OF CONTENTS

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016.....	1
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016.....	7
INDEPENDENT AUDITORS' REPORT.....	12
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016.....	15
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016.....	16
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016.....	17
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016.....	18
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.....	19

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the year ended 31 December 2016.

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 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 focus on being one of the world's pre-eminent and trusted providers of post-trade services, by providing high levels of standardisation, automation and harmonisation in the post-trade industry and supporting capital market participants' evolving needs. These objectives aim to help reduce risk and processing costs for our clients, and support financial stability and economic development.

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 funds products
- extend our asset servicing and collateral management services
- expand our business activities beyond Europe

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Euroclear UK & Ireland Limited's strategy is to provide robust and reliable CSD services to the UK and Ireland and to offer expanded services to the funds market. In 2016, Euroclear UK & Ireland Limited supported the strength and efficiency of our market and improved our clients' experience through various service enhancements. These enhancements further increase functionality and facilitate a competitive financial market, both locally and globally.

A number of service enhancements to provide additional functionality were introduced in the year:

- The full migration of gilt overnight collateral movements (DBV) to Term DBV functionality
- The continuing programme of work required for compliance with the Central Securities Depositories Regulation (CSDR)
- A two-hour extension of the operating day (in line with the extension of the hours of the Real Time Gross Settlement (RTGS) payments system)
- Migration of iShares ETFs to an international issuance and settlement structure

Results of the EU Referendum

On 23 June 2016, the UK voted to leave the European Union (EU). The exact nature, timing and process remains unknown. While it is too early to fully quantify the longer-term implications of the EU referendum, Euroclear UK & Ireland Limited and the Euroclear group recognise the uncertainty in the markets we serve caused by this decision. The impacts of this change and our response continue to be reviewed regularly. Our contingency plans have been reviewed by the Euroclear UK & Ireland Limited Board, which concluded that they are appropriate. The Company is confident that it is well positioned to address the challenges and opportunities that will present themselves over the coming years.

Central Securities Depositories Regulation (CSDR)

The CSDR became law in September 2014. It introduces a complete review and standardisation of the regulation that applies to (I)CSDs in the European Union, and also standardises permitted CSD activities and settlement discipline procedures across Europe. Compliance with its provisions is an ongoing priority for all Euroclear group CSDs. Euroclear UK & Ireland Limited are preparing their application for authorisation under the new regulation and expect to submit our filing to obtain our license in accordance with the official timelines, currently anticipated for the end of September 2017. Settlement discipline measures are expected to come into force in 2019.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Further CREST system enhancements will be developed and introduced throughout 2017 to ensure compliance with CSDR requirements, including:

- USD cash settlement via a central bank money model that is compliant both with the CSDR and the CPSS-IOSCO FMI principles
- the programme of work required to meet compliance with the CSDR technical standards
 - reconciliation enhancements required for domestic and international securities requirements
 - securities inflation controls for issuance of securities in the CSD
 - developing and designing a technical solution to meet the CSDR standards for managing new settlement penalties regime requirements
 - various data capture needs to meet record keeping standards for both participants and securities issued in the UK CSD

Non CSDR-related enhancements include:

- enhancing data services to establish a new mechanism to calculate a secured sterling risk-free rate for UK markets, in collaboration with the LSE group
- make system and process changes to assist a smooth transfer of the provision of gilt reference prices from the Debt Management Office to new providers

All threats to the timely application for and approval of the new licence are risk-assessed and monitored. All of these enhancements will directly or indirectly help Euroclear UK & Ireland Limited and its clients in effectively managing risks, and in underpinning stability in the UK financial markets.

