State Street Global Markets International Limited

Registered No. 03418476

Annual Report and Financial Statements

31 December 2015

Registered No. 03418476

Directors
D Newns
D Arnum (Chairman)
J Minderides (CEO)
T Wilkinson

Auditors
Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Registered Office
20 Churchill Place
Canary Wharf
London
E14 5HJ

Registered No. 03418476

Strategic report

The directors present their strategic report for State Street Global Markets International Limited (the 'Company') for the year ended 31 December 2015.

The purpose of the Strategic Report is to inform members of the Company, and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company).

Review of the business

The Company's key financial performance indicators during the year were as follows:

	2015	*2014*	*Change*
	£'000	*£'000*	*%*
Turnover	14,604	19,669	*-26%*
Loss on ordinary activities before taxation	(6,064)	(1,463)	*(314%)*
Shareholder's funds	8,996	15,060	*-40%*
Average number of employees	27	28	*-4%*

Loss on ordinary activities before taxation increased by 314% to £6,063,673 (2014: £1,463,169).

The Company continued to experience challenging conditions within its transition management business. During the year the Company's turnover decreased by 26%. The transition management revenues decreased 30% to £8,838,240 (2014: £12,711,933). Non-transition management revenue decreased 17% to £5,765,760 (2014: £6,956,711).

Operating expenses decreased 3% to £11,977,439 (2014: £12,316,142) for the year.

Shareholder's funds decreased 40% to £8,995,884 (2014: £15,059,557) due to the loss incurred during the year. No dividends were proposed or paid (2014: £Nil).

There were no major changes in the trading services offered to clients. The Company is continuously looking to grow and seek further opportunities. The Company plans to create two new Multi-Lateral Trading Facilities ("MTF"s) based on existing technology to add to its current product offering. Those new platforms will be offered and operated globally by SSGMIL and will comply with the requirements of MiFID II in relation to those regulations governing the transactions of Financial Instruments in Europe.

Strategic report (continued)

Principal Risks and Uncertainties

The Company's activities expose it to a number of risks; foreign currency risk, credit risk, market risk, operational risk, liquidity risk, regulatory risk, interest rate risk, reputational risk and political risk. The directors review and approve policies for managing each of these risks. A summary of these policies can be found below. Please note that the Company's policies are modified from time to time where appropriate.

Foreign currency risk

The Company operates internationally, and is exposed to foreign exchange risk arising from trading balances in currencies other than sterling. However, as it conducts its business on behalf of clients, the foreign exchange exposure arising from the mismatch of assets and liabilities is normally borne by the client. The subsequent impact on the Company for a particular currency is minimal.

In order to maintain the Company's Liquid Asset Buffer ('LAB'), discussed under the Liquidity risk paragraph of this report, the Company holds both sterling gilts and Eurobonds. Where the Company has invested in unencumbered liquid assets in currencies other than sterling, the Company tries to minimise foreign exchange risk by utilising its multi-currency committed liquidity facility with State Street Bank and Trust Company – London Branch ('SSBTC- LB') to fund the purchase. This does not fully mitigate the exposure, and the Company does not use financial instruments to hedge this. The borrowing facility is further explained in note 13 of the financial statements.

Credit risk

State Street Corporation manages its counterparty credit risk centrally to optimise the use of credit availability and to avoid excessive risk concentration. Counterparties are reviewed prior to acceptance to ensure they meet the necessary standard. Limits are established within this procedure to manage exposures at the Company level. The directors receive and monitor regular reports on any credit limit exceptions.

The Company has no significant exposure to non-intra group credit risk as the majority of its transactions are conducted on a delivery versus payment basis.

Credit risk arises from the purchases of Bonds for the liquidity buffer and is explained in note 16.

Market risk

The Company holds no direct exposure to the risk of movements in securities prices. All of its business is conducted on behalf of clients, and as such, no proprietary trading takes place. Therefore, the Company itself does not hold any trading positions. Market risk on the purchase of the Bonds for the LAB is mitigated by holding the bonds primarily to maturity. The liquidity buffer is further explained within the Liquidity risk paragraph of this report.

Operational risk

The Company maintains an efficient and robust internal risk management framework. Procedures and controls to manage operational risk are codified in manuals. The Company manages the operational risks inherent in day to day functions and activities and actively seeks process improvement opportunities. Any losses or significant control failures are reported to the directors.

Liquidity risk

The Company's policy is to consistently maintain sufficient, high quality liquid assets to cover its expected net cash outflows and to stay comfortably within the limits of the sight to 8 day and sight to 30 day gap positions set by the Financial Conduct Authority ('FCA').

The Company has enhanced its liquidity resources by establishing a Liquid Assets Buffer ('LAB'). The LAB portfolio comprises of gilts denominated in GBP and bonds denominated in EUR, the market value of which as at the balance sheet date was £140,754,491 (2014: £130,051,004). This is to be preserved as a buffer of unencumbered assets readily available to the Company. In order to confirm the ability to generate immediate liquidity from the LAB, the Company will periodically realise a proportion of the assets in its buffer through repurchase or outright sale to the market without reference to their day-to-day liquidity needs. This demonstrates the ability to raise material sums such that over any twelve-month period a significant proportion of the assets in the LAB is realised. In the case of reverse repurchase, transactions of varying duration are undertaken.

Strategic report (continued)

Liquidity risk (continued)

The Company maintains a portfolio of cash and short-term deposits designed to ensure it has sufficient available funds to meet its operational requirements. The Company has also arranged local financing for the short-term funding of failed trades. The Company holds a Liquidity Facility Agreement with State Street Bank and Trust Company - London Branch ('SSBTC-LB'). The agreement provides for a credit facility up to the value of US $1billion.

Regulatory risk

The Company is authorised and regulated by the Financial Conduct Authority ('FCA'). The risk is mitigated by regular communications with the FCA, active monitoring and adherence to regulatory policies as implemented by State Street group compliance and risk functions.

Interest rate risk

Interest rate risk is the risk that arises when there is an imbalance between rate-sensitive and non-rate sensitive assets and liabilities. The Company manages this risk by ensuring that all its interest bearing assets and liabilities are at market rates. At present the liabilities are at the relevant Interbank Offered Rate and the assets are at a fixed rate exceeding this.

