

# **State Street Global Markets International Limited**

Registered No. 03418476

## **Annual Report and Financial Statements**

31 December 2020



# State Street Global Markets International Limited

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Registered No. 03418476

## **Directors**

D Arnum (Chairman) (Non-executive)  
M Bond  
S Timby

## **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' or 'SSGMIL') for the year ended 31 December 2020.

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:

	2020 £'000	2019 £'000	Change %
Turnover	14,930	14,876	0%
Profit before taxation	3,133	2,964	6%
Shareholder's funds	23,350	12,309	90%

Turnover increased to £14,930,000 (2019: £14,876,000) which was mainly attributable to the increase in fee revenue and transfer pricing income.

Profit on ordinary activities before taxation increased to £3,133,000 (2019: £2,964,000) mainly driven by the decrease in the administrative expenses.

Shareholder's funds increased to £23,350,000 (2019: £12,309,000) mainly due to the profit for the period and the £8,000,000 capital contribution received from parent State Street Europe Limited driven by the internal regulatory capital requirement during the year. No dividends were proposed or paid (2019: £Nil).

### 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 recorded and settled in GBP.

#### 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 State Street Corporation's ('SSC') Credit Risk Policy. State Street Corporation manages its counterparty credit risk centrally to optimise the use of credit availability and to avoid excessive risk concentration. Counterparties are reviewed prior to acceptance to ensure they meet the necessary standard. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating this risk.

#### 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 deposit but these are placed in zero interest-rate bank accounts. Interest rate risk is managed in accordance with SSC's guidelines.

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## Strategic Report (continued)

### Liquidity risk

The Company consistently maintains sufficient cash reserves to meet liquidity requirement. The Company had a Liquidity Facility Agreement with State Street Bank and Trust Company for a multi-currency credit facility up to the value of US \$1billion. The liquidity facility was not utilised since 2018 and withdrawn at the end of October 2020.

### 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 or reputational 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 of breaching regulatory requirements 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.

### Political risk

#### *Brexit*

The UK left the EU Single Market and Customs Union on 1 January 2021, and the UK became a third country to the EU. While the Brexit trade agreement was signed on 24 December 2020, there is uncertainty related to the UK financial services sector and its future trading with the EU counterparts.

In the absence of clarity, and like many of our peers, we are planning for a Free Trade Agreement (FTA) based on World Trade Organisation (WTO) rules scenario, namely that the UK will give up full access to the EU's single market and Customs Union. For the Financial Services sector, this is expected to result in the loss of some passporting privileges (i.e., the right for the UK to do business in the EU and vice-versa) but some services will still be permitted to be delegated back to the UK.

The EU and the UK reached an agreement on a joint declaration on financial services which sets out the intention to establish structured regulatory cooperation arrangements by spring 2021. A *Memorandum of Understanding* between the UK and EU on Financial Services to define the future relationship is expected.

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## Strategic Report (continued)

### Political risk (continued)

The Board has considered the risks of the current situation:

- Market risk has abated given the trade deal is in place and the transition period has ended.
- Operational risk: From 1 January 2021, Fund Connect revenue is expected to decrease as SSGMIL will only offer Fund Connect services to UK clients. For MTF services, SSGMIL is now relying on licenses, exemptions and dispensation from licenses or temporary permissions to service its clients in the EU.
- Legal risk: Whilst at this stage, the UK's regulatory regime is aligned with the EU, it is conceivable that there will be regulatory divergence between the EU and the UK in the future. The nature and impact of such divergence at this stage is uncertain and we monitor all relevant developments to this effect, including as and when the Memorandum of Understanding is published.

### Risks related to the current COVID-19 pandemic

In early 2020, the coronavirus pandemic (COVID-19) struck countries around the world, presenting enormous challenges and economic downturn. The worldwide COVID-19 outbreak has impacted global financial markets and driven volatility and FX volumes to record highs. The impact of volatility on revenues for FX Connect MTF and Currenex MTF was mainly in Q1 and after that was much lower. During 2020 the firm has also seen an inflow of assets into its Fund Connect platform as investors searched for safety. Balances dipped in late Q3 but returned to the higher levels by year end. Overall, SSGMIL platforms have performed well during the market disruption and significant volatility, evidencing platform stability, operational resiliency and an effective risk management program. The Company continues to hold sufficient capital and liquid resources to meet its regulatory and operational needs.