Principal risks and uncertainties facing the Company

Euroclear UK & Ireland Limited is exposed to operational risk (e.g. the risk of loss resulting from inadequate or failed internal processes, people and systems, and external events). Effective monitoring, appropriate reporting and comprehensive processes exist to ensure continuous availability of business-critical services. The Company maintains a recovery plan which is reviewed and approved by the board on at least an annual basis. The Company has additional data centres to sustain operations in the event of a local or 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 data and our clients' data, and the continuous availability of our services, is a core objective of Euroclear UK & Ireland Limited. The Company has given significant attention to the increasing and changing threats from cyber risks and will continue to do so throughout 2017.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

In 2017, compliance with CSDR will be a major focus for the group as the Euroclear (I)CSDs will apply for authorisation under the new regulation. 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 by 2019. The Company is well advanced with its CSDR implementation projects and detailed discussions with regulators are underway.

The Company has identified a number of direct risks and threats from the UK vote to leave the EU. The first impacts have already been felt in the devaluation of the GBP/EUR exchange rate, following the vote. While the Company was insulated from this movement in 2016 by the fixed rate policy that we adopt for the costs of services provided by other members of the group, the new fixed rate for 2017 will result in an increase of costs to Euroclear UK & Ireland Limited. The other identified risks will depend on the precise exit arrangements, about which there is still much uncertainty. Briefly, our primary area of concern at this stage is to establish the implications for the Company's ability to continue to provide services to Ireland. Related to this is the risk that the referendum precipitates Scotland's exit from the UK. The Company is working with Irish clients and other stakeholders on options for the Company or the Euroclear group to provide suitable services for the Irish market.

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 the Financial Resources Requirement (see note 19), the anticipated CSDR requirement and the Internal Capital Adequacy Assessment Processes ('ICAAP'). The ICAAP tests the likely availability of capital over the next five years. The regulatory requirements are compared against internally generated requirements taking into consideration the operational risk, business risk and credit risk of the Company. The overall approach assesses the likely adequacy of the Company's current and future capital levels in light of the evolution of its risk profile. It also assesses the potential impact of more severe market conditions. There has been no change since the year-end in the major financial risks faced by Euroclear UK & Ireland Limited (see note 25).

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (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 income tax of £48,852,663 (2015: £40,017,444). This is subject to a taxation charge of £9,751,192 (2015: £8,149,871). The drivers of this result are discussed on page 6.

The company also 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 good record in relation to our demanding production stability objectives.

Key Performance Indicator	Target	CREST system performance
Service resilience (completion of transactions within the business day)	100.00%	2016: 100% (2015: 100%) Euroclear UK & Ireland Limited settled 64.8 million transactions, with a value in excess of £196 trillion for the year.
System availability (ability for clients to interact continuously with the settlement system)	99.80%	2016: 99.76% (2015: 99.94%)

Key Performance Indicator	Target	EMX System Performance
Service resilience (daily capability to forward all orders to the relevant counterparty)	100.00%	2016: 100% (2015: 100%) Euroclear UK & Ireland Limited processed 21.8 million messages, with a value in excess of £213 billion for the year.
System availability (available for message input for one or more participants)	99.80%	2016: 99.98% (2015: 99.92%)

To achieve our above mentioned targets, we need to ensure that we have the necessary people, infrastructure and resources for current and future developments and to perform our key controls. We regularly monitor and review comprehensive operational management information to manage the business in a way that achieves our key financial and non-financial objectives.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Financial performance

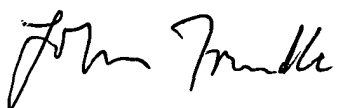
The Company performed well in 2016. Revenues increased with transaction volumes. An increase in headcount to cope with additional project investments, including, but not limited to, the implementation of cyber security measures and CSDR together with a reduction in costs arising from services provided by the parent company has resulted in an overall decrease to administrative expenses.

Euroclear UK & Ireland Limited's profit and total comprehensive income for the year was £39,101,471 (2015 profit and total comprehensive income for the year: £31,867,573). The year end financial position of the Company remains strong, with total assets of £125,300,792 (2015 total assets: £99,345,694).

Dividends

No interim dividend was paid during the year (2015: £nil). A final dividend of £33,203,352 (£1.38 per ordinary share) has been proposed for 2016 (2015: £12,992,616 (£0.54 per ordinary share)) (see note 18).

