State Street Global Markets International Limited

Registered No. 03418476

Annual Report and Financial Statements

31 December 2014

Registered No. 03418476

Directors

R Shah (Chairman)
D Newns
J Minderides (CEO)
T Wilkinson

Secretary

Mikko Nahkuri

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

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 2014.

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:

	2014	*2013*	*Change*
	£'000	*£'000*	*%*
Turnover	19,669	18,544	*6%*
Loss on ordinary activities before taxation	(1,488)	(6,554)	*-77%*
Shareholder's funds	15,122	16,565	*-9%*
Average number of employees	28	32	*-13%*

Loss on ordinary activities before taxation decreased by 77% to £1,488,335 (2013- £6,553,476).

The turnover of the Company increased 6% during the year. The increase was mainly attributable to transition management revenue which increased 13% to £12,711,933 (2013- £11,227,105). The movement was due to high volumes along with the increase in the number of transitions completed during the year. Non-transition management revenue decreased 5% to £6,956,711 (2013- £7,316,525).

Operating expenses decreased 16% to £12,296,230 (2013- £14,565,961) for the year. This included a decrease in staff costs of 7% to £5,837,486 (2013- £6,308,553) as a result of a decrease in incentive compensation and reduction in headcount. The net transfer pricing expense decreased 25% to £2,629,601 (2013- £3,513,221) as a result of the increase in transfer pricing revenues.

Shareholder's funds decreased 9% to £15,122,018 (2013- £16,564,275) due to the loss incurred during the year, offset by movements in the revaluation related to investment securities. No dividends were proposed or paid (2013- £Nil).

During the course of 2011, certain transition mandates were identified where the charges made to clients were inconsistent with the relevant contractual arrangements. The Company continued to experience challenging conditions within its transition management business. There were no major changes in the trading services offered to clients. The Company is continuously looking to grow and seek further opportunities.

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 and reputational risk. The directors review and approve policies for managing each of these and other risks and they are summarised below. 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 its clients, the foreign exchange exposure arising from the mismatch of assets and liabilities is normally borne by the client and the subsequent impact on the Company in a particular currency is minimal.

In order to maintain the Company's Liquid Asset Buffer (LAB) the Company holds gilts denominated in sterling and bonds denominated in euro. 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 to fund the purchase. This does not fully eradicate the exposure and the Company does not use financial instruments to hedge this. The borrowing facility is further explained in note 14 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 structure 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.

No credit exposure risk arises from the purchases of Bonds for the liquidity buffer. The liquidity buffer is further explained within the Liquidity risk paragraph of this report.

Market risk

The Company has no direct exposure to the risk of movements in securities prices as it conducts its business on behalf of clients and therefore holds no long or short trading positions.

Market risk on the purchase of the Bonds for the liquidity buffer 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 has been, at all times, to maintain sufficient high quality liquid assets to cover expected cash outflows and to stay comfortably within the limits for the sight to 8 day and sight to 30 day gap positions set by the Financial Conduct Authority ('FCA') and Prudential Regulation Authority ('PRA').

The Company has enhanced its liquidity resources by establishing a Liquid Assets Buffer ('LAB'). The LAB has initially been met in the form of gilts denominated in GBP and bonds denominated in EUR, the market value of which as at the balance sheet date was £130,051,004 (2013- £135,959,298). 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 liquid asset buffer, 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 liquid assets buffer is realised. In the case of reverse repurchase, transactions of varying duration are undertaken.

Strategic report (continued)

The Company maintains a mixture of cash and short-term deposits designed to ensure it has sufficient available funds for its operations. The Company has also arranged local financing for the short-term funding of failed trades.

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.

On behalf of the Board

J Minderides, Director

23/4/2015

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 2014. 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 information.

