Pershing Securities Limited

Strategic report, Directors' report and financial statements

Registered number 02474912

31 December 2018

Pershing Securities Limited

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Pershing Securities Limited

Board of Directors and other information

Directors
E Canning
J Johnstone (Chair)
M McPhail
S O'Connor
G Towers

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Royal Liver Building
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Registered number
02474912

Pershing Securities Limited

Strategic report

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared the Strategic report which includes a review of Pershing Securities Limited's ("the Company") business and future developments, a description of the principal risks and uncertainties facing the Company and key performance indicators.

Business review

The Company continues to invest in its digital platform and service infrastructure to take advantage of the opportunities presented by the wealth and institutional markets. The Company made loss before tax of £1,109,000 for the year. There have been no significant changes in the Company's core operations during the year. As we execute on our investment plans, there continues to be a focus on securing new opportunities with key prospects as well as ensuring continued engagement and high quality servicing of our key foundation clients.

The Company has considerable financial resources together with long term contracts with a number of clients. The Company has generated own cash reserves over past years, and maintains a strong liquidity position in highly liquid UK and US government securities in addition to renewing and reviewing its credit facilities to ensure sufficient capacity to support the growth in business. As a consequence, the directors believe the Company is well placed to manage its business risks successfully despite the current economic outlook. The Company holds £134,909,000 of investments in UK and US government securities as a liquid asset buffer, in order to mitigate liquidity risk and adhere to FCA liquidity rules.

Financial key performance indicators

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

	2018 £000	2017 £000	Change £000	Change %
Revenue	70,638	67,075	3,563	5%
Administrative expenses	71,905	66,001	5,904	9%
(Loss)/profit before taxation	(1,109)	1,647	(2,756)	(167)%
Net assets	123,819	125,165	(1,346)	(1)%

Revenue increased by £3,563,000 (5%) during the year, as assets under custody and treasury returns increased.

Administrative expenses increased by £5,904,000 (9%) during the year with clearing costs increasing with trade volumes.

Net assets decreased by £1,346,000 (1%) during the year, resulting from the loss after tax for the year and movements in other comprehensive income as shown on page 14.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business have been considered and addressed in the Directors' report on pages 4 to 8.

Pershing Securities Limited

Strategic report

Business and future developments

During 2019, the Company will continue to execute its primary business of providing financial services firms with a comprehensive range of products and services based around its traditional business model of execution, middle office and post trade services. The Company will continue to invest in its infrastructure and identify centres of efficiency in order to improve upon its financial position going forward. The directors will continue to seek opportunities to develop the Company's business.

In relation to the assessment and monitoring of economic, political and regulatory risks, the Company is continuing to evaluate the impact of the outcome of the referendum in relation to the UK's membership of the EU on the Company's business strategy and business risks in the short, medium and long term. In the short term the Pershing Brexit Programme has determined that there is no significant impact expected on the Company's business activities, there will be no immediate change in business strategy, and we have therefore determined that the going concern position of the Company is not affected. The Company will continue to closely monitor developments and will make appropriate changes to the business strategy as the impact on the UK and European financial services industries becomes clearer.

Approval

By order of the Board

G Towers
Director

Date: 18 April 2019

Pershing Securities Limited
Royal Liver Building
Pier Head
Liverpool
England
L3 1LL

Registered number: 02474912

The directors present their report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the Company continues to be the provision of a full range of execution, middle office and post-trade services, investment administration, SIPP (Self-Invested Personal Pension) operation services and related services.

The Company is a member of the London Stock Exchange and the Frankfurt Stock Exchange and is authorised and regulated by the Financial Conduct Authority ("FCA"). All the Company's activities during the year were regulated and conducted within the scope of permissions granted to the Company by the FCA. The Company is a general clearing member of LCH Clearnet SA, Eurex Clearing AG, and the European Multilateral Clearing Facility N.V.

Results and dividends

The loss for the year after taxation amounted to £1,288,000 (2017: £1,192,000 profit).

The directors do not recommend a dividend for the year ended 31 December 2018 (2017: £nil).

Political donations

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

Risk management

Governance and policies

Policies and procedures are in place to govern and manage the business. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant element of the business.

Governance of the Company is ultimately the responsibility of the Board of Directors. The Board is responsible for the ongoing success and development of the Company's business as well as setting the risk appetite for the Company as part of the risk framework.

The Company's risk management policy and framework is aligned with that of all the operating entities under Pershing Holdings (UK) Limited ("the Pershing Group"). The Pershing Group adopts a proactive approach to the identification and management of risk and has implemented a risk management framework that seeks to employ industry best practice, while meeting all of its regulatory and legal obligations.

Key committees are in place to oversee compliance and risk management of the business to ensure adequate risk management and controls are in place. Each committee has clearly stated terms of reference and reporting lines.

The key committees include:

- Executive Committee
- Pershing Risk Committee
- Asset and Liability Committee
- Business Acceptance Committee
- Credit and Market Risk Committee

Risk management process

The Company's risk management procedures have been designed to integrate with The Bank of New York Mellon Corporation Group ("the Group") procedures and to provide consistent capture, management and governance of risks within the Company. Processes are aligned around the elements of the risk management cycle (Identify, Measure, Manage and Report) and include the requirements of good governance and effective capital planning as key elements.

