# State Street Global Markets International Limited

Registered No. 03418476

## Annual Report and Financial Statements

31 December 2018

Registered No. 03418476

## Directors

Christopher Barrett (Chief Executive)
David Newns
Dennis Arnum (Chairman) (Non-executive)
Olubusola Sodeinde
Pinar Emirdag

## Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

## Registered Office

20 Churchill Place
Canary Wharf
London
E14 5HJ

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# Strategic report

The directors present their strategic report for State Street Global Markets International Limited (the 'Company') for the year ended 31 December 2018.

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:

| | *2018* | *2017* | *Change* |
|---|---|---|---|
| | *£'000* | *£'000* | *%* |
| Turnover | 12,853 | 33,417 | *-62%* |
| Gain on ordinary activities before taxation | 2,270 | (532) | *527%* |
| Shareholder's funds | 9,930 | 8,213 | *21%* |
| Average number of employees | 0 | 17 | *-100%* |

During the year the Company's turnover decreased 62% to £12,853,004 (2017:£33,416,540). This was mainly driven by the closure of the Transition Management, Sales and Trading and Fixed Income Clearing businesses in 2017.

GlobalLink revenue decreased 41% to £2,563,506 (2017: £4,379,180), due to product offering changes driven by MiFID II regulation.

Transfer pricing income decreased 45% to £10,222,628 (2017: £18,503,973) and operating expenses decreased 62% to £10,150,509 (2017: £26,649,129) for the year. This was mainly driven by the change in GlobalLink costs allocation to the Company. The decrease was also driven by the closing down of Transition Management, Sales and Trading and Fixed Income clearing businesses in 2017.

Profit on ordinary activities before taxation increased 526% to £2,270,378 (2017: loss £532,452).

Shareholder's funds increased to £9,929,726 (2017: £8,212,482) due to the profit incurred during the year. No dividends were proposed or paid (2017: £Nil).

# Strategic report

**Principal Risks and Uncertainties**

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

**Market risk**

Market risk could arise with regards to foreign currencies but the Company does not have any transactions in currencies other than GBP. Transfer pricing revenue is translated from USD on a monthly basis but settled in GBP.

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# Strategic report (continued)

### Credit risk

Credit risks arise from non-trading book asset exposures in the balance sheet. The largest exposure is cash held with banking counterparties. Credit risk is managed within a conservative framework as set out in the Credit Risk Policy.

### Interest rate risk

Interest rate risk is deemed to be immaterial due to the low level of revenue derived from interest income in the non-trading book. There is a minimal exposure due to cash balances being placed on deposits but these are placed in zero interest-rate bank accounts. Interest rate risk is managed in accordance with SSC's guidelines.

### Liquidity risk

The Company maintains liquidity resources comprised of cash balances at banks and a Liquidity Facility Agreement with State Street Bank and Trust Company. The agreement provides for a multi-currency credit facility up to the value of US $1billion.

### Operational risk

The following operational risks arise from breakdowns in the key operational processes, human failure or from external events and systems.

*Operational Execution* risk is the risk of errors or omissions arising from inadequate or failed internal processes with the potential for financial, reputational or franchise harm. The Company addresses Operational Execution Risk by identifying, collecting and analysing operational risk data; utilising the data to quantify its operational risk exposure and by implementing a comprehensive operational risk management and governance structure.

*Technology and Resiliency Risk* is defined as the inability to achieve strategic, financial, and operational objectives due to issues arising from the use, ownership, operation, involvement, influence and adoption of information technology. The risk is managed by establishing information technology policies, controls and operating procedures as well as implementing governance, monitoring and assurance functions.

*Business Conduct and Compliance Risk* is defined as the failure to meet the regulatory and contractual obligations, fiduciary and other legal duties, policies and standards, corporate culture and standards of ethical business conduct that is expected by its clients, shareholders, regulators and other stakeholders. The Company seeks to minimise business risks arising from adverse changes in the competitive or regulatory environment, as well as, changes in the economics of its business activities and also seeks to minimise the failure or poor execution of strategic decisions that could lead to fiduciary and legal risks.