Principal activities

The Company is a regulated securities broker and is also a member of the London Stock Exchange. Its principal activity during the year was the provision of Transition Management and brokerage services. During the year, the Company has a new business activity of Fixed Income Cash Execution & Clearing – matched principal intermediary service to Bloomberg TNT platform for corporate bonds. The Company acts as matched principal intermediary for clearing of European corporate bonds originating in EMEA on the Bloomberg ETNT platform ("ETNT") for clients based in EEA member states.

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 £1,484,906 (2013- £6,763,678). No dividend (2013 - £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 (Chairman) (appointed 11 November 2014)
J Minderides (CEO)
D D P Newns (Non-executive) (appointed 10 March 2014)
T A Wilkinson (appointed 29 January 2015)
K Keenan (resigned 25 December 2014)
N J Bonn (resigned 25 December 2014)
S J Balogh (resigned 31 December 2014)

None of the directors held any disclosable interest in the shares of the Company; 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

State Street Corporation is currently reviewing its European legal entity footprint which includes the Company. As at the date of the signing of these financial statements the directors of the Company had neither committed to nor approved any initiatives or plans.

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 risk are described in the Principal Risks and Uncertainties section of the Strategic Report. The directors consider the impact of the transition management event (see note 20) to be included in the results of the Company to date. The directors also consider this to be the reason for the losses incurred by the Company in 2013 and 2014. 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 in order 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
23 April 2015

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). 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 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 safcguarding thc assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EY
Building a better working world

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 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. 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).

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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

Building a better
working world

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.

Michael-John Albert (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
23 April 2015

Registered No. 03418476

Profit and loss account

For the year ended 31 December 2014

	Notes	*2014* *£'000*	*2013* *£'000*
Fees and commission income	2	19,669	18,544
Cost of sales	5	(8,626)	(8,264)
Gross profit		11,043	10,280
Administrative expenses		(12,296)	(14,566)
Operating loss	3	(1,253)	(4,286)
Loss on sale of Investment Securities	7	(4)	(5)
Interest income		2,793	2,184
Premium amortisation		(2,579)	(4,067)
Net interest income		214	(1,883)
Interest expense	4	(445)	(380)
Loss on ordinary activities before taxation		(1,488)	(6,554)
Tax on loss on ordinary activities	8	3	(210)
Loss on ordinary activities after taxation retained for the year		(1,485)	(6,764)

The results for the year are in respect of continuing operations.

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

Registered No. 03418476

Statement of total recognised gains and losses

at 31 December 2014

	2014	*2013*
	£'000	*£'000*
Loss retained for the year	(1,485)	(6,764)
Unrealised gain/(loss) on investment securities	16	(29)
Tax on unrealised gain/(loss) on available for sale securities	(3)	-
Total recognised losses relating to the year	(1,472)	(6,793)

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

Registered No. 03418476

Balance Sheet

At 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Fixed assets	9	-	80
		-	80
Current assets			
Investment securities	12	130,051	135,959
Debtors	10	29,131	34,024
Cash at bank	11	4,159	5,769
		163,341	175,752
Current liabilities			
Creditors	13	26,356	30,317
Loans and advances due to related parties	14	121,836	128,683
		148,192	159,000
Net current assets		15,149	16,752
Total assets less current liabilities		15,149	16,832
Provisions for liabilities	15	27	267
Net Assets		15,122	16,565
Capital and reserves			
Called up share capital	16	1	1
Share premium	17	499	499
Capital contribution	17	4,000	4,000
Revaluation Reserve	17	13	(29)
Profit and loss account	17	10,609	12,094
Shareholder's funds		15,122	16,565

On behalf of the board

J Minderides, Director
23 April 2015

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

Registered No. 03418476

Notes to financial statements

At 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements of State Street Global Markets International Limited were approved for issue by the Board of Directors on 23rd April 2015.

The financial statements are prepared under the historical cost convention with the exception of investment securities which are recorded at market value. They are drawn up in accordance with the Companies Act 2006 and other applicable accounting standards under UK GAAP.

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.