Reputational risk

Our name, reputation and the trust placed in us by existing and potential clients are key factors in our ability to retain existing business and win new business. Always acting in the best interests of our clients is central to everything that we do. To deliver on this, we ensure we have appropriate systems, controls and risk practices in place to manage our business in an efficient manner to the benefit of our clients.

Political risk

On the 23rd June 2016, the United Kingdom will be holding a national referendum on its continued membership of the European Union. The situation is being monitored closely. We are looking at the potential implications for our business and its clients based upon the information available.

On behalf of the Board

J Minderides, Director

25 *April 2016*

Directors' report

The directors present their report and the audited financial statements for State Street Global Markets International Limited (the 'Company') for the year ended 31 December 2015. In accordance with section 414C(11) of the Companies Act 2006, the directors have set out the "Review of the Business and Principal Risks and Uncertainties" within the Company's Strategic report.

Principal activities

The Company is a securities broker, regulated by the FCA, and is also a member of the London Stock Exchange. Its principal activity during the year ending 31 December 2015 was the provision of Transition Management execution and brokerage services. The Transition Management business involves managing the costs and risks resulting from clients making changes to their investment strategies, asset allocation and fund structures.

No financial instruments are used by the Company for operational purposes, although financial instruments are held for liquidity risk mitigation purposes in the form of UK gilts and German bonds.

The Company is authorised and regulated by the Financial Conduct Authority ('FCA').

Results and dividends

The Company made a loss for the year of £6,063,673 (2014: £1,463,169). No dividend (2014: £Nil) was paid in the year, and the directors do not recommend the payment of a final dividend.

Directors and their interests

The directors during the year and as at the date of signing this report were as follows:

R Shah (resigned 21 March 2016)
J Minderides (CEO)
D D P Newns
D Arnum (appointed 24 June 2015) (Chairman)
T A Wilkinson (appointed 29 January 2015) (Non-executive)

None of the directors held any disclosable interest in the shares of the Company during the year; however the directors may hold interests in the shares of the ultimate parent company State Street Corporation.

Pillar 3 disclosures requirements

In accordance with the rules of the FCA, State Street Global Markets International Limited has published information on its risk management objectives and policies on its regulatory capital requirements and resources. This information is available on the State Street website at: www.statestreet.com. These disclosures have not been audited.

Future Developments

The Company plans to create two new Multi-Lateral Trading Facilities ("MTF"s) based on existing technology to add to its current product offering. Those new platforms will be offered and operated globally by SSGMIL and will comply with the requirements of MiFID II in relation to those regulations governing the transactions of Financial Instruments in Europe.

Events after Balance Sheet date

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements.

Financial instruments

Financial instruments are held for regulatory liquidity mitigation purposes in the form of UK gilts and German bonds. These are further described in the Liquidity risk paragraph of the Strategic report.

Directors' report (continued)

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to foreign currency, credit, market, operational, liquidity, regulatory and interest rate, reputational and political risk are described in the Principal Risks and Uncertainties section of the Strategic Report. The directors consider the impact of client reimbursement for the transition management event (see note 18) which are included in the results of the Company for the year ended 2014. The directors also consider this to be the reason for the losses incurred by the Company in 2014 and 2015. The Company is focused on steadily reclaiming market share; the Company has considerable financial resources together with established relationships with a number of customers and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have reasonable expectations that the Company has adequate resources to continue in its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' indemnification

There is power under the Articles for the Company to indemnify each person who is a director, or secretary of the Company out of the assets of the Company against all costs, charges, losses and liabilities incurred by the director, or secretary, of the Company in the proper execution of their duties or the proper exercise of their powers, authorities and discretions.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that they are obliged to take as a director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with sections 485 and 487 of the Companies Act 2006, Ernst and Young LLP are re-appointed as the auditor of the Company.

On behalf of the Board

J Minderides, Director

25 April 2016

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Director's 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 financial position of the Company and of the profit and loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 proper 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Registered No. 03418476

Independent auditors' report

to the members of State Street Global Markets International Limited

We have audited the financial statements of State Street Global Markets International Limited for the year ended 31 December 2015 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Registered No. 03418476

Independent auditors' report (continued)

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Victor Veger (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 April 2016

Registered No. 03418476

Income Statement

For the year ended 31 December 2015

	Notes	*2015* *£'000*	*2014* *£'000*
Turnover	3	14,604	19,669
Cost of sales	6	(8,413)	(8,626)
Gross profit		6,191	11,043
Administrative expenses		(11,978)	(12,316)
Operating loss	4	(5,787)	(1,273)
Interest receivable and similar income		2,401	2,793
Interest payable and similar costs	5	(2,678)	(2,983)
Loss on ordinary activities before taxation		(6,064)	(1,463)
Tax on loss on ordinary activities	8	-	-
Loss on ordinary activities after taxation		(6,064)	(1,463)

The company has no recognised gains or losses in the current or preceding financial year other than those shown above and accordingly no Other Comprehensive Income Statement has been prepared.

All amounts are in respect of continuing activities.

The accompanying notes are an integral part of the financial statements.

Registered No. 03418476

Balance Sheet
As at 31 December 2015

	Notes	*2015* *£'000*	*2014* *£'000*
Current assets			
Investment securities	9	140,754	130,051
Debtors	10	68,275	29,131
Cash at bank	11	3,266	4,159
		212,295	163,341
Current liabilities			
Creditors	12	39,922	26,418
Loans and advances due to related parties	13	163,377	121,836
		203,299	148,254
Net current assets		8,996	15,087
Total assets less current liabilities		8,996	15,087
Provisions for liabilities	14	-	27
Net Assets		8,996	15,060
Capital and reserves			
Called up share capital	15	1	1
Share premium		499	499
Capital contribution		4,000	4,000
Profit and loss account		4,496	10,560
Shareholder's funds		8,996	15,060

The financial statements were approved by the board of directors and signed on behalf of the Board.

J Minderides, Director

25 April 2016

The accompanying notes are an integral part of the financial statements.