On behalf of the Board



JOHN TRUNDLE
Chief Executive Officer
24 February 2017

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements of Euroclear UK & Ireland Limited for the year ended 31 December 2016.

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

Directors

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

Frederic Hannequart ^β (*Chairman*)

John Trundle (*CEO*)

Sue Concannon [‡] *

Peter Sucaet ^Δ

Tom Challenor [‡] ^Ω

Philippe Tromp *

^β Chairman of Nomination, Remuneration and Governance Committee

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

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (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.

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 2016 the creditor days are calculated to be 2 days (2015: 9 days).

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2016 (CONTINUED)

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 2016: £71,679, 2015: £70,000).

Political donations

Euroclear UK & Ireland Limited made no political donations during the year (2015: 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 25 on pages 36 to 38 of the financial statements.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (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;
- 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 2016

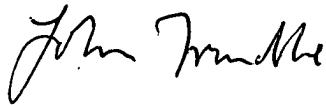
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

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

24 February 2017

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

Directors' Report and Financial Statements for the year ended 31 December 2016

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 2016 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 2016;
- 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 IFRSs as adopted by the European Union, and applicable law.

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, based on the work undertaken in the course of the audit:

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

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016

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

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 10, 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 2016
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROCLEAR UK & IRELAND LIMITED (continued)

What an audit of financial statements involves

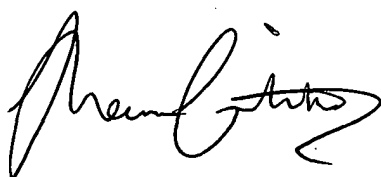
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Sheena Coutinho (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 February 2017

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

Directors' Report and Financial Statements for the year ended 31 December 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(£)	Note	2016	2015
Net fee income		107,166,142	100,925,354
Fee income		114,541,326	105,714,851
Fee expense		(7,375,184)	(4,789,497)
Administrative expenses	4	(58,700,617)	(61,567,642)
Other gains/(losses)	5	22,598	(56,976)
Net interest income		364,540	716,708
Interest income		378,447	717,264
Interest expense		(13,907)	(556)
Profit before income tax		48,852,663	40,017,444
Taxation	6	(9,751,192)	(8,149,871)
Profit after income tax and Total comprehensive income		39,101,471	31,867,573

- (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 19 to 39 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 2016

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(£)	Note	2016	2015
Assets			
Non-current assets			
Intangible assets	7	49,933	20,981
Property, plant and equipment	8	45,189	58,283
Investments in subsidiary undertakings	9	7,010	7,008
Available-for-sale financial assets	10	2,031	1,685
Loans and receivables	11	-	15,000,000
Deferred income tax assets	12	82,690	102,681
Total non-current assets		186,853	15,190,638
Current assets			
Trade and other receivables	13	10,385,621	9,452,873
Loans and receivables	11	5,000,000	-
Cash and cash equivalents	14	109,728,318	74,702,183
Total current assets		125,113,939	84,155,056
Total assets		125,300,792	99,345,694
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	6,015,100	6,015,100
Share premium		6,015,000	6,015,000
Retained earnings		98,869,293	72,760,438
Total equity		110,899,393	84,790,538
Liabilities			
Current liabilities			
Trade and other payables	15	9,725,198	10,600,162
Current income tax liabilities		4,676,201	3,894,994
Provisions for other liabilities and charges	16	-	60,000
Total current liabilities		14,401,399	14,555,156
Total equity and liabilities		125,300,792	99,345,694

The notes on pages 19 to 39 form part of the financial statements.

The financial statements on pages 15 to 39 were approved by the Board of Directors on 24 February 2017 and authorised for issue on that date.