As the Company is neither listed nor prepares its financial statements in accordance with the fair value accounting rules, it does not apply FRS 26 'Financial Instruments: Measurement'. Consequently the disclosure requirements of paragraphs 51 to 95 of FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 29 'Financial Instruments: Disclosure' are not applicable.

The USD:GBP exchange rate used by the Company as of the balance sheet date was 1.5595 (2013- 1.6561).

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

Pensions

The Company participates in both defined benefit pension and defined contribution pension schemes. The pension cost of the defined benefit pension scheme is calculated under the multi-employer scheme provision of FRS 17, assessed in accordance with the advice of qualified actuaries, so as to recognise the cost of pensions on a systematic basis over employees' service lives, with contributions calculated recognised in the profit and loss account as they become payable. Contributions to the defined contribution scheme are recognised in the profit and loss account at they become payable.

Equity-settled share-based payments

The Company has adopted Amendments to FRS 20, *Group Cash-Settled Share-based Payment Transactions.*

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 two, three or four year periods. 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.

Registered No. 03418476

Notes to financial statements

At 31 December 2014

1. Accounting policies (continued)

Equity-settled share-based payments (continued)

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.

Related party transactions

In accordance with FRS 8, *Related Party Disclosures,* the Company is exempt from the requirement to disclose transactions with related parties on the grounds that it is a wholly owned subsidiary of a group for which consolidated financial statements are prepared and are publicly available. Please refer to note 19 for further information.

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.

Cash flow statement

The Company has not produced a cash flow statement. In accordance with FRS 1 (revised), *Cash Flow Forecasts*, the Company is claiming exemption as a cash flow statement is included within the financial statements of its ultimate parent undertaking, for which financial statements are publicly available.

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.

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.

Registered No. 03418476

Notes to financial statements

At 31 December 2014

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 contracted value date, the gross considerations continue to be disclosed as securities settlement amounts receivable or payable on the Company's balance sheet until actual settlement.

Tangible fixed assets

All fixed assets are initially recorded at cost and depreciated according to their estimated useful lives, less any accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset over its expected useful life, as follows:

Computer software - 3-5 Years

Investment securities

The investment securities are comprised of the Liquid Assets Buffer ('LAB'); these are valued at market value as this provides the accounting treatment closest to the business purpose and intended use of the securities. Management's assessment of market value of the securities is based on prices provided by a third party vendor on a daily basis. The amount of unrealised profit or loss arising is recognised through the Statement of total recognised gains and losses and is transferred to the profit and loss account upon realisation of the securities. Premium or discount is amortised on a straight line basis over the remaining life of the securities.

2. Turnover

Turnover represents commissions and fees for sourced brokerage including adjustment for transfer pricing, stated net of £412,876 (2013- £370,060) 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.

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

		2014	*2013*
		£'000	*£'000*
UK and Europe	–Transition Management	7,598	6,257
	– Non-Transition Management	3,372	4,122
Asia Pacific	–Transition Management	5,114	4,970
	– Non-Transition Management	3,585	3,195
		19,669	18,544

Registered No. 03418476

Notes to financial statements

At 31 December 2014

3. Operating loss

		2014	2013
		£'000	*£'000*
The Operating loss is stated after charging:			
Auditors' remuneration	-audit of the financial statements	102	117
	-audit-related assurance services	16	418
	-taxation compliance services	2	2
Depreciation		80	86
Foreign Exchange losses/(gains)		243	(31)
Legal fees		2,327	2,500
Professional fees		310	404
Provision		(205)	(119)

4. Interest payable and similar charges

	2014	2013
	£'000	*£'000*
Interest payable to Group Companies	445	380
	445	380

5. Cost of Sales

Cost of sales represents clearing and brokerage expense of £8,626,420 (2013 - £8,264,075).