State Street implemented work from home arrangements for its staff during the pandemic, and the Company's operations, governance and oversight framework continue to operate effectively. Senior management and the Board of Directors are aware of the impact the pandemic and lockdowns could be having on staff wellbeing but have not seen significant impact on deliverables as a result. Furthermore, no anticipated or actual losses have been recorded either. The Company's Business Continuity Plan has been and is continuing to be executed effectively and the Company will continue to evaluate and monitor markets, the macro-economic environment and customer activity for ongoing impacts. Return to office plans have been prepared for implementation in 2021 dependent on government advice. This situation is mirrored across the State Street Group.

On behalf of the Board

Martine Bond, Director

*M. Bond*

15 April 2021

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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 2020. 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.

### **Results and dividends**

The Company made a profit after taxation of £3,041,000 (2019: £2,379,000). No dividend was paid in the year (2019: £Nil), and the Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2020.

### **Directors and their interests**

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

D Arum (Chairman) (Non-executive)

M Bond (Chief Executive)

S Timby (appointed 5 June 2020)

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](http://www.statestreet.com). These disclosures have not been audited.

### **Future developments**

The Company will continue to expand its services through its technology platforms. FX Connect will maintain expansion of its product functionality and deliver on phase 1 of its new web interface and phase 2 of its client reporting suite. Fund Connect will look to continue its expansion in Asia-Pacific, drive product development and continue its integration with Charles River Development.

### **Events after Balance Sheet date**

The Directors have evaluated the period since the year end and, other than the Brexit matter disclosed in the Political risk section of the Strategic Report, have not noted any subsequent events that require disclosure.

### **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, liquidity, operational, regulatory, reputational and political risk (including the impact of COVID-19 pandemic) are described in the Principal Risks and Uncertainties section of the Strategic Report. The Company has adequate financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully in the future.

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## **Directors' Report (continued)**

### **Going Concern (continued)**

The Board has considered the going concern assessments and concluded that there are no material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 April 2022, being a period of at least twelve months from the date of approval the financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Directors' indemnification**

There is power under the Articles of Association 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.

The Company's ultimate parent, State Street Corporation, maintains external insurance in respect of claims brought by third parties against the Company's Directors and this insurance remains in force at the date of approving the Directors' Report.

### **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 (as defined by Section 418 of the Companies Act 2006) 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 & Young LLP are re-appointed as the auditor of the Company.

On behalf of the Board

*M. Bond*

Martine Bond, Director

15 April 2021

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## **Directors' Responsibilities Statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the Directors have 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 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14, 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 2020 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. 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**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 30 April 2022, being a period of at least twelve months from the date the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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**Independent auditor's report (continued)**  
**to the members of State Street Global Markets International Limited**

**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 contained within the Annual Report.

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.

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 course of 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 themselves. 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 Strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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.

## **Independent auditor's report (continued)**

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

### **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.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 101, the Companies Act 2006 and the regulations and supervisory requirements of the Financial Conduct Authority (FCA).
- We understood how State Street Global Markets International Limited is complying with those frameworks by making inquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and regulatory bodies, reviewed minutes of meetings of the Board of Directors and the UK Risk and Compliance Committees and gained an understanding of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and considering the controls established to address risks identified to prevent or detect fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making inquiries of legal counsel, executive management, and internal audit, reviewing reporting to the Directors with respect to the application of the documented policies and procedures and reviewing the financial statements to ensure compliance with the reporting requirements of the Company.
- The Company operates in the financial services industry which is a highly regulated environment. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations, which included the use of experts where appropriate.

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.

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## **Independent auditor's report (continued)**

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

### **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*

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

16 April 2021

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## Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	14,930	14,876
<b>Gross profit</b>		<u>14,930</u>	<u>14,876</u>
Administrative expenses		(11,797)	(11,912)
<b>Operating profit</b>	4	<u>3,133</u>	<u>2,964</u>
<b>Profit on ordinary activities before taxation</b>		<u>3,133</u>	<u>2,964</u>
Tax on profit on ordinary activities	5	(92)	(585)
<b>Profit on ordinary activities after taxation</b>		<u><u>3,041</u></u>	<u><u>2,379</u></u>

The Company has no recognised gains or losses in the current or preceding financial year other than those shown above. The Company does not have any other comprehensive income/(loss). The net profit for the year disclosed above represents the Company's total comprehensive income.