Registered No. 03418476

Statement of Changes in Equity
As at 31 December 2015

	Called-up share capital	Share premium	Capital contribution	Profit and loss account	Unrealised loss on investment securities	Shareholder's funds
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 1 January 2014	1	499	4,000	12,094	(29)	16,565
Effect of change in accounting policy				(71)	29	(42)
Balance at 1 January 2014 restated	1	499	4,000	12,023	-	16,523
(Loss) for the financial year	-	-	-	(1,463)	-	(1,463)
Balance at 31 December 2014	1	499	4,000	10,560	-	15,060
(Loss) for the financial year	-	-	-	(6,064)	-	(6,064)
Balance at 31 December 2015	1	499	4,000	4,496	-	8,996

Registered No. 03418476

Notes to financial statements

At 31 December 2015

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of State Street Global Markets International Limited were approved for issue by the Board of Directors on 21 April 2016.

State Street Global Markets International Limited (the "Company") is a company, limited by shares, incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied. The Company has been recommended to adopt FRS 101at the mandatory change in accounting standard on 1 January 2014. The Company has been assessed as a high complexity entity for this adoption. By adopting FRS 101, it is considered that the Company will be better aligned to US Generally Accepted Accounting Principles, this will also mitigate the risk of any further future conversion and streamline Group reporting.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted FRS 101 for the first time. In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance of the Company is provided in note 21.

The Company's ultimate parent undertaking, State Street Corporation, includes the Company in its consolidated financial statements. The consolidated financial statements of State Street Corporation are prepared in accordance with US Generally Accepted Accounting Principles ("US GAAP") and are available to the public. These can be obtained from: Financial Centre, 1 Lincoln Street, Boston Commonwealth of Massachusetts, United States of America.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries of parent company;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet required by IFRS 1 for the beginning of the earliest comparative period following the retrospective change in accounting policy, the correction of error, or the reclassification of items in the financial statements (see note 21 for balance sheet as at the transition date required by IFRS 1 First-time adoption of IFRS); and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments.

Registered No. 03418476

Notes to financial statements

At 31 December 2015

2. Accounting policies (continued)

Judgements made by the directors, in the application of these accounting policies had no significant effect on the financial statements. The estimates of significant risk of material adjustment in the next year have not been observed in the period.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss. As stated in the directors' report the annual report and accounts are prepared on the going concern basis.

The Company's financial statements are presented in British sterling (GBP) which is its functional and presentational currency, and all values are rounded to the nearest thousand GBP (£'000) except where otherwise stated. The USD:GBP exchange rate used by the Company as of the balance sheet date was 1.4737 (2014: 1.5595).

Classification of financial instruments issued by the Company

Recognition and initial measurement

The Company initially recognises loans and advances on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The gross amounts payable and receivable on brokerage trades executed by the Company on behalf of clients are recorded on trade date and are disclosed as trade debtors and creditors. For trades that fail to settle on contracted value date, the gross considerations continue to be disclosed as trade debtors and creditors on the Company's balance sheet until actual settlement.

Classification

The Company classifies its financial assets into one of the following categories as designated "at fair value through profit or loss" and "loans and receivables". The Company classifies its financial liabilities as measured at amortised cost.

Designation at fair value through profit or loss

The Company has designated its investment securities comprised of the Liquid Asset Buffer ('LAB') assets at fair value through profit or loss as they are managed, evaluated and reported internally on a fair value basis.

Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Notes to financial statements

At 31 December 2015

2. Accounting policies (continued)

Classification of financial instruments issued by the Company (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented on balance sheet when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under FRS.

Non-derivative financial instruments

Non-derivative financial instruments comprise investment securities, trade and other debtors, cash and cash equivalents, loans and borrowings and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Securities settlement amounts receivable and payable

The gross amounts payable and receivable on brokerage trades executed by the Company on behalf of clients are recorded on trade date and are disclosed as securities settlement amounts receivable or payable. For trades that fail to settle on the contracted value date, the gross consideration continues to be disclosed as securities settlement amounts receivable or payable on the Company's balance sheet until actual settlement takes place.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Registered No. 03418476

Notes to financial statements

At 31 December 2015

2. Accounting policies (continued)

Fair value measurement (continued)

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines the that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.
All assets and liabilities for which value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level that is significant to the fair value measurement as a whole, as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the Company can assess on measurement date.
Level 2. Quoted prices that are observable for the asset and liabilities, either directly or indirectly.
Level 3. Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs)

Revenue recognition

Commissions and fees relative to securities trading activities earned on trades are recognised in the profit and loss account on trade date exclusive of VAT and in accordance with the contractual terms agreed with the client. Interest income is recognised on an accrual basis. Transfer Pricing is recognised at the amount that is transferred from other Group companies and when the income is earned or the expense incurred.

Cost of sales

Cost of sales are recognised in the profit and loss net of VAT and on the trade date. The expense recognised is the direct expense incurred to complete a brokerage revenue transaction.

Employee benefits
The Company's employees are members of both defined contribution and defined benefit schemes operated by State Street Bank & Trust Company for UK employees.

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by Street Bank & Trust Company which is legally responsible for the plan. The Company then recognises a cost equal to its contribution payable for the period. The contributions payable by the participating entities are determined on the following basis: the amount of contribution made by the legal sponsor apportioned based on the number of employees employed by the Company as at the reporting date. Contributions to the defined contribution scheme are recognised in the profit and loss account as they become payable.

Registered No. 03418476

Notes to financial statements

At 31 December 2015

2. Accounting policies (continued)

Employee benefits (continued)
Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Equity-settled share-based payments

From time to time, employees are awarded deferred stock under the ultimate parent Company's (State Street Corporation) Equity-Based Compensation Plan. Deferred stock awards issued under the plan vest over periods up to four years. The Company does not have an obligation to settle the Parent's awards with its employees and as such measures this benefit as equity settled share-based payment transactions.