The Company has developed a Risk Management Framework which is embedded in business processes and is described in more detail below.

Through the Risk and Control Self-Assessment (RCSA) process, which forms the cornerstone of the framework, business functions are responsible for actively identifying the risks associated with key business processes, business change or external threats, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. The objective of the RCSA process is to ensure controls are effective in order to prevent or minimise:

- Errors or service delivery failures, especially those with impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

The Company utilises the Group Risk Management Platform (RMP) to manage and record risk management processes. The RMP is used to maintain risk and control self-assessments, key risk indicators and track operational risk events. Risk Management works in partnership with the business to ensure that there is adequate understanding and assessment of, and accountability for, all risks that relate to the Company.

The Company's risk appetite is commensurate with local business and regulatory requirements, within the guidance set by the Group and in coordination with the relevant business expertise.

Risks identified are measured, reported and monitored as part of the risk management framework and are overseen by the Pershing Risk Committee. The reporting measures risk and capital against risk appetite and regulatory capital requirements, as well as overseeing the internal capital adequacy and liquidity assessment processes.

Credit risk

Credit risk covers default risk from counterparties or clients for securities traded where realisation of the value of the asset is dependent on counterparties' ability to perform. Should a credit risk event occur at a client or market counterparty, the residual credit risk (i.e. post mitigation) will devolve to market risk, as the exposure in such cases is the movement in the underlying stock and foreign currency prices.

Risk mitigation is provided through the requirement of clients to deposit collateral with the Company in support of their indemnifying the Company against any losses and the Company also reserves the right to realise unpaid securities and sell assets held for the account of a defaulting underlying client.

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets. Besides the market risk resulting from credit risk (above), market risk arises from foreign exchange exposure in respect of revenue, expenses and borrowings, and interest rate exposure on cash balances and borrowings.

Risk management process - continued

Market risk - continued

To the extent that market risk arises from a credit risk event, mitigation is provided through the requirement of clients to deposit collateral with the Company in support of their indemnifying the Company against any losses as mentioned above.

The Company's exposure to interest rate risk is not deemed to be material given that it relates predominantly to client money balances.

For net investment in foreign subsidiaries which are not denominated in USD, the Group hedges foreign exchange exposure at the consolidated level and therefore subsidiaries are not required to hedge such structural foreign exchange exposure independently.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and includes legal risk.

An independent and fully resourced Operational Risk Management (ORM) function is responsible for the oversight of the operational risk framework and partnering with the business to manage their operational risk.

The Company seeks to manage operational risk through a collection of complementary processes which are designed to enable risks to be consistently identified, measured, managed and ultimately reported through the governance structure.

Operational risk is managed within the limits set by the Company's Risk Appetite Statement. The RCSA identify and score key risks for materiality, along with a measure of the associated control effectiveness, both in terms of design and operation. Risks and associated controls are monitored using an array of key risk indicators and an ongoing analysis of Operational Risk Event reports by both business functions and ORM. A number of key operational controls are tested through the annual Compliance Monitoring Plan and internal control testing as well as being independently audited through the ISAE 3402 Service Auditor's Assurance Report conducted by KPMG LLP.

Liquidity risk

Liquidity risk is the risk that a firm, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

The Company is subject to the Group Liquidity Policy. It is the responsibility of all Group companies to maintain liquid resources that are adequate in both amounts and quality. The Company has adopted an internal liquidity policy (based on the Group policy) which has been approved by the Asset and Liability Committee and the Board of Directors and outlines the liquidity framework, annual stress testing programme and liquidity risk tolerance levels. Monthly liquidity analysis is carried out by the Finance function and reported to the Pershing Risk Committee and Asset and Liability Committee.

Business risk

Business risk includes risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy.

Business risk is managed through the Company's Risk Framework. Key risks are monitored and reported to the Pershing Risk Committee, the Executive Committee and the Board.

Risk management process - continued

Compliance risk

Compliance risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executives to fines, payment of damages, the voiding of contracts and damaged reputation.

The Company's compliance arrangements are inherently risk-based. The arrangements are supported by regular compliance assessments which identify and measure areas of compliance risk and help drive the Compliance Monitoring plan which focuses on those areas of the business identified as being of higher risk. The compliance arrangements also include a programme to identify and support the implementation of regulatory change items of relevance to the Company. In addition, the Company ensures that all staff receive adequate compliance training so that they understand their regulatory responsibilities and the relevance of compliance risk to their roles.

Conduct risk

Conduct risk is defined as the risk that detriment is caused to clients, the market, the firm or its employees because of inappropriate execution of business activities or inappropriate behaviour by the Company or its employees.

The Company is subject to the Group Conduct Risk Policy and Code of Conduct. It sets out clear expectations of the roles of senior management in setting the appropriate tone and includes examples of good and poor conduct. Employees receive periodic training on conduct related matters and are required to complete an annual process to confirm adherence to the Code of Conduct. Conduct related management information is captured and provided to the Pershing Risk Committee and reviews of conduct related matters can be included in the scope of Compliance Monitoring and/or Internal Audit assurance reviews.