All amounts for 2020 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 2020

	Notes	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Deferred tax asset	5	52	75
<b>Current assets</b>			
Debtors	7	3,677	3,675
Cash at bank	8	22,127	11,061
		25,804	14,736
<b>Total assets</b>		25,856	14,811
<b>Current liabilities</b>			
Creditors	9	2,506	2,502
		2,506	2,502
<b>Net assets</b>		23,350	12,309
<b>Capital and reserves</b>			
Called up share capital	10	101	1
Share premium		499	499
Capital contribution		11,900	4,000
Profit and loss account		10,850	7,809
<b>Shareholder's funds</b>		23,350	12,309

The financial statements were approved by the Board of Directors and signed on behalf of the Board by

Martine Bond, Director

*M. Bond*

15 April 2021

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

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# Statement of Changes in Equity

As at 31 December 2020

	<i>Called-up share capital (Note 10)</i>	<i>Share premium</i>	<i>Capital contribution</i>	<i>Profit and loss account</i>	<i>Shareholder's funds</i>
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	1	499	4,000	5,430	8,213
Profit for the financial year	-	-	-	2,379	2,379
Balance at 31 December 2019	1	499	4,000	7,809	12,309
Bonus share issue	100	-	(100)	-	-
Capital contribution	-	-	8,000	-	8,000
Profit for the financial year	-	-	-	3,041	3,041
Balance at 31 December 2020	101	499	11,900	10,850	23,350

The capital contribution was received from State Street Europe Limited, the immediate parent company. This was to provide the Company with sufficient capital to meet its internal regulatory capital requirements.

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## Notes to financial statements

At 31 December 2020

### 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 15 April 2021.

State Street Global Markets International Limited is a company, limited by shares, incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The amendments to FRS 101 (2019/20 Cycle) issued in May 2020 and effective immediately have been applied in these financial statements.

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 Company's financial statements are presented in British Pound 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 1.3662 (2019: 1.3242).

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

## 2. Significant accounting policies

### 2.1 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;
- 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 the ultimate parent undertaking include the equivalent disclosure, 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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### *Significant accounting estimates*

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.



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## Notes to financial statements

At 31 December 2020

### 2. Significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### *Measurement convention*

The financial statements are prepared on the historical cost basis.

##### *Going concern*

As stated in the Directors' Report, the annual report and financial statements are prepared on the going concern basis. In assessing whether the going concern basis is appropriate, the Directors have considered the below:

##### *Revenue consideration:*

The increased volatility due to COVID-19 has had a positive impact on revenues for FX Connect MTF and Currenex MTF during 2020. The Company has also seen an inflow of assets into the Fund Connect platform as investors search for safety. However, fee waivers have begun to be implemented by fund providers due to the low interest rate environment. These fee waivers are forecasted to take effect from early 2021 and will impact Fund Connect revenues. Other than brokerage challenges forecasted in 2021, FX connect MTF will continue to grow with onboarding of new clients and product expansion.

##### *Liquidity and capital consideration:*

The cash flows of the Company undergo stress testing as part of the Company's annual internal capital adequacy assessment process. The capital and liquidity stress scenarios covered emerging and principal risks specific to the business activities and risk profile of the entity. This encompassed macroeconomic and idiosyncratic stress assumptions, in addition to what was already included in the financial projections, which considered market factors as a result of COVID-19. The stress scenarios also assume severe but plausible, prolonged suppressed market levels and potential materialisation of significant outflows, which has not occurred to date. Reverse stress testing is also included in the assessments of the current stress scenarios. These assumptions, however remote and severe in nature, demonstrate that the risk management framework and financial resources of the firm are resilient over the business planning period.

During the year, SSGMIL's regulatory capital resources increased by £8,000,000 due to a capital contribution from parent company, State Street Europe Limited, for capital planning purposes. The Company continues to hold sufficient capital and liquid resources to meet its regulatory and operational needs.

The Directors have assessed the viability of the Company taking account of the Company's current financial position and approved budget together with revenue and expense projections for the next two years. Anticipated revenue growth factors and expected fall and rises in expenditure have been applied to the forecasted financials. The growth rate anticipated for revenue and expenses are within corporate growth rates and in line with management's expectation.

As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the period to 30 April 2022, being a period of at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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## Notes to financial statements

At 31 December 2020

### 2. Significant accounting policies (continued)

#### 2.2 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 Fair value through other comprehensive income ("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.