The cost of equity-settled share-based awards to employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense on a straight line basis over the period in which employees perform services to which the awards relate, or over the period of the tranches for those awards delivered in tranches. For awards delivered in tranches, each tranche is considered a separate award and the related expense is amortised separately. Fair value is determined by reference to the market price at grant date, adjusted to take account of the fact that awards are not eligible for dividends during the vesting period. Estimates of expected forfeitures are periodically adjusted in the event of actual forfeitures or for changes in expectations.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and its impact on the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account. The expense amount is deducted from the equity of the parent and settled through the transactions with group undertakings by the Company. Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity of the parent, settled through transactions with group undertakings, with any excess over fair value being treated as an expense in the profit and loss account.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currencies accounting policy).
Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable are recognised in the profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Registered No. 03418476

Notes to financial statements

At 31 December 2015

2. Accounting policies (continued)

Foreign currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities at the balance sheet date are translated at year-end rates of exchange. Exchange differences arising are reported as part of the profit and loss for the year. Non-monetary assets are translated at historical rates.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, which can be reliably estimated.

Current taxation

The tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Tax relating to items charged or credited directly to equity is also dealt with in equity.

Group relief

Tax credits are recognised in respect of taxable losses, where sufficient taxable profits are available for offset within other group undertakings in the same tax group.

Deferred taxation

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except that deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

3. Turnover

Turnover represents commissions and fees for sourced brokerage including adjustment for transfer pricing, stated net of £272,146 (2014: £412,876) rebates and net of VAT, and is derived from the continuing operations of the business in UK/Europe and Asia Pacific. Non-Transition management consists mainly of institutional brokerage and non-self clearing.

The turnover analysis below is based on executions and not based on the client's geographic location:

		2015	*2014*
		£'000	*£'000*
UK and Europe	–Transition Management	6,966	7,598
	– Non-Transition Management	3,453	3,372
Non-Europe	–Transition Management	1,872	5,114
	– Non-Transition Management	2,313	3,585
		14,604	19,669

Notes to financial statements

At 31 December 2015

4. Operating loss

		2015 £'000	2014 £'000
The Operating loss is stated after charging/(crediting):			
Auditors' remuneration	-audit of the financial statements	92	83
	-audit-related assurance services	44	16
	-taxation compliance services	2	2
Depreciation		-	80
Foreign Exchange losses		77	275
Foreign Exchange gains on investment securities		(27)	(32)
Legal fees		2,633	2,327
Professional fees		419	310
Provision		(9)	(205)

5. Interest payable and similar costs

	2015 £'000	2014 £'000
Interest payable to Group Companies	276	445
Net change in fair value of financial instruments classified as fair value through profit or loss	2,402	2,538
	2,678	2,983

6. Cost of Sales

Cost of sales represents clearing and brokerage expense of £8,412,544 (2014: £8,626,420).

Notes to financial statements

At 31 December 2015

7. Staff costs

Staff costs including directors' emoluments were:

	2015	*2014*
	£'000	*£'000*
Wages and Salaries	4,700	4,711
Social Security Costs	650	655
Pension Costs (see note 2)	299	491
	5,649	5,857

The average monthly number of employees during the year was made up as follows:

	2015	*2014*
	No.	*No.*
Transition Management	19	18
Non-Transition Management	8	10
	27	28

Staff costs include an amount of £451,552 (2014: £461,524) in respect of equity-settled share-based employee remuneration, which takes the form of deferred awards of shares in the ultimate parent company.

These awards are made to senior employees and vest over periods of up to 4 years after grant date, on condition that the employee is still employed within the State Street Corporation group at the vesting date.

Directors' emoluments

Certain directors were employed and remunerated as directors or executives of State Street Corporation and its subsidiaries (the 'Group') in respect of their services to the group as a whole and their remuneration has been paid by other group entities. It is estimated that the remuneration for their services to the Company in the current year totalled £34,000 (2014: £38,000).

Registered No. 03418476

Notes to financial statements

At 31 December 2015

7. Staff costs (continued)

Directors' emoluments were:	*2015*	*2014*
	£'000	*£'000*
Remuneration	298	313
Payments under long term incentive schemes	191	137
Pension contribution	18	18
	507	468

The amounts in respect of the highest paid director were as follows:

	2015	*2014*
	£'000	*£'000*
Emoluments	507	468

The accrued pension at the year-end in the defined benefit scheme for the highest paid director is £Nil (2014: £ Nil).

8. Tax

(a) Analysis of charge in period

	2015	*2014*
	£'000	*£'000*
Current tax:		
UK corporation tax on profits of the period	-	-
Adjustments in respect of previous periods	-	-
Withholding tax expense	-	-
Double tax relief	-	-
Foreign tax	-	-
Adjustments in respect of previous periods	-	-
Total current tax	-	-
Deferred Tax:		
Origination and reversal of temporary differences	-	-
Decelerated capital allowances	-	-
Impact of tax rate reduction	-	-
Adjustments in respect of previous periods	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

Notes to financial statements

At 31 December 2015

8. Tax (continued)

(b) Factors affecting tax charge for period

	2015 *£'000*	*2014* *£'000*
Profit on ordinary activities before tax	(6,064)	(1,463)
Profit on ordinary actives multiplied by the blended rate of corporation tax in the United Kingdom of 20.25% (2014 - 21.5%)	(1,228)	(315)
Effect of:		
Expenses not deductible for tax purposes	(55)	(93)
Adjustments in respect of prior years	-	-
Utilisation of tax losses	-	-
Withholding tax expense	-	-
Losses not recognised for deferred tax	1,433	500
Other temporary differences not recognised for deferred tax	(150)	(93)
Impact of tax rate reduction	-	-
Total tax	-	-

(c) Deferred tax

	2015 *£'000* *Recognised*	*2014* *£'000* *Recognised*
Deferred tax asset at start of year	-	-
Deferred tax (charge) in profit and loss account for the year	-	-
Deferred tax asset at end of year	-	-
The balance at the year end comprises:		
Decelerated capital allowances	-	-
Other temporary differences	-	-
	-	-

The company has unrelieved trading losses carried forward of £7,077,274 (2014: £2,325,920) and other temporary differences of £478,250 (2014: £1,211,788). No deferred tax has been recognised in respect of the losses and other timing differences as their utilisation is uncertain.

Registered No. 03418476

Notes to financial statements

At 31 December 2015

9. Investment securities

The investment securities are presented at fair value determined as at the balance sheet date. Any gains or losses arising are recognised in the Profit and Loss Account. Investment securities have been designated as fair value through profit or loss, and comprise of both UK and German government bonds (refer to note 16 for detailed analysis).