Registered No. 03418476

Notes to financial statements

At 31 December 2014

6. Staff costs

Staff costs including directors' emoluments were:

	2014 £'000	2013 £'000
Wages and Salaries	4,691	5,284
Social Security Costs	655	700
Pension Costs (see note 1)	491	324
	5,837	6,308

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

	2014 No.	2013 No.
Transition Management	18	19
Non-Transition Management	10	13
	28	32

Pension costs above include an amount accrued at 31 December 2014 of £nil (2013- £Nil).

Staff costs include an amount of £461,524 (2013- £954,600) 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 between 24 and 48 months after grant date, on condition that the employee is still employed within the State Street Corporation group at the vesting date. The number and weighted average fair value ('WAFV') of the awards during the year are analysed below. The fair value is based on the market price at grant date, adjusted to take account of the fact that awards are not eligible for dividends during the vesting period. The Company reimburses the ultimate parent company for the costs of the awards made to its employees.

Registered No. 03418476

Notes to financial statements

At 31 December 2014

6. Staff costs (continued)

	No. of shares	WAFV
Outstanding 1 January 2014	65,084	$44.51
Granted	8,945	$65.28
Vested	(31,585)	$44.71
Forfeited	(2,841)	$44.53
Outstanding 31 December 2014	39,603	$49.05

Directors' emoluments

Directors' emoluments paid by the company during the year were £468,420 (2013- £332,515). This was the remuneration paid to the highest paid director by the Company.

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 £38,000 (2013- £32,500).

The accrued pension at the year-end in the defined benefit scheme for the highest paid director is £nil (2013- £ Nil).

7. Loss on investment securities

The sale on the investment security prior to maturity resulted in a loss of £4,167 (2013- £4,506). The total proceeds from the sale were reinvested in Investment securities.

8. Tax

(a) Analysis of charge in period

	2014	*2013*
	£'000	*£'000*
UK corporation tax on profits/(losses) of the period	(10)	-
Adjustments in respect of previous periods	7	-
Total current tax	(3)	-
Deferred Tax:		
Adjustments in respect of previous periods	-	210
Total deferred tax	-	210
Tax on profit/(loss) on ordinary activities	(3)	210

Registered No. 03418476

Notes to financial statements

At 31 December 2014

8. Tax (continued)

(b) Factors affecting tax charge for period

	2014 *£'000*	*2013* *£'000*
Profit/(loss) on ordinary activities before tax	(1,488)	(6,554)
Profit/(loss) on ordinary actives multiplied by the blended rate of corporation tax in the United Kingdom of 21.5% (2013 - 23.25%)	(320)	(1,524)
Effect of:		
Expenses not deductible for tax purposes	7	7
Deferred Shares deduction	(185)	(23)
Decelerated/(Accelerated) capital allowances	(4)	(5)
Other timing differences	(7)	183
Other	-	472
Losses arising in the year not relievable against current tax	500	890
Adjustments in respect of previous years	7	-
Total current tax	(3)	-

(c) Deferred tax

	2014 *£'000* *Recognised*	*2013* *£'000* *Recognised*
Deferred tax asset at start of year	-	210
Deferred tax (charge) in profit and loss account for the year	-	(210)
Deferred tax asset at end of year	-	-
The balance at the year end comprises:		
Decelerated capital allowances	-	-
Other timing differences	-	-
	-	-

The company has unrelieved trading losses carried forward of £2,325,920 (2013 - £13,502,703) and other timing differences of £1,150,327 (2013- £2,114,325). 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 2014

9. Fixed Assets

	2014 *£'000* Computer Software
Cost:	
At 1st January 2014	260
As at 31st December 2014	260
Depreciation:	
At 1st January 2014	180
Provided during the year	80
As at 31st December 2014	260
Net Book Value:	
As at 31st December 2014	-
As at 31st December 2013	80

Registered No. 03418476

Notes to financial statements

At 31 December 2014

10. Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade Debtors	23,967	30,602
Amounts due from related companies	2,691	2,470
Prepayments and accrued income	2,090	459
Other debtors	383	493
	29,131	34,024

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

11. Cash at bank and in hand

	2014 £'000	2013 £'000
Cash at bank	4,159	5,769

Included within the cash balances are segregated funds in respect of client money under the FCA Client money (CASS) rules amounting to £nil (2013 - £Nil).