### 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.

### 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.

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# Strategic report (continued)

**EU referendum**

The UK held a referendum on 23 June 2016 on whether it should remain a member of the EU. This resulted in a vote in favour of leaving the EU. The result of the referendum means that the long-term nature of the UK's relationship with the EU is unclear and is dependent on agreeing both a withdrawal agreement as well as a future economic relationship. The UK is attempting to ratify the terms of a negotiated withdrawal agreement which includes arrangements for a transition period which is due to last until 31 December 2020. If the UK is unable to ratify a withdrawal agreement resulting in a 'no-deal' Brexit, there is a risk of uncertainty for both the UK and the EU, which could adversely affect the economy of the UK and the other economies in which we operate. The potential risks associated with an exit from the EU have been carefully considered by the Board and include:

*Market risk:* Potential for continued market volatility (notably FX and interest rates) given political uncertainty which could affect the value of the Company's revenue stream and related portfolios.

*Operational risk: i)* The UK's withdrawal from the EU may result in the loss of the passport for firms accessing the EU from the UK, this has required the Company to realign some limited aspects of its operating model. *ii)* Uncertainty over the UK's future approach to EU freedom of movement could have some impact the Company's access to the EU talent pool.

*Legal risk:* Whilst European Union law will remain in force for two years after the UK's exit from EU, assuming the currently envisaged transition period is in place, following such time it is conceivable that there could be divergence in EU and UK regulation, however any such changes are not expected to have a material impact on the Company's contracts or enforceability of legal obligations given the types of products and services offered.

On behalf of the Board

David Newns, Director

17 *April 2019*

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# 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 2018. 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 offers electronic trading platform services through the GlobalLink business for Currenex, Fund Connect and two MiFID II compliant Multi-Lateral trading facilities Currenex MTF and FX Connect MTF. The Company is the contracting party with the clients for the products offered and services are provided by other members of the State Street group.

The Company is regulated and authorised by the FCA.

No financial instruments are used by the Company for operational purposes. The financial instruments held for liquidity risk mitigation purposes in the form of UK gilts and German bonds were sold off during the year.

## Results and dividends

The Company made a profit after tax of £2,270,738 (2017: loss £1,815). No dividend (2017: £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:

C Barrett (Chief Executive) (appointed 31 August 2018)
D D P Newns
D Arnum (Chairman) (Non-executive)
O Sodeinde
P Emirdag (appointed 11 July 2018)
R Shah (Resigned 12 September 2018)

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 is looking to offer new services via FX Connect and Currenex. FX Connect will deliver a new web version user surface to its clients including expanding its product base. Currenex will continue growing its synergy products which offer outsourced solutions to enable liquidity customisation and distribution.

## 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.

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# 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 market, credit, interest rate, liquidity, operational, regulatory, reputational and political risk are described in the Principal Risks and Uncertainties section of the Strategic Report. The Company has considerable financial resources and as a consequence, the directors believe that the Company is well placed to manage its business risks successfully in the future.

The Company will continue to operate as the EMEA entity for its GlobalLink trading platforms Currenex, Currenex MTF, FX Connect MTF and Fund Connect. The Company will receive a revenue share for the GlobalLink business less the expected costs allocated by transfer pricing. The Company will also receive compensation for total costs incurred in providing platform related activities plus an additional mark up on such costs.

As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. The directors have reasonable expectations that the Company will have 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 auditor

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 auditor

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

David Newns, Director

17 April 2019

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# 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.

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# Independent auditor's report

**to the members of State Street Global Markets International Limited**

## Opinion

We have audited the financial statements of State Street Global Markets International Limited for the year ended 31 December 2018 which comprise Income Statement, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework] (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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# Independent auditor's report (continued)

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

**Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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# Independent auditor's report (continued)

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities.This description forms part of our auditor's report.

**Use of our report**

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

Ernst + Young LLP.

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

17 April 2019

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# Income Statement

**For the year ended 31 December 2018**

| | Notes | 2018 £'000 | Continuing Operations 2017 £'000 | Discontinuing Operations 2017 £'000 | Total 2017 £'000 |
|---|---|---|---|---|---|
| **Turnover** | | | | | |
| Fees and commission income | 4 | 12,853 | 20,247 | 13,170 | 33,417 |
| Cost of sales | | - | - | (5,925) | (5,925) |
| **Gross profit** | | 12,853 | 20,247 | 7,245 | 27,492 |
| Administrative expenses | | (10,151) | (15,603) | (11,046) | (26,649) |
| **Operating profit/(loss)** | 5 | 2,702 | 4,645 | (3,802) | 843 |
| Interest income from investment securities | | 2,679 | 2,062 | 2 | 2,064 |
| Interest expense | | (205) | (290) | (26) | (316) |
| Net change in fair value of financial instruments | | (2,906) | (3,123) | - | (3,123) |
| **Profit/(loss) on ordinary activities before taxation** | | 2,270 | 3,294 | (3,826) | (532) |
| Tax on profit/(loss) on ordinary activities | 6 | (553) | 531 | - | 531 |
| **Profit/(loss) on ordinary activities after taxation** | | 1,717 | 3,825 | (3,826) | (1) |

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 for 2018 are in respect of continuing activities.