Signed on behalf of the Board:



JOHN TRUNDLE

Chief Executive Officer

24 February 2017

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(£)	Note	Share capital	Share premium	Other reserves	Retained earnings	Total equity
At 1 January 2016		6,015,100	6,015,000	-	72,760,438	84,790,538
Profit and total comprehensive income for the year		-	-	-	39,101,471	39,101,471
Dividend (0.540 per ordinary share)	18	-	-	-	(12,992,616)	(12,992,616)
At 31 December 2016		6,015,100	6,015,000	-	98,869,293	110,899,393

(£)	Note	Share capital	Share premium	Other reserves	Retained earnings	Total equity
At 1 January 2015		6,015,100	6,015,000	2,555	75,780,445	87,813,100
Profit and total comprehensive income for the year		-	-	-	31,867,573	31,867,573
Dividend (£1.450 per ordinary share)	18	-	-	-	(34,887,580)	(34,887,580)
Loss in AFS Reserve	10	-	-	(2,555)	-	(2,555)
At 31 December 2015		6,015,100	6,015,000	-	72,760,438	84,790,538

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

The notes on pages 19 to 39 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 2016

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(£)	Note	2016	2015
Profit before income tax		48,852,663	40,017,444
Adjustments for:			
Amortisation Charge	4	10,582	6,696
Depreciation Charge	4	24,974	27,048
Interest Income		(378,447)	(717,264)
Interest expense		13,907	556
Non-current assets	10	(346)	(14,482)
Provision for liabilities and charges	16	(60,000)	-
Changes in working capital:			
Trade and other receivables		(1,029,342)	562,044
Trade and other payables		(874,965)	110,216
Cash generated from operating activities		46,559,026	39,992,258
Interest received		475,042	837,083
Interest paid		(13,907)	(537)
Tax paid		(8,949,994)	(8,655,191)
Net cash generated from operating activities		38,070,167	32,173,613
Cash flows from investment activities			
Investments in subsidiaries	9	(2)	-
Term Deposits	11	10,000,000	15,000,000
Purchase of property, plant and equipment	8	(11,880)	(10,803)
Purchase of intangible assets	7	(39,534)	-
Net cash generated from/(used in) investing activities		9,948,584	14,989,197
Net cash used in financing activities			
Proceeds from disposal of non-current assets		-	22,004
Ordinary dividends paid	18	(12,992,616)	(34,887,580)
Net cash used in financing activities		(12,992,616)	(34,865,576)
Net increase/(decrease) in cash and cash equivalents		35,026,135	12,297,234
Cash and cash equivalents at beginning of the year		74,702,183	62,404,949
Cash and cash equivalents at the end of the year		109,728,318	74,702,183

The notes on pages 19 to 39 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 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information

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

Euroclear UK & Ireland Limited is a limited liability company and is domiciled and incorporated in the United Kingdom. The address of its registered office is 33 Cannon Street, London, EC4M 5SB.

2. Accounting policies

(a) Basis of preparation

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

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

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

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 IFRS, both those that are effective at the year end and those that have been issued but are not effective at the year end, as well as amendments to IFRS and IFRIC IC interpretations. There are no new IFRS or amendments to existing IFRS and IFRIC IC 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.

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)

2. Accounting policies (continued)

(a) Basis of preparation (continued)

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

(b) Foreign currencies

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

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

(c) Fee income and expense

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

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

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.

Fee expense comprises the fair value of the consideration paid or payable for the cost for services rendered. Fee expense (e.g. network commissions) is directly attributable to revenue earned and recognised when the related service is performed.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**

2. Accounting policies (continued)

(d) 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.

(e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised in the balance sheet on the settlement date at fair value. They are subsequently measured at amortised cost using the effective interest method.

(f) 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.

(g) 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.

(h) Administrative expenditure

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

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)
Directors' Report and Financial Statements for the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)

2. Accounting policies (continued)

(i) Intangible assets

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

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

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

(j) Property, plant and equipment

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

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

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

(k) Investments in subsidiary undertakings

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

(l) 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 2016
(continued)**

2. Accounting policies (continued)

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. 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.

(n) 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.

(o) 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.

Deferred tax assets are recognised to reflect the future tax benefit from unused tax credits and other temporary differences. If there is a concern about the Company's capacity to utilise the tax assets, the assets are impaired.