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 of 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 asset is classified and measured at FVTPL.

Based on these factors, the Company classifies its financial assets into one of the following measurement categories.

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described below.

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## Notes to financial statements

At 31 December 2020

### 2. Significant accounting policies (continued)

#### 2.2 Financial assets and liabilities (continued)

- Fair value through other comprehensive income: financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and are not designated as FVTPL. Movements in fair value are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchanges gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on the financial asset that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss.

##### *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. 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 Company 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 trade and other debtors, cash and cash equivalents and trade and other creditors.

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## Notes to financial statements

At 31 December 2020

### 2. Significant accounting policies (continued)

#### 2.2 Financial assets and liabilities (continued)

##### *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.

##### *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.

##### *Cash at bank*

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.

##### *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 and charges*

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

##### *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.

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## Notes to financial statements

At 31 December 2020

### 2. Significant accounting policies (continued)

#### *Interest income*

Interest income is recognised in the Statement of Comprehensive Income as the income accrues, using the effective interest method.

#### *Operating expenses*

Operating expenses are recognised on an accrual basis. Foreign currency gains and losses are reported on a net basis.

#### *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 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 and 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 Statement of Comprehensive Income 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 zero to five-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.

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 Statement of Comprehensive Income.

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.

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## Notes to financial statements

At 31 December 2020

### 2. Significant accounting policies (continued)

#### *Equity-settled share-based payments(continued)*

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

#### **Future accounting developments**

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS16, Leases
- IFRS 17, Insurance contracts
- Amendments to IAS 1, Presentation of financial statements on classification of liabilities.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

### **2.3 Revenue recognition**

The amount of revenue that the Company recognises is measured based on the consideration specified in contracts with its customers, and excludes taxes collected from customers subsequently remitted to government authorities. The Company recognises 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 GlobalLink's 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.

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## Notes to financial statements

At 31 December 2020

### 3. Turnover

*GlobalLink revenue:*

The Company receives revenue share under the intercompany agreements with Currenex Inc, 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 the SSI Search business which was transferred to the Company in 2017. The Company also receives cost plus transfer pricing income for the expenses incurred in providing the platform related services.

*Other income:*

Represents revenue billed with respect to the Portfolio Solutions business that was closed down at the end of 2017.

	2020 £'000	2019 £'000
GlobalLink revenue	2,654	2,528
Transfer pricing income (costs plus)	12,276	11,785
Other income	-	563
	<u>14,930</u>	<u>14,876</u>

### 4. Operating profit

	2020 £'000	2019 £'000
The operating profit is stated after charging:		
Auditor's remuneration		
-audit of the financial statements	54	54
-audit-related assurance services	17	27
-taxation compliance services	2	5
Foreign exchange losses	3	108
Professional fees	151	193
Provision for bad debts	76	40

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## Notes to financial statements

At 31 December 2020

### 5. Tax

#### (a) Analysis of charge in period

	2020 £'000	2019 £'000
<i>Current tax:</i>		
UK corporation tax on profits of the period	566	497
Adjustments in respect of previous periods	(497)	29
Total current tax	69	526
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	30	61
Impact of tax rate reduction	(8)	(1)
Adjustments in respect of previous periods	1	(1)
Total deferred tax	23	59
Total tax on profit on ordinary activities	92	585

#### (b) Factors affecting tax charge for period

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	3,133	2,963
Profit on ordinary activities multiplied by the corporation tax rate in the United Kingdom of 19% (2019 – 19%)	595	563
<i>Effect of:</i>		
Expenses not deductible for tax purposes	1	(6)
Adjustments in respect of prior years	(496)	29
Impact of tax rate reduction	(8)	(1)
Total tax on profit on ordinary activities	92	585



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## Notes to financial statements

At 31 December 2020

### 5. Tax (continued)

#### (c) Deferred tax

	2020 £'000 <i>Recognised</i>	2019 £'000 <i>Recognised</i>
Deferred tax asset at start of year	75	134
Deferred tax charge in Statement of Comprehensive Income for the year	(23)	(59)
Deferred tax asset at end of year	<u>52</u>	<u>75</u>
The balance at the year end comprises:		
Timing differences in relation to fixed assets	7	8
Other temporary differences	<u>45</u>	<u>67</u>
	<u>52</u>	<u>75</u>

At 31 December 2019, a reduction in the main rate to 17% as from 1 April 2020 had been enacted in the UK law and deferred tax balances were valued with reference to the rate of 17%. The Finance act 2020 kept the main rate of corporation tax at 19% with effect from 1 April 2020. Therefore, the main rate of corporation tax for the current financial year is maintained at 19%. Accordingly, the rate of 19% has been applied in the measurement of Company's closing deferred tax asset as at 31 December 2020. The rate of 19% rate has increased the Company's deferred tax asset by £5,256.