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

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# Balance Sheet

**As at 31 December 2018**

| | Notes | 2018 £'000 | Restated 2017 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Deferred tax asset | 7 | 134 | 531 |
| **Current assets** | | | |
| Investment securities | 9 | - | 169,451 |
| Debtors | 10 | 1,443 | 3,820 |
| Cash at bank | 11 | 8,982 | 10,202 |
| | | 10,425 | 183,473 |
| **Total assets** | | 10,559 | 184,004 |
| **Current liabilities** | | | |
| Creditors | 12 | 132 | 1,463 |
| Loans and advances due to related parties | 13 | 497 | 173,086 |
| | | 629 | 174,549 |
| **Total assets less current liabilities** | | 9,930 | 9,455 |
| Provision for liabilities | 14 | - | 1,242 |
| **Net Assets** | | 9,930 | 8,213 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | 1 | 1 |
| Share premium | | 499 | 499 |
| Capital contribution | | 4,000 | 4,000 |
| Profit and loss account | | 5,430 | 3,713 |
| **Shareholder's funds** | | 9,930 | 8,213 |

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

David Newns, Director

17 April 2019

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

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# Statement of changes in Equity
**As at 31 December 2018**

| | *Called-up share capital* | *Share premium* | *Capital contribution* | *Profit and loss account* | *Shareholder's funds* |
|---|---|---|---|---|---|
| | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| Balance at 1 January 2017 | 1 | 499 | 4,000 | 3,714 | 8,214 |
| Profit/(Loss) for the financial year | - | - | - | (1) | (1) |
| Balance at 31 December 2017 | 1 | 499 | 4,000 | 3,713 | 8,213 |
| Profit/(Loss) for the financial year | - | - | - | 1,717 | 1,717 |
| Balance at 31 December 2018 | 1 | 499 | 4,000 | 5,430 | 9,930 |

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# Notes to financial statements

**At 31 December 2018**

## 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 17 April 2019.

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"). The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 and effective immediately have been applied in these financial statements.

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.

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 State Street, 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 and 3.

## 2. Changes in accounting policies

### 2.1. Impact of application of IFRS 9 *Financial Instruments*

The Company adopted *IFRS 9 Financial Instruments* as issued by the International Accounting Standards Board ("IASB") on 1 January 2018, which resulted in changes in accounting policies but no adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate the comparative figures.

The adoption of IFRS 9 resulted in changes to our accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as *IFRS 7 Financial Instruments: Disclosures.*

Set out below are the disclosures relating to the impact of the adoption of IFRS 9 to the Company. The accounting policies are described in detail in note 3 below.

**Classification and measurement**

There were no changes to the classification and measurement of financial liabilities.

**Reconciliation of statement of financial position balances from IAS 39 to IFRS 9**

There were no remeasurement adjustments arising from changes in the classification of financial assets.

**Reconciliation of impairment allowance balance from IAS 39 to IFRS 9**

There were no remeasurement adjustments arising from changes in the measurement of impairment of financial assets.

# Notes to financial statements

**At 31 December 2018**

## 2. Changes in accounting policies (continued)

### 2.2 Impact of application of IFRS 15 *Revenue from Contracts with Customers*

The Company adopted IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) on 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

The core principle requires a company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The Company used the modified retrospective method of transition, which requires the impact of applying the standard on prior periods to be reflected in opening retained earnings upon adoption.

The adoption of the standard does not have a material impact on the timing of recognition of revenue in our Profit and Loss, or our Balance Sheet, and therefore no adjustment has been made to retained earnings.

The Company's accounting policy for its revenue is disclosed in detail in note 3 below.

## 3. Significant accounting policies

### 3.1 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, intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries of parent company;
- The effects of new but not yet effective IFRSs;
- 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 disclosure:

Requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity.

***Restatement***

During the year, it was noted that deferred tax assets (total £531k) were reported within Current Assets under 'Debtors' in the prior year Balance Sheet. As per IAS1, all deferred tax assets should have been reported as non-current assets. The 2017 comparative figures for each of these line items in the Balance Sheet have been corrected in the current year Balance Sheet, decreasing Current Debtors by £531k and increasing Non-Current Deferred Tax Assets by £531k for the 2017 period. The total net impact of this reclassification error on Net Assets in 2017 is nil.