	Fair Value *2015* *£'000*	Fair Value *2014* *£'000*
Opening balance as at 1 January	130,051	135,959
Purchase of investments	280,074	173,500
Sale of investments	(262,294)	(178,707)
Change in fair value	(2,402)	(2,538)
FX gain/(loss)	(4,675)	1,837
Closing balance as at 31 December	140,754	130,051

10. Debtors

	2015 *£'000*	*2014* *£'000*
Amounts falling due within one year:		
Trade debtors	66,531	23,967
Amounts due from related companies	256	2,691
Prepayments and accrued income	738	2,090
Other debtors	750	383
	68,275	29,131

Amounts due from related parties are interest free, unsecured and repayable on demand.

11. Cash at bank

	2015 *£'000*	*2014* *£'000*
Cash at bank	3,266	4,159

Included within the cash balances are segregated funds in respect of client money under the FCA Client Money (CASS) rules amounting to £Nil (2014: £Nil).

Notes to financial statements

At 31 December 2015

12. Creditors

	2015 *£'000*	*2014* *£'000*
Amounts falling due within one year:		
Trade creditors	37,466	23,077
Accruals and other creditors	2,456	3,157
Pension contribution	-	184
	39,922	26,418

All creditors are unsecured and repayable on demand.

13. Loans and advances due to related parties

	2015 *£'000*	*2014* *£'000*
Repayable on demand:		
- State Street Bank & Trust Company	163,371	121,830
- State Street Europe Limited	6	6
	163,377	121,836

The Company holds a Liquidity Facility Agreement with State Street Bank and Trust Company – London Branch ('SSBTC- LB'). The agreement provides for a credit facility up to the value of US $1billion. The Company has drawn down on its existing liquidity facility with SSBTC to fund the purchase of the securities from the market. Pursuant to the liquidity facility agreement between the parties, the facility may be drawn with maturities out to 120 days. Maturities can be extended as agreed between lender and borrower. Interest is payable at the relevant Interbank Offered Rate. SSBTC- LB must provide 6 months' notice to cancel the facility.

Notes to financial statements

At 31 December 2015

14. Provisions for liabilities

	Restructuring £'000
At 1 January 2015	27
Additions	4
Utilised	-
Released in the year	(31)
At 31 December 2015	-

During 2014, a provision for restructuring was established. The provision is in relation to future expected restructuring and severance costs. The Company re-assessed the requirement of the provision during the year, it was agreed that there was no expected outflow of economic benefits and therefore the provision was released to the profit and loss, un-utilised.

15. Called up share capital

	Ordinary shares	
In thousands of shares	2015	2014
On issue at 1 January	1	1
Issued for cash	-	-
On issue at 31 December – fully paid	1	1

	Authorised 2015 £'000	Allotted, called up and fully paid 2015 £'000	Authorised 2014 £'000	Allotted, called up and fully paid 2014 £'000
Ordinary Shares of £1 each	5	1	5	1

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Notes to financial statements

At 31 December 2015

16. Financial instruments and risk management

The Company's financial assets include investment securities, trade and other receivables, cash and cash equivalents. The financial liabilities include loans and borrowings, trade and other creditors.

Fair values of financial assets and financial liabilities:

Below is a comparison by category of carrying amounts and fair values of all the Company's financial Instruments that are carried in the financial statements.

	Carrying amount	Fair Value	Carrying amount	Fair Value
	2015	*2015*	*2014*	*2014*
	£'000	*£'000*	*£'000*	*£'000*
Financial assets				
Loans and receivables				
Cash	3,266	3,266	4,159	4,159
Trade and other debtors	68,275	68,275	29,131	29,131
Fair value through profit and loss				
Investment securities	140,754	140,754	130,051	130,051
Financial liabilities				
Loans and advances due to related party	163,377	163,377	121,836	121,836
Trade and other creditors	39,922	39,922	26,418	26,418

Fair value hierarchy

During the year, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of the Level 3 fair value measurements. All assets and liabilities are considered as Level 1 instruments in the fair value hierarchy.

Financial Instruments measured at fair value

As at 31 December 2015, the Company held the following financial instruments measured at fair value:

	2015	*Level 1*	*Level 2*	*Level 3*
	£'000	*£'000*	*£'000*	*£'000*
Assets measured at fair value				
Financial assets at fair value through profit and loss				
Investment securities	140,754	140,754	-	-

Registered No. 03418476

Notes to financial statements

At 31 December 2015

16. Financial instruments and risk management (continued)

Risk management

The key risks that the Company is exposed to are credit risk, liquidity risk and market risk. The directors review and approve policies for managing each of these risks.

(a) Credit risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Maximum credit exposure

The carrying amount of all financial instruments best represents the maximum exposure to credit risk. Neither collateral nor credit derivatives have been used to mitigate credit risk.

Amount receivable from customers

State Street Corporation manages its counterparty credit risk centrally to optimise the use of credit availability and to avoid excessive risk concentration. Counterparties are reviewed prior to acceptance to ensure they meet the necessary standard. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk. The Company only transacts with entities that are rated the equivalent of investment grade and above. Counterparty limits are established within this procedure to manage exposures at the Company level. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payment. The Company's exposure and credit rating of its counterparties are continuously monitored. The directors receive and monitor regular reports on any credit limit exceptions.

The Company has no significant exposure to non-intra group credit risk as the majority of its transactions are conducted on a delivery versus payment basis.

The table below represents the maximum exposure to credit risk of the Company at the year end. Amounts receivable from customers are stated at amortised cost and calculated in accordance with the Company's accounting policies. Those amounts receivable from customers that are neither past due nor impaired represent loans where no customer payments have been missed and there is, therefore, no evidence to suggest that the credit quality is anything other than adequate.

	2015	*2014*
	£'000	*£'000*
Trade receivables from customers	66,531	23,967
Total	66,531	23,967

Registered No. 03418476

Notes to financial statements

At 31 December 2015

16. Financial instruments and risk management (continued)

Risk management (continued)

(a) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company at 31 December 2015 by analysing credit quality of assets according to Moody's credit ratings of the counterparties whereby Aaa is the highest possible rating. The company has no investment securities that fall outside the range of Aaa to Aa1.