The Company has unrecognised deferred tax assets totalling £137,800 (2019: £136,179) principally in relation to losses. The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%. The estimated impact of the new 25% rate on the deferred tax asset would not be material.

### 6. Staff costs

Staff costs including Directors' emoluments were:

	2020 £'000	2019 £'000
Wages and salaries	41	6
Social security costs	29	8
	<u>71</u>	<u>14</u>

The Company did not have any employees during the year. The wages and salaries include remuneration paid to the non-executive Directors during the year.

#### 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 £26,000 (2019: £38,000). The amount in respect of highest paid Director was £41,000 (2019: £nil).

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## Notes to financial statements

At 31 December 2020

### 7. Debtors

	2020 £'000	2019 £'000
<u>Amounts falling due within one year:</u>		
Trade debtors	96	621
Amounts due from related companies	3,052	3,007
Prepayments and other debtors	26	47
Corporation tax receivable	503	-
	<u>3,677</u>	<u>3,675</u>

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

As at 31 December 2020, trade debtors of an initial value of £254,000 (2019: £179,000) were impaired and fully provided for. The trade debtors' amount shown above is net of such provision.

### 8. Cash at bank

	2020 £'000	2019 £'000
Cash at bank	<u>22,127</u>	<u>11,061</u>

### 9. Creditors

	2020 £'000	2019 £'000
<u>Amounts falling due within one year:</u>		
Deferred revenue	87	80
Amount due to related companies	2,254	2,068
Accruals and other creditors	165	110
Corporation tax payable	-	244
	<u>2,506</u>	<u>2,502</u>

All creditors are unsecured and repayable on demand.

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## Notes to financial statements

At 31 December 2020

### 10. Called up share capital

In thousands of shares	Ordinary shares	
	2020	2019
On issue at 1 January	1	1
Bonus share issue	100	-
On issue at 31 December – fully paid	<u>101</u>	<u>1</u>

  

	Allotted, called up and fully paid	Allotted, called up and fully paid
	2020	2019
	£'000	£'000
Ordinary shares of £1 each	<u>101</u>	<u>1</u>

During the year, the Company issued 100,000 bonus shares of £1 each with an aggregate nominal value of £100,000 through the capitalisation of capital contribution reserve. 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.

### 11. Financial instruments and risk management

The Company's financial assets include debtors and cash and cash equivalents. The financial liabilities include 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
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Cash at bank	22,127	22,127	11,061	11,061
Debtors	3,677	3,677	3,675	3,675
<b>Financial liabilities</b>				
Creditors	2,506	2,506	2,502	2,502

The carrying amount is a reasonable approximation of the fair value.

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## Notes to financial statements

At 31 December 2020

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

#### Fair value hierarchy

As at 31 December 2020, the Company does not hold any financial instruments measured at fair value.

#### 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 Financial Conduct Authority ('FCA') based on 31 December 2020 unaudited results:

	2020 £'000	2019 £'000
Tier 1 capital	12,309	9,930
Tier 2 capital	-	-
Total capital	<u>12,309</u>	<u>9,930</u>

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 2020.

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

### 12. 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 ('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 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 SSBTC.

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. Over the current year, the Company paid £nil (2019: £nil) into the defined benefit section of the Scheme and there were no outstanding contributions owed by the Company in respect of the Scheme at the year end. For further detail regarding the defined benefit plan refer to Note 13 in the financial statements of State Street Trustees Limited, another member of the Group.

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## **Notes to the financial statements**

**At 31 December 2020**

### **13. Parent undertaking and controlling party**

The Company's immediate parent undertaking is State Street Europe Limited, a company incorporated in England and Wales.

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.

### **14. Events after the balance sheet date**

The Directors have evaluated the period since the year end and, other than the Brexit matter disclosure in the Political risk section of the Strategic Report, have not noted any subsequent events that require disclosure.