(p) Dividends

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

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

Directors' Report and Financial Statements for the year ended 31 December 2016

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**

3. Presentational changes to the financial statements

Presentational changes have been made to the financial statements for the year ending 31 December 2016. There is no change to the accounting policies used and there is no impact on the group's total assets or profit before income tax. The main change is a reclassification of fee expense on the Statement of Comprehensive Income from administrative expenses to net fee income in order to identify those costs directly attributable to revenue.

Statement of Comprehensive Income at 31 December 2015	Previously published £	Reclassification £	Amended balance £
Fee expense	-	(4,789,497)	(4,789,497)
Administrative expenses	(66,357,139)	4,789,497	(61,567,642)

In addition, all administrative expense related notes have been incorporated into note 4 below.

4. Administrative expenses

(£)	Note	2016	2015
Staff costs			
- Wages and salaries		5,959,810	5,114,827
- Social security costs		697,506	605,217
- Other pension costs		528,906	479,953
- Other staff costs		478,361	86,885
Depreciation	8	24,974	27,048
Amortisation	7	10,582	6,696
Services provided by parent company	23	44,854,013	49,857,621
Independent auditors' remuneration		306,250	294,250
Provisions		(60,000)	-
Other costs		5,900,215	5,095,145
Total		58,700,617	61,567,642

Other costs represent occupancy, communications, irrecoverable VAT and other miscellaneous costs. Contained in this amount is £265,000 for other services provided by PricewaterhouseCoopers with regard to periodic regulatory appointments.

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

(£)	2016	2015
Fees payable to the company's independent auditors for the audit of the Company's annual financial statements	120,250	120,250
Fees payable to the company's independent auditors and its associates for other services: other audit related	186,000	174,000
Total	306,250	294,250

Euroclear UK & Ireland Limited (Registered Company Number: 2878738)**Directors' Report and Financial Statements for the year ended 31 December 2016****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)****4. Administrative expenses (continued)**

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

Number	2016	2015
Total - monthly average for year	97	92
Total - at 31 December	95	94

The cost of contributions to the Company Personal Pension scheme in the year was £528,906 (2015: £479,953). There were no outstanding or prepaid contributions at either 31 December 2016 or 31 December 2015. The scheme is classified as a defined contribution scheme.

5. Other (gains)/losses

(£)	2016	2015
Realised gain on disposal of non-current assets	-	(14,482)
Foreign exchange (gains)/losses	(22,598)	71,458
Total	(22,598)	56,976

6. Taxation

(£)	Note	2016	2015
UK Corporation Tax			
Current tax on income for the year		9,760,648	8,087,994
Adjustments in respect of prior years		(29,447)	29,250
Total Current Tax		9,731,201	8,117,244
Deferred Income Tax	12		
Origination/Reversal of timing differences		17,358	21,427
Adjustments in respect of prior years		-	4,200
Remeasurement due to change in tax rate		2,633	7,000
Total Deferred Tax		19,991	32,627
Tax expense		9,751,192	8,149,871

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**

6. Taxation (continued)

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

(£)	2016	2015
Profit before tax	48,852,663	40,017,444
UK Corporation Tax at 20.00% (2015: 20.25%)	9,770,533	8,103,532
Expenses not deductible for tax purposes	7,473	6,030
Adjustments in respect of prior years	(29,447)	33,450
Remeasurement of deferred tax due to change in tax rate	2,633	7,000
Tax charge	9,751,192	8,150,012

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 17% will be effective from 1 April 2020.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)****7. Intangible assets**

(£)	Internally developed software	Purchased software	Total
Cost			
At 1 January 2016	24,723,803	3,222,297	27,946,100
Additions	-	39,534	39,534
At 31 December 2016	24,723,803	3,261,831	27,985,634
Accumulated amortisation			
At 1 January 2016	24,723,803	3,201,316	27,925,119
Charge for the year	-	10,582	10,582
At 31 December 2016	24,723,803	3,211,898	27,935,701
Net book value at 31 December 2016	-	49,933	49,933
Net book value at 31 December 2015	-	20,981	20,981