***Significant Accounting Estimate***

Certain of our accounting policies, by their nature, require management to make judgments, involving estimates and assumptions. These estimates and assumptions are based on information available as of the date of the financial statements, and changes in this information over time could materially affect the amounts of assets, liabilities, equity, revenue and expenses reported in subsequent financial statements. The more significant accounting policies applied by the Company that have been identified by management that may require management to make judgements are those associated with recurring fair value measurements and contingencies. These accounting policies require judgments, and underlying estimates and assumptions that may be subject to revision as new information becomes available. 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.

# Notes to financial statements

**At 31 December 2018**

## 3. Significant accounting policies (continued)

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 1.2738 (2017: 1.3527).

### 3.2 Financial assets and liabilities

### Measurement methods

***Initial Recognition and measurement***

Financial assets and liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the profit or loss. Immediately after recognition, an expected credit loss ("ECL") is recognised for financial assets measured at amortised cost and investment securities measured at FVOCI, which may result in an accounting loss being recognised when an asset is newly originated.

***Financial assets – classification and subsequent measurement***

From 1 January 2018, the Company has applied IFRS 9 and classified financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

Factors considered by the Company in determining the business model for a group of assets include past experience of how the cash flows for these assets were collected and how risks are assessed and managed. The liquidity portfolio assets are held by the Company as part of liquidity management and are generally classified within the hold to collect business model.

ii) The cash flow characteristic of the asset
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and for sale, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., interest includes only consideration for the time value or money, credit risk, other lending risk and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets is classified and measured at FVTPL.

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# Notes to financial statements

**At 31 December 2018**

## 3. Significant accounting policies (continued)

### 3.2 Financial assets and liabilities (continued)

The measurement of the ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

*Financial assets – derecognition*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

*Financial liabilities – classification and measurement*

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied. Financial liabilities are derecognised when they are extinguished.

*Amortised cost and effective interest rate*

The amortised cost is the amount at which the financial asset or financial liability is measured at the initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. When the Company revises the estimated cash flows, the carrying amount of the respective financial assets or liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.

*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 101.

***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. Full provision will be provided for any receivables that are uncollectible for more than 180 days.

# Notes to financial statements

**At 31 December 2018**

## 3. Significant accounting policies (continued)

### 3.2 Financial assets and liabilities (continued)

*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 fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

*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.

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.

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# Notes to financial statements

**At 31 December 2018**

## 3. Significant accounting policies (continued)

### 3.2 Financial assets and liabilities (continued)

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).

***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.

***Interest receivable and Interest payable***

Interest payable and similar costs include interest payable 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 expense 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.

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# Notes to financial statements

**At 31 December 2018**

## 3. Significant accounting policies (continued)

***Defined benefit plans***

Historically, the Company's employees participated in a Group wide defined benefit pension plan operated by State Street Bank and Trust Company ('SSB&T') for United Kingdom employees"). 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 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.

***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.

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# Notes to financial statements

**At 31 December 2018**

## 3. Significant accounting policies (continued)

### 3.3 Revenue recognition

The amount of revenue that we recognise is measured based on the consideration specified in contracts with our customers, and excludes taxes collected from customers subsequently remitted to government authorities. We recognise revenue when a performance obligation is satisfied over time as the services are performed or at a point in time depending on the nature of the services provided as further discussed below.

Fee revenue includes transfer pricing income received from providing access and use of electronic trading platforms. Electronic FX services are dependent on the volume of actual transactions initiated through our electronic exchange platforms. Revenue is recognised over time using a time-based measure as access to, and use of, the electronic exchange platforms is made available to the customer and the activity is determinable.

## 4. Turnover

*GlobalLink revenue*:

The Company receives revenue share under the intercompany agreements with Currenex Inc and FX Connect LLC and State Street Bank and Trust Company for its GlobalLink business, Currenex, Currenex MTF, FX Connect MTF and Fund Connect. GlobalLink revenue also includes revenue generated from SSI Search business which was transferred to the Company in 2017.

*Transfer pricing income (costs plus):*

Costs plus transfer pricing income represents the compensation received for total costs incurred by the Company in providing platform related activities. This transfer pricing revenue is calculated on the basis of costs incurred plus an additional mark-up on such costs.