Investment securities

	2015	*2014*
	£'000	*£'000*
Government bonds and treasury bills		
Rated Aaa	93,718	88,534
Rated Aa1	47,036	41,517
Total	140,754	130,051

The Company monitors concentrations of credit risk by sector and by geographic location.

	2015	*2014*
	£'000	*£'000*
Carrying amount	140,754	130,051
Concentration by sector: Government	140,754	130,051
Concentration by location: Germany	93,718	88,534
Concentration by location: UK	47,036	41,517
	140,754	130,051

Concentration by location for investment securities is based on country of domicile of the issuer of security. The Company has no exposure to higher risk Eurozone countries.

Cash and cash equivalents

The Company is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks. The Company sets strict limits in respect of the amount of exposure to any one institution. The cash and cash equivalents are held with financial institutions rated from Aa3 to Ba1 based on Moody's ratings.

Registered No. 03418476

Notes to financial statements

At 31 December 2015

16. Financial instruments and risk management (continued)

Risk management (continued)

(a) Credit risk (continued)

Cash and cash equivalents (continued)

No collateral or credit enhancements are held in respect of any financial assets. The maximum exposure to counterparty risk is as follows:

	2015	*2014*
	£'000	*£'000*
Cash and cash equivalents	3,266	4,159
Total	3,266	4,159

Cash and cash equivalents are neither past due nor impaired and are spread over a number of financial institutions, each of which meets the criteria set out in the Company's treasury policies, to ensure the risk of loss is minimised.

(b) Liquidity Risk

The Company's liquidity framework addresses areas of potential risk based on its activities, size, and other appropriate risk-related factors. In managing liquidity risk, the Company employs limits, maintains established metrics and early warning indicators, and performs routine stress testing to identify potential liquidity needs. This process involves the evaluation of a combination of internal and external scenarios which assist in measuring the Company's liquidity position, and identifying potential increases in cash requirements or decreases in available sources of cash. It also assesses the potential loss to the Company's ability to access the global capital markets.

The Company maintains sufficient liquidity in high quality marketable assets to ensure it can meet its contractual and regulatory obligations. The key measure used by the Company for managing liquidity risk is monitoring of the liquidity asset buffer ('LAB').

The Company's minimum LAB level is prescribed as the Individual Liquidity Guidance ('ILG'). The value of the investment securities held as the LAB is monitored daily.

Details of the reported ratio of LAB value to ILG at the reported date and during the reported period was as follows:

	2015	*2014*
At 31 December	107.76%	105.36%
Average for the period	110.44%	114.61%
Maximum for the period	181.36%	119.25%
Minimum for the period	103.58%	105.36%

Liquidity facilities are provided to the Company by State Street Bank and Trust Company – London Branch ('SSBTC- LB') (see note 13).

Registered No. 03418476

Notes to financial statements

At 31 December 2015

16. Financial instruments and risk management (continued)

(b) Liquidity Risk (continued)

The table below summarises the maturity profile of Company's financial liabilities at 31 December 2015. Non-derivative financial liabilities amounts are compiled on the basis of undiscounted cash flows.

	Carrying amount £'000	Less than 1 month £'000	1-3 months £'000	3 months-1 year £'000
Financial liability by type				
Non-derivative liabilities				
Loans and advances due to related party	163,377	-	-	(163,377)
Trade and other creditors	39,922	(39,745)	(177)	-
	203,299	(39,745)	(177)	(163,377)

As part of the management of liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements.

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; foreign currency risk, interest rate risk and other price risk. Financial instruments affected by market risk include loans and borrowings and investment securities.

Foreign currency risk

Foreign currency risk is the risk that fair value of future cash flows of an exposure will fluctuate because of changed in foreign exchange rates.

The Company operates internationally, and is exposed to foreign exchange risk arising from trading balances in currencies other than sterling. However, as it conducts its business on behalf of clients, the foreign exchange exposure arising from the mismatch of assets and liabilities is normally borne by the client. The subsequent impact on the Company for a particular currency is minimal.

In order to maintain the Company's Liquid Asset Buffer ('LAB'), the Company holds both sterling gilts and euro bonds. Where the Company has invested in unencumbered liquid assets in currencies other than sterling, the Company tries to minimise foreign exchange risk by utilising its multi-currency committed liquidity facility with State Street Bank and Trust Company – London Branch ('SSBTC-LB') to fund the purchase.

Registered No. 03418476

Notes to financial statements

At 31 December 2015

16. Financial instruments and risk management (continued)

(c) Market Risk (continued)

Foreign currency risk (continued)

The summary quantitative data about the Company's exposure to key foreign currency risk from Investment securities and loans and borrowings at 31 December 2015 is as follows:

	EUR
	£'000
Assets	
Investment securities	93,718
Liabilities	
Loans and borrowings	94,521

Sensitivity analysis

A 10% percent weakening or strengthening of the euro against the pound sterling at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below, on the basis that other variables are held constant. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 2014.

	Change in sterling vs. euro rate	Effect on profit before tax
		£'000
2015		
Euro/Sterling	-10%	73
Euro/Sterling	+10%	(89)
2014		
Euro/Sterling	-10%	173
Euro/Sterling	+10%	(211)

Notes to financial statements

At 31 December 2015

16. Financial instruments and risk management (continued)

(c) Market Risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in interest rates relates primarily to Investment securities and borrowings.

Asset Liability Management (ALM) is responsible in managing, measuring and monitoring interest rate risks on an ongoing basis. The Company is responsible for the development of policies and procedures, reporting, and regular communication with the relevant committees.

Global Treasury Risk Management ("GTRM") performs an independent review and risk oversight function by ensuring that Global Treasury's risks are proactively identified, well-understood, and prudently managed in support of the Company's business strategy. GTRM is a unit of Enterprise Risk Management, reporting to the Chief Risk Officer.

ALM in collaboration with GTRM has established reporting that allows management to assess the sensitivity of the bank to changes in market conditions.

The Company manages this risk by ensuring that all its interest bearing assets and liabilities are at market rates. At present the liabilities are at the relevant Interbank Offered Rate and the assets are at a fixed rate exceeding this.