Registered No. 03418476

Notes to financial statements

At 31 December 2014

12. Investment securities

The investment securities are comprised of the LAB assets which are carried at market value. Any unrealised gains or losses resulting from changes in market value is recognised through the Statement of total recognised gains and losses, and is then transferred to the profit and loss account upon sale or maturity of the securities.

	Cost £'000	Market Value £'000
Opening balance as at 1st January 2014	135,988	135,959
Purchase of investments	173,500	173,500
Sale of investments	(178,707)	(178,707)
Premium amortisation	(746)	(746)
Change in revaluation reserve	-	45
Closing balance as at 31 December 2014	130,035	130,051

13. Creditors

	2014 *£'000*	*2013* *£'000*
Amounts falling due within one year:		
Trade Creditors	23,077	24,280
Accruals and other creditors	3,095	6,037
Pension contribution	184	-
	26,356	30,317

All creditors are unsecured and repayable on demand.

The Pension contribution liability of £183,503 (2013: £nil) includes amounts that have been accrued for the Company's portion of a 2015 contribution to the defined benefit pension of the State Street UK Pension & Life Assurance scheme. This has been recognised following the most recent actuarial valuation report of an independent qualified actuary, for further details refer to note 18.

Registered No. 03418476

Notes to financial statements

At 31 December 2014

14. Loans and advances due to related parties

	2014	*2013*
	£'000	*£'000*
Repayable on demand:		
- State Street Bank & Trust Company	121,830	128,599
- State Street Bank Europe Limited	6	5
- State Street GmbH	-	79
	121,836	128,683

The Company holds a Liquidity Facility Agreement with State Street Bank and Trust Company ('SSBTC'). The agreement provides for a credit facility up to the value of $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 must provide 6 months' notice to cancel the facility.

15. Provisions for liabilities

	Restructuring
	£'000
At 1 January 2014	267
Additions	27
Utilised	(35)
Released in the year	(232)
At 31 December 2014	27

During the year the Company made a new provision of £27k for restructuring and severance payments.

16. Called up share capital

	Authorised	Allotted and fully paid	Authorised	Allotted and fully paid
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Ordinary Shares of £1 each	5	1	5	1

Registered No. 03418476

Notes to financial statements

At 31 December 2014

17. Reconciliation of movement in shareholder's funds and reserves

	Called up share capital	Share premium	Capital contribution	Unrealised gain/(loss) on investment securities	Profit and loss	Total Shareholder's funds
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st January 2014	1	499	4,000	(29)	12,094	16,565
(Loss) for the year	-	-	-	-	(1,485)	(1,485)
Unrealised gain	-	-	-	13	-	13
Realised loss	-	-	-	29		29
As at 31st December 2014	1	499	4,000	13	10,609	15,122

	Called up share capital	Share premium	Capital contribution	Unrealised loss on investment securities	Profit and loss	Total Shareholder's funds
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st January 2013	1	499	4000	(2,060)	18,858	21,298
(Loss) for the year	-	-	-	-	(6,764)	(6,764)
Unrealised (loss)	-	-	-	(29)	-	(29)
Realised loss	-	-	-	2,060	-	2,060
As at 31st December 2013	1	499	4,000	(29)	12,094	16,565

18. Staff pension scheme

Historically, some of the Company's employees participated in a non-contributory pension scheme operated by State Street Bank and Trust Company ('SSBTC') 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 company's employees now participate in a defined contribution non-contributory Group Personal Pension Scheme ('GPP') also operated by SSBTC.