Costs plus transfer pricing income also represents the compensation received for global markets infrastructure expenses incurred by the Company on behalf of other business units. This transfer pricing revenue is calculated on the basis of costs incurred plus an additional mark-up on such costs.

| | *2018* | *2017* |
|---|---|---|
| | *£'000* | *£'000* |
| GlobalLink revenue | 2,564 | 4,379 |
| Transfer pricing income (costs plus) | 10,223 | 15,868 |
| Other revenue | 66 | - |
| | 12,853 | 20,247 |

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# Notes to financial statements

**At 31 December 2018**

## 5. Operating profit

| | | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|---|
| The Operating profit is stated after charging/(crediting): | | | |
| Auditor's remuneration | -audit of the financial statements | 78 | 85 |
| | -audit-related assurance services | 49 | 51 |
| | -taxation compliance services | 2 | 2 |
| Foreign Exchange (gains)/losses | | (20) | 109 |
| Legal fees | | - | 82 |
| Professional fees | | 169 | 216 |
| Provision for bad debts | | 54 | (185) |

## 6. Tax

(a) Analysis of charge in period

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| *Current tax:* | | |
| UK corporation tax on profits of the period | 156 | - |
| Adjustments in respect of previous periods | - | - |
| Total current tax | 156 | - |
| *Deferred Tax:* | | |
| Origination and reversal of temporary differences | 288 | (212) |
| Decelerated capital allowances | 3 | 3 |
| Impact of tax rate reduction | 1 | (22) |
| Recognition of previously unrecognised deferred tax | - | (299) |
| Adjustments in respect of previous periods | 105 | (1) |
| Total deferred tax | 397 | (531) |
| Total tax on profit on ordinary activities | 553 | (531) |

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# Notes to financial statements

**At 31 December 2018**

## 7. Tax (continued)

(b) Factors affecting tax charge for period

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | 2,270 | (532) |
| Profit on ordinary actives multiplied by the corporation tax rate in the United Kingdom of 19% (2017 – 19.25%) | 431 | (102) |
| *Effect of:* | | |
| Expenses not deductible for tax purposes | 16 | (107) |
| Adjustments in respect of prior years | 105 | (1) |
| Recognition of previously unrecognised deferred tax | - | (299) |
| Impact of tax rate reduction | 1 | (22) |
| Total tax on profit on ordinary activities | 553 | (531) |

(c) Deferred tax

| | 2018 £'000 Recognised | 2017 £'000 Recognised |
|---|---|---|
| Deferred tax asset at start of year | 531 | - |
| Deferred tax (charge) in profit and loss account for the year | (397) | 531 |
| Deferred tax asset at end of year | 134 | 531 |
| The balance at the year end comprises: | | |
| Trading losses | - | 314 |
| Decelerated capital allowances | 10 | 13 |
| Other temporary differences | 124 | 204 |
| | 134 | 531 |

Changes to the main UK Corporation tax rate were substantively enacted as part of Finance bill 2017. These include reductions to the main rate to reduce the rate to 17.74% with effect from April 2020. Accordingly the rate of 17.74% has been applied in the measurement of Company's closing deferred tax asset as at 31 December 2018. The rate of 17.74% has reduced the Company's deferred tax asset by £6,612.

The company has unrelieved trading losses carried forward of £870,907 (2017: £870,907). No deferred tax has been recognised in respect of the losses as their utilisation is uncertain.

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# Notes to financial statements

**At 31 December 2018**

## 8. Staff costs

Staff costs including directors' emoluments were:

| | *2018* *£'000* | *2017* *£'000* |
|---|---|---|
| Wages and Salaries | (93) | 2,402 |
| Social Security Costs | 2 | 305 |
| Pension Costs | - | 167 |
| | (91) | 2,874 |

The Company did not have any employees during 2018. Staff previously supported Transition Management and Broker dealer had departed the Company as at 31 December 2017.

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

| | *2018* *No.* | *2017* *No.* |
|---|---|---|
| Transition Management | 0 | 12 |
| Non-Transition Management | 0 | 5 |
| | 0 | 17 |

Staff costs include an amount of income, £54,771 (2017 expense: £190,106) in respect of equity-settled share-based employee remuneration, which takes the form of deferred awards of shares in the ultimate parent company.

**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 £60,000 (2017: £62,000).

| Directors' emoluments were: | *2018* *£'000* | *2017* *£'000* |
|---|---|---|
| Remuneration | - | 287 |
| Payments under long term incentive schemes | - | 296 |
| | - | 583 |

The amount in respect of the highest paid director was as follows:

| | *2018* *£'000* | *2017* *£'000* |
|---|---|---|
| Emoluments | - | 583 |

The accrued pension at the year-end in the defined benefit scheme for the highest paid director is £Nil (2017: £ Nil).