Sensitivity analysis

The increase or decrease in interest rate for the loans and borrowings at 31 December would have increased (decreased) equity and profit or loss by the amount shown below, on the basis that other variables held constant:

	Increase/decrease in basis points	Effect on profit before tax
		£'000
2015		
Sterling	+100	(660)
Euro	+100	(945)
Sterling	-100	660
Euro	-100	945
2014		
Sterling	+100	(286)
Euro	+100	(909)
Sterling	-100	286
Euro	-100	909

Notes to financial statements

At 31 December 2015

16. Financial instruments and risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

The Company is running a constant balance sheet strategy. The investment strategy is focused on fulfilling Liquidity Asset Buffer ('LAB') requirements by investments in short term LAB eligible securities. These purchases are funded by short-term borrowings within the group (rolling three month term). From that perspective Interest rate risk is moving within a reasonable range and therefore should not result in a high risk exposure. Results are monitored on a monthly basis by ALM together with GTRM, quickly can react on severe adverse movements.

Other price risk

The Company does not hold any equity investments so there is no exposure to other price risk.

Capital Management

The Company's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital and retained earnings; and

- Tier 2 capital, which is subordinated debt.

The Company's capital position based on the regulatory returns submitted to the regulators based on 31 December 2015 unaudited results:

	2015	*2014*
	£'000	*£'000*
Tier 1 capital	9,186	15,060
Tier 2 capital	-	-
Total capital	9,186	15,060

The Company's lead regulator, the FCA, sets and monitors capital requirements for the Company as a whole.

The Company has complied with all externally imposed capital requirements throughout 2015.

There have been no material changes to the Company's management of capital during the period.

Registered No. 03418476

Notes to financial statements

At 31 December 2015

17. Staff pension scheme

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2015 *£'000*	*2014* *£'000*
Defined benefit asset	194,695	193,672
Effect of net asset ceiling	(27,277)	(18,840)
Total defined benefit asset	167,418	174,832
Total defined benefit liability	(167,418)	(174,832)
Net asset/(liability) for defined benefit obligations (see following table)	-	-

Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2015	*2014*	*2015*	*2014* *Restated**	*2015*	*2014* *Restated**
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 1 January	174,832	142,726	193,672	162,057	(18,840)	(19,331)
Included in profit or loss*	-	-	-	-	-	-
Current service cost	-	-	-	-	-	-
Past service cost and gains and losses arising from settlements	-	-	-	-	-	-
Interest cost/(income)	6,399	6,536	7,226	7,415	(827)	(879)
	6,399	6,536	7,226	7,415	(827)	(879)
Included in OCI*						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic Assumptions	724	-	-	-	724	-
- Change in financial assumptions	(8,445)	26,096	-	-	(8,445)	26,096
- Experience adjustment	(2,298)	761	-	-	(2,298)	761
Return on plan assets excluding interest income	-	-	(9,455)	25,922	9,455	(25,922)
Effect of movements in exchange rates	-	-	-	-	-	-
	(10,019)	26,857	(9,455)	25,922	(564)	935
Other						
Contributions paid by the employer	-	-	7,500	-	(7,500)	-
Administration expenses of plan	-	-	(454)	(435)	454	435
Benefits paid	(3,794)	(1,287)	(3,794)	(1,287)	-	-
Payments in respect of settlements	-	-	-	-	-	-
Pension scheme assumed on acquisition/Transferred on disposal	-	-	-	-	-	-
Balance at 31 December	167,418	174,832	194,695	193,672	(27,277)	(18,840)

Notes to the financial statements

At 31 December 2015

17. Staff pension schemes (continued)

*Although it is not specifically required by IAS 19 Revised, the pro forma accounts have disclosed the subtotal of items recognised in profit or loss and OCI.

Under IFRIC 14 a surplus emerging from the Scheme is allowed to be recognised in the year in which it emerges, subject to a limit. The surplus that can be recognised is the present value of the liabilities expected to arise in future in respect of future service by current and future members or any amount of refunds that have been agreed by the Scheme Trustees at the balance sheet date. As the Scheme is closed to future accrual of benefits and no refund was agreed by the Scheme Trustees at the balance sheet date, the surplus is restricted in full.

Plan assets

	2015	*2014*
	£'000	*£'000*
Cash and cash equivalents	41	402
Equity instruments	28,057	25,918
	28,098	26,320
Debt instruments e.g. Government bonds	138,837	140,979
Diversified alternatives	27,760	26,373
Total	194,695	193,672

All equity securities and government bonds have quoted prices in active markets. All other plan assets are not quoted in an active market.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2015	*2014*
Discount rate at 31 December	3.9%	3.70%
Future salary increases	n/a	n/a
Future pension in payment increases	3.0%	3.0%
Future pension in deferment increases	2.0%	2.0%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 24.7 years (male), 25.9 years (female).
- Future retiree (currently aged 45) upon reaching 65: 26.8 years (male), 28.2 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions.

	2015	*2014*
	£'000	*£'000*
Discount rate +0.25% (2014 +0.5%)	(9,036)	(21,433)
Future salary increases	n.a	n.a.
Inflation (RPI, CPI) +0.25% (2014 +0.5%)	9,570	23,345

Registered No. 03418476

Notes to the financial statements

At 31 December 2015

17. Staff pension schemes (continued)

In valuing the liabilities of the pension fund at 31 December 2015, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2015 would have increased by £3,206,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 August 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The plan is fully funded by the Company and its subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 23 years (2014: 24 years).

Historically, some of the Group's employees participated in a non-contributory pension scheme operated by State Street Bank and Trust Company ('SSB&T') for United Kingdom employees – the State Street UK Pension & Life Assurance Scheme ("the Scheme"). The Scheme has both defined benefit and defined contribution sections. Both the defined benefit section and the defined contribution section of the Scheme are closed to future accrual of benefits, the defined benefit section since 30 April 2008, the defined contribution section in part from 30 April 2008 and completely from 30 April 2010. The company's employees now participate in a defined contribution non-contributory Group Personal Pension Scheme ("GPP") also operated by SSB&T.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is State Street Bank and Trust Company, London Branch, another member of the group. The Company then recognises a cost equal to its contribution payable for the period. The contributions payable by the participating entities are determined pro-rata with their allocation of normal service costs at the point immediately prior to the closure of the scheme to future accrual, adjusted for certain specific arrangements where the group has been restructured. Contributions to the defined contribution scheme are recognised in the profit and loss account as they become payable.