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

8. Property, plant and equipment

(£)	Furniture and fixtures	Communications equipment	Total
Cost			
At 1 January 2016	69,115	246,479	315,594
Additions	-	11,880	11,880
At 31 December 2016	69,115	258,359	327,474
Accumulated depreciation			
At 1 January 2016	69,115	188,196	257,311
Charge for the year	-	24,974	24,974
At 31 December 2016	69,115	213,170	282,285
Net book value at 31 December 2016	-	45,189	45,189
Net book value at 31 December 2015	-	58,283	58,283

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

Directors' Report and Financial Statements for the year ended 31 December 2016

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**

9. Investments in subsidiary undertakings

(£)	2016	2015
Investments in subsidiary undertakings	7,010	7,008

Subsidiary undertakings		Cost of Investments	
(£)	Ownership of Equity Shares	2016	2015
<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
CREST USD Nominee Limited	100%	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, and CIN (Belgium) Limited are in connection with the provision of the CREST custody service for international securities.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**10. Available-for-sale financial assets**

(£)	2016	2015
At 1 January	1,685	11,682
Foreign exchange	346	81
Disposals	-	(10,078)
At 31 December	2,031	1,685

The other financial assets represent a holding of 25 preference shares at \$100 par value (2015: 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. These shares are held in a nominee capacity via CIN (Belgium) Limited. The investment is designated in US dollars.

11. Loans and receivables

(£)	2016	2015
Non current assets		
Term Deposit	-	15,000,000
Current assets		
Term Deposit	5,000,000	-

The only type of loans and receivables held is term deposits, these are cash balances with banks with a maturity of more than 6 months. Term deposits with a maturity between 6 months and 12 months are classed as current assets. Term deposits with a maturity of over 12 months are classed as non current assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**12. Deferred income tax assets**

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

(£)	2016	2015
At 1 January	102,681	135,308
Income statement charge	(19,991)	(28,427)
Adjustment in respect of prior years		(4,200)
At 31 December	82,690	102,681

A deferred tax asset has been recognised at 31 December 2016 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 £11,828 (2015: £15,875).

13. Trade and other receivables

(£)	Note	2016	2015
Trade receivables		488,290	457,315
Amounts owed by group undertakings	23	13,588	6,511
Other debtors and prepayments		244,771	195,554
Accrued income		9,638,972	8,793,493
Total		10,385,621	9,452,873

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 2016 but not received as at year end.

14. Cash and cash equivalents

(£)	2016	2015
Cash at bank and in hand	70,728,318	25,682,220
Short-term bank deposits	39,000,000	49,019,963
Total	109,728,318	74,702,183

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)****15. Trade and other payables**

(£)	Note	2016	2015
Trade creditors		61,659	265,771
Amounts owed to group undertakings	23	4,025,568	5,648,773
Other creditors		389,111	154,200
Tax and social security		589,935	925,702
Employee benefits		1,336,090	983,875
Accruals and deferred income		3,322,835	2,621,841
Total		9,725,198	10,600,162

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

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

16. Provisions for other liabilities and charges

(£)	2016	2015
At 1 January 2016	60,000	60,000
Release to income statement	(60,000)	-
At 31 December 2016	-	60,000

The prior year 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; it has been deemed no longer to be required.

17. Share Capital

(£)	2016	2015
Allotted and fully paid share capital		
24,060,400 (2015: 24,060,400) Ordinary Shares of 25 pence each	6,015,100	6,015,100
Total	6,015,100	6,015,100

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**

18. Dividends

(£)	2016	2015
Equity - Ordinary		
Final paid: £nil (2015: £0.540) per 25p share	-	12,992,616
Total	-	12,992,616

In addition, the directors are proposing a final dividend in respect of the financial year ending 31 December 2016 of £1.38 per share which will absorb an estimated £33,203,352 of shareholders' funds.

19. 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.