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 2014 are set out below:

Defined contribution scheme costs for the year	£307,097 (2013 - £323,697)
Outstanding contributions in respect of defined contribution schemes	£NIL (2013- £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 SSBTC and are administered by Mercer Limited (pension consultants).

The Company 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. Under the multi-employer scheme provisions within FRS 17 certain disclosures otherwise required by FRS 17 are not provided.

Registered No. 03418476

Notes to financial statements

At 31 December 2014

18. Staff pension scheme (continued)

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 preliminary results of the 31 August 2014 actuarial valuation, SSBTC and the other participating entities have agreed to contribute £7.5m into the Scheme. They will also pay the expenses not met by the Scheme assets (under an agreement with the Trustees) plus the cost of Pension Protection Fund levies. The 2015 payment has been accrued for but not yet paid and is not reflected in the asset value stated below. The next actuarial valuation report will be as at 31 August 2014, but is not yet finalised as at the date of this report.

Over 2014 the company paid no contributions (2013- £NIL) into the defined benefit section of the Scheme. The overall details of the Scheme are outlined below.

The results of the most recent actuarial valuation for funding purposes, which was conducted as at 31 August 2011, have been updated as at 31 December 2014 as follows:

	2014	*2013*	*2012*
Main assumptions:			
Discount rate applied to Group scheme liabilities (% per annum)	3.70	4.60	4.60
Rate of pensionable salary increases (% per annum)	n/a	n/a	n/a
Rate of increases of pensions in payment – 5% LPI (% per annum)	3.00	3.30	3.00
Rate of increases of pensions in payment – 2.5% LPI (% per annum)	2.50	2.50	2.50
Rate of increases of pensions in deferment (% per annum)	2.00	2.30	2.30
RPI Price inflation (% per annum)	3.00	3.30	3.00
CPI Price inflation (% per annum)	2.00	2.30	2.30

Fair value of defined benefit section Scheme assets (for SSBTC and the other participating companies):

Value £000s	2014	2013	2012	2011	2010
Equities	25,918	25,149	24,062	20,652	26,409
Bonds	140,979	109,388	108,851	119,875	91,737
Other	26,775	27,520	23,824	20,812	20,849
Total value of defined benefit Scheme assets	193,672	162,057	156,737	161,339	138,995
Present value of defined benefit Scheme liabilities	(174,832)	(142,726)	(132,753)	(133,285)	(130,989)
Surplus (Deficit) in Scheme	18,840	19,331	23,984	28,054	8,006
Effect of paragraph 41 surplus cap limit (see below)	(18,840)	(19,331)	(23,984)	(28,054)	(8,006)
Net asset (liability)	0	0	0	0	0
Funding level before application of surplus cap	111%	113%	118%	121%	106%
Experience adjustments on plan assets (gain)/ loss	(26,366)	170	5,398	(16,744)	25
Experience adjustments on plan liabilities (gain)/loss	0	(2)	(1,847)	101	976
Expected return on plan assets %					
Equities	7.10	8.70	8.40	7.90	8.33
Bonds	2.40	3.70	3.40	3.90	4.37
Other	3.60	6.80	8.40	7.90	7.77

Registered No. 03418476

Notes to financial statements

At 31 December 2014

18. Staff pension scheme (continued)

The level of surplus has fallen from last year, mainly due to an increase in the Scheme liabilities as a result of the reduction in the discount rate. The effect of this was partially offset by a fall in the assumption for future inflation and an increase in the value of the invested assets of the Scheme over the year.

Under FRS 17 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.

19. Related party transactions

Under FRS 8, *Related Party Disclosures*, the Company is exempt from the requirement to disclose transactions with related parties on the grounds that it is a wholly owned subsidiary of a Company for which consolidated financial statements are prepared and are publicly available.

20. 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 or provided for in the financial statements to date.

21. 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.

22. Parent undertaking and controlling party

The Company's immediate parent undertaking is State Street Bank 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.