The cost to the Company of the GPP for the whole year together with the amount of outstanding contributions owed by the Company in respect of the Scheme and the GPP at the year end 31 December 2015 are set out below:

Defined contribution scheme costs for the year	£299,399 (2014: £307,097)
Outstanding contributions in respect of defined contribution schemes	£Nil (2014: £Nil)

The defined benefit section of the Scheme provides benefits based on their final pensionable salary, although all members are now deferred members. The assets of the Scheme are held separately from those of SSB&T and are administered by Mercer Limited (pension consultants).

The Group has been advised by the independent qualified actuaries of the Scheme that the underlying assets and liabilities of the Scheme cannot be separated by participating employers on a consistent and reasonable basis. Accordingly, the effect of the Scheme surplus on the participating companies cannot be determined.

Notes to the financial statements

At 31 December 2015

17. Staff pension schemes

The defined benefit contributions to the Scheme are determined with the advice of an independent qualified actuary on the basis of triennial valuations. Following an agreement with the Trustees of the Scheme, after results of the 31 August 2014 actuarial valuation were known in January 2015, SSB&T and the other participating companies agreed to pay £7.5m into the Scheme to restore funding to 100% on the scheme as a whole (on a funding basis). In this respect a contribution of £7.5m was paid in July 2015 (2014: £Nil). No further contributions have been made to the Scheme since then. The next actuarial valuation report will be as at 31 August 2017.

Over the current year, the Company paid £Nil (2014: £184k) into the defined benefit section of the Scheme and there were no outstanding contributions owed by the company in respect of the Scheme at the year end.

In respect of the defined benefit section of the Scheme, SSB&T and the other participating companies expect to pay no contributions over 2016 but will pay the expenses not met by Scheme assets (under an agreement with the Trustees) plus the cost of Pension Protection Fund levies.

18. Transition management reimbursement

In 2014, the Company agreed the amounts to be reimbursed with the remaining affected clients where certain client charges for transition management mandates completed in 2010 and 2011 where the charges were inconsistent with the relevant contractual agreements. The amount by which the agreed settlements exceeded reserves established in prior years was included in the results of the Company for the year ended 31 December 2013. The Company believes all identified client reimbursements have been paid and are included in 2014 financial statements. No client reimbursements have been paid in 2015.

19. Events after the balance sheet date

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or the inclusion of a note there to.

20. Parent undertaking and controlling party

The Company's immediate parent undertaking is State Street Europe Limited, a company incorporated in the UK.

The ultimate parent company and controlling party is State Street Corporation, incorporated in the Commonwealth of Massachusetts, in the United States of America. State Street Corporation's consolidated financial statements that include the results of this company can be obtained from One Lincoln Street, Boston, Commonwealth of Massachusetts, United States of America.

21. Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 2015, the comparative information presented in these financial statements for the year ended 2014 and in the preparation of an opening FRS 101 balance sheet at 01 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Registered No. 03418476

Notes to financial statements

At 31 December 2015

21. Explanation of transition to FRS 101 from old UK GAAP (continued)

Reconciliation of Equity

		31 December 2014		
	Note	**Old UK GAAP** *£'000*	**Effect of transition to FRS 101** *£'000*	**FRS 101** *£'000*
Current assets				
Debtors (due with one year)		29,131	-	29,131
Investments		130,051	-	130,051
Cash at bank and in hand		4,159	-	4,159
Creditors: amounts due within one year	*a*	148,192	62	148,254
Net current [assets]/[liabilities]		15,149	(62)	15,087
Provisions for liabilities				
Other provisions		27	-	27
Net assets/[liabilities]		15,122	(62)	15,060
Capital and reserves				
Called up share capital		1	-	1
Share premium account		499	-	499
Capital contribution		4,000	-	4,000
Revaluation reserve	*b*	13	(13)	-
Profit and loss account		10,609	(49)	10,560
Shareholders' equity		15,122	(62)	15,060

a) Adopting FRS 101 requires accrual for short-term employee accumulated holiday benefit earned by employees as they provide services to State Street. The accrued liability which related to holiday pay has been presented as a liability due within one year on the balance sheet.

b) Adopting FRS101 Investment securities are designated at fair value through profit and loss as the securities are a portfolio that are managed and evaluated on a fair value basis as at the date of transition. The carrying amount of securities on balance sheet will not change as they were already carried at fair value. The securities have been reclassified to fair value through profit and loss account. The cumulative gains and losses in a separate revaluation reserve account have been adjusted against the opening retained earnings as at 1 January 2014 (retrospectively adjusted).

Registered No. 03418476

Notes to financial statements

At 31 December 2015

21. Explanation of transition to FRS 101 from old UK GAAP (continued)

Reconciliation of profit/loss for year ended 31 December 2014

	Notes	**Old UK GAAP** *£'000*	***Effect of transition to FRS 101*** *£'000*	***FRS 101*** *£'000*
Fees and commission income		19,669	-	19,669
Cost of sales		(8,626)	-	(8,626)
Gross profit		11,043	-	11,043
Administrative expenses	*a*	(12,296)	(20)	(12,316)
Operating loss		(1,253)	(20)	(1,273)
Loss on sale of Investment Securities		(4)	4	-
Interest income		2,793	-	2,793
Premium amortisation on gilts	*b*	(2,579)	2,579	-
Interest expense		(445)	(2,538)	(2,983)
Loss on ordinary activities before taxation		(1,488)	25	(1,463)
Tax on loss on ordinary activities		3	(3)	-
Loss on ordinary activities after taxation		(1,485)	22	(1,463)

a) Adopting FRS 101 requires accrual for short-term employee accumulated holiday benefit earned by employees as they provide services to State Street. The accrued liability which related to holiday pay has been presented as a liability due within one year on the balance sheet.

b) Adopting FRS101 Investment securities are designated at fair value through profit and loss as the securities are a portfolio that are managed and evaluated on a fair value basis as at the date of transition. The carrying amount of securities on balance sheet will not change as they were already carried at fair value. The securities have been reclassified to fair value through profit and loss account. The cumulative gains and losses in a separate revaluation reserve account have been adjusted against the opening retained earnings as at 1 January 2014 (retrospectively adjusted).