20. 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 £2,409,411 per annum (2015: £2,409,411) until the end of the lease in 2026. The total contingent liability is £22,086,268 (2015: £24,496,679).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**

21. 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 £119,055 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 based on 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 £8,127,578 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.

22. 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.

23. Related party transactions

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)****23. Related party transactions (continued)**

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

Related Party (£)	Services provided (by)/to the group	2016 (Revenue)	2015 (Revenue)	2016 Charge	2015 Charge
Parent	IT Services	-	-	27,380,413	31,081,842
	Commercial, Product Management & Strategy	-	-	4,898,336	5,731,706
	Support Services	-	-	12,575,264	13,044,073
	Dividend Paid	-	-	12,992,616	34,888,000
Fellow subsidiaries *	Commercial, Product Management & Strategy	(769,799)	(736,074)	4,951,158	2,405,837
	Support Services	-	-	-	-
	Royalty Payment	-	-	403,544	368,779
Other	Other services	-	-	29,635	28,929

Related Party (£)	2016 Receivable	2015 Receivable	2016 (Payable)	2015 (Payable)
Parent	-	-	(3,171,504)	(5,137,133)
Fellow subsidiaries *	13,588	5,365	(843,206)	(504,311)
Other	-	1,146	(10,858)	(7,329)

*of the total receivable for 2016, none (2015: none) represents cash and cash equivalents (note 14)

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

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)****23. Related party transactions (continued)**

(£)	2016	2015
Short-term employee benefits	931,235	886,799
Post employment benefits	38,643	37,413
Other long-term benefits	60,000	60,000
Total remuneration and compensation	1,029,878	984,212

Directors' emoluments

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

(£)	2016	2015
Aggregate remuneration	497,171	432,851
Short-term employee benefits	776	721
Long-term benefits	60,000	60,000
Total remuneration and compensation	557,947	493,572
The emoluments of the highest paid director:		
Aggregate remuneration	362,171	357,320
Short-term employee benefits	776	720
Long-term benefits	60,000	60,000
Total remuneration and compensation	422,947	418,040

At 31 December 2016, the number of directors and independent directors was 6 (2015: 6). Of these, 2 did not receive any remuneration from Euroclear UK & Ireland Limited (2015: 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.

The number of directors and non-executive directors who participate in the defined contribution pension scheme is none (2015: 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 2016.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**

24. Monies held in trust

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

(£)		2016	2015
Subsidiary	Held in trust for:		
CREST Stamp Nominee (No. 1) Limited	HM Revenue and Customs	72,410,374	111,447,552
CREST Stamp Nominee (No. 2) Limited	HM Revenue and Commissioners	4,012,396	2,787,503

25. 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.

(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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**

25. Financial risk management (continued)

(i) Currency risk (continued)

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 0.28% (2015: 0.35%). If the average interest rate in the year had been 1.28% (2015: 1.35%), the resulting effect would be an increase in revenue of £1.9 million (2015: £2.3 million). This would have increased profit before tax for the year by 4% (2015: 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).

(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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)****25. Financial risk management (continued)***(b) Management of credit risk (continued)*

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. In 2016 the impairment provision was increased to include all amounts due over 90 days, previously only balances that were identified as due from parties in administration had been included as impaired. The increase in provision at 31 December 2016 arising from this change was £186,579. Further analysis of trade receivables by payment due status is provided in the table below.

(£)	2016	2015
Neither past due or impaired	-	2,000
Past due but not impaired		
less than 6 months	488,290	427,588
6 to 12 months	-	11,939
over 12 months	-	14,701
	488,290	456,228
Impaired		
less than 6 months	62,335	2,075
6 to 12 months	42,363	-
over 12 months	248,337	171,370
	353,035	173,445

(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 2(m), 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.

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

Directors' Report and Financial Statements for the year ended 31 December 2016

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(continued)**

26. Events after the balance sheet date

Per note 18, a final dividend of £33,203,352 has been proposed for the year ending 31 December 2016 but not yet approved by the Board.