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# Notes to financial statements

**At 31 December 2018**

## 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.

| | *2018* *£'000* | *2017* *£'000* |
|---|---|---|
| Opening balance as at 1 January | 169,451 | 282,869 |
| Purchase of investments | - | 233,814 |
| Sale of investments | (165,768) | (349,318) |
| Change in fair value | (2,906) | (3,123) |
| FX gain/(loss) | (777) | 5,209 |
| Closing balance as at 31 December | - | 169,451 |

The securities were sold off during the year.

## 10. Debtors

| | *2018* *£'000* | *2017* *£'000* |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade debtors | 77 | 293 |
| Amounts due from related companies | 1,332 | 826 |
| Accrued income | - | 2,577 |
| Prepayments and other debtors | 18 | 124 |
| Corporation tax | 16 | - |
| | 1,443 | 3,820 |

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

As at 31 December 2018, trade debtors of an initial value of £138,820 (2017: £98,206) were impaired and fully provided for. Trade debtors' amount shown above is net of such provision.

## 11. Cash at bank

| | *2018* *£'000* | *2017* *£'000* |
|---|---|---|
| Cash at bank | 8,982 | 10,202 |

# Notes to financial statements

**At 31 December 2018**

## 12. Creditors

| | *2018* *£'000* | *2017* *£'000* |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade creditors | 72 | 70 |
| Accruals and other creditors | 60 | 1,393 |
| | 132 | 1,463 |

All creditors are unsecured and repayable on demand.

## 13. Loans and advances due to related parties

| | *2018* *£'000* | *2017* *£'000* |
|---|---|---|
| - State Street Bank & Trust Company | 497 | 173,083 |
| - State Street Europe Limited | - | 3 |
| | 497 | 173,086 |

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 settled the previous drawn down amounts with the proceeds from the sale of securities during the year. 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.

## 14. Provision for liabilities

| | *Restructuring* *£'000* |
|---|---|
| At 1 January 2018 | 1,242 |
| Utilised | (1,242) |
| At 31 December 2018 | - |

The provision was fully utilised during the year. The provision was in relation to future expected employee restructuring and severance costs set up in 2017.

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# Notes to financial statements

**At 31 December 2018**

## 15. Called up share capital

| In thousands of shares | Ordinary shares 2018 | 2017 |
|---|---|---|
| On issue at 1 January | 1 | 1 |
| On issue at 31 December – fully paid | 1 | 1 |

| | Authorised 2018 £'000 | Allotted, called up and fully paid 2018 £'000 | Authorised 2017 £'000 | Allotted, called up and fully paid 2017 £'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 2018**

## 16. Financial instruments

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 |
|---|---|---|---|---|
| | *2018* | *2018* | *2017* | *2017* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Financial assets | | | | |
| *Loans and receivables* | | | | |
| Cash | 8,982 | 8,982 | 10,202 | 10,201 |
| Trade and other debtors | 1,577 | 1,443 | 4,351 | 4,351 |
| *Fair value through profit and loss* | | | | |
| Investment securities | - | - | 169,451 | 169,451 |
| | | | | |
| Financial liabilities | | | | |
| Loans and advances due to related party | 497 | 497 | 173,086 | 173,086 |
| Trade and other creditors | 132 | 247 | 1,463 | 1,463 |

Carrying value is a reasonable approximation of the fair value.

**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 as at 31 December 2018.

As at 31 December 2018, the Company does not held any financial instruments measured at fair value. The investment securities were sold off during the year.

Registered No. 03418476

# Notes to financial statements

**At 31 December 2018**

## 16. Financial instruments and risk management (continued)

### 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 2018 unaudited results:

| | *2018* | *2017* |
|---|---|---|
| | *£'000* | *£'000* |
| Tier 1 capital | 8,212 | 6,826 |
| Tier 2 capital | - | - |
| Total capital | 8,212 | 6,826 |

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 2018.

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

## 17. Staff pension schemes

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.

For further detail regarding the defined benefit plan refer to Note13 in the financial statements of State Street Trustees Ltd., another member of the Group.

## Notes to the financial statements

**At 31 December 2018**

### 18. 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.

### 19. 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 State Street, Financial Centre, 1 Lincoln Street, Boston, Commonwealth of Massachusetts, United States of America.