Pillar 3 risk disclosures

Capital Requirements Regulation Pillar 3 disclosures about the Company (capital and risk management) are covered by the Pershing Holdings (UK) Limited Group disclosures which can be found on the Group website (https://www.bnymellon.com/us/en/investor-relations/other-regulatory.jsp).

EU Capital Requirements Directive IV disclosure

Institutions are required to publish details of their revenue, employment, profits, taxation and any public subsidies on a country by country basis under the EU Capital Requirements Directive IV ("CRD IV") from 1 January 2015.

Article 89 of CRD IV requires institutions to report the following information by member state and third countries in which it has an establishment:

a) Nature of activities and geographical location (see Principal activities on page 4 and disclosure note 3 on page 36), all based in the United Kingdom;
b) Revenue (see disclosure note 3 on page 36), all generated in the United Kingdom;
c) Number of employees on a full time equivalent basis (none);
d) Profit and loss before taxation (see Statement of profit and loss on page 13), all generated in the United Kingdom;
e) Tax on profit or loss (see disclosure note 9 on page 39);
f) Public subsidies received (none).

Directors

The directors who served during the year and up to the date of the report were as follows:

	Appointed	Resigned
E Canning	-	-
K Cracknell	-	23 April 2018
J Johnstone	-	-
M McPhail	-	-
S O'Connor	-	-
G Towers	-	-

Directors' indemnity provision

The articles of association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the directors (2017: not utilised).

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

G Towers
Director

Date: 18 April 2019

Pershing Securities Limited
Royal Liver Building
Pier Head
Liverpool
England
L3 1LL

Registered number: 02474912

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, including FRS 101, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Pershing Securities Limited

Opinion

We have audited the financial statements of Pershing Securities Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of profit and loss, Statement of other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, including valuation of unquoted equity investments and provisions, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Independent auditor's report to the members of Pershing Securities Limited

Other information

The directors are responsible for the other information, which comprises the Strategic report and the Directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in Strategic report and the Directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Pershing Securities Limited

The purpose of our audit work and to whom we owe our responsibilities

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.

Alison Allen

Alison Allen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

18 April 2019

Pershing Securities Limited

Statement of profit and loss
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Revenue	3	70,638	67,075
Administrative expenses	4, 5 & 6	(71,905)	(66,001)
Operating (loss)/profit		(1,267)	1,074
Interest receivable and similar income	7	5,088	4,196
Interest payable and similar charges	8	(4,930)	(3,623)
(Loss)/profit before taxation		(1,109)	1,647
Taxation on (loss)/profit	9	(179)	(455)
Total (loss)/profit for the year		(1,288)	1,192

Notes 1 to 22 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year and prior year relate to continuing operations.

Pershing Securities Limited

Statement of other comprehensive income
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Total (loss)/profit for the year		(1,288)	1,192
Other comprehensive (loss)/income			
Items that can be reclassified to profit and loss			
Financial assets:			
Gain on valuation of available-for-sale financial assets		-	102
Debt securities at FVOCI - net change in fair value		(138)	-
Net amount transferred to profit and loss		45	31
Deferred tax on change in fair value of investments	15	35	(111)
Other		-	8
		(58)	30
Other comprehensive (loss)/income for the year, net of taxation		(58)	30
Total comprehensive (loss)/income for the year		(1,346)	1,222

Notes 1 to 22 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year and prior year relate to continuing operations.

Pershing Securities Limited

Balance sheet
at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Fixed asset investments	10	-	-
Current assets			
Debtors	11	314,105	496,214
Current asset investments	12	144,612	141,832
Cash at bank and in hand	13	129,721	154,938
		588,438	792,984
Creditors: amounts falling due within one year	14	(464,548)	(667,773)
Net current assets		123,890	125,211
Total assets less current liabilities		123,890	125,211
Creditors: amounts falling due after one year			
Provisions	16	(71)	(46)
Net assets		123,819	125,165
Capital and reserves			
Called up share capital	17	113,390	113,390
Other reserves	17	(119)	6,389
Profit and loss account		10,548	5,386
Shareholders' funds		123,819	125,165

Notes 1 to 22 are integral to these financial statements.

These financial statements were approved by the Board of Directors and were signed on its behalf by:

G Towers
Director

Date: 18 April 2019
Registered number: 02474912

Pershing Securities Limited

Statement of changes in equity
31 December 2018

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	**£000**	**£000**	**£000**
Balance at 1 January 2017	113,390	6,359	4,194	123,943
Total profit for the year	-	-	1,192	1,192
Other comprehensive income	-	30	-	30
Total comprehensive income for the year	-	30	1,192	1,222
Balance at 31 December 2017	113,390	6,389	5,386	125,165

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	**£000**	**£000**	**£000**
Balance at 1 January 2018	113,390	6,389	5,386	125,165
Effect of adoption of IFRS 9 at 1 January 2018 (see note 1.2)	-	(6,450)	6,450	-
Restated balance at 1 January 2018	113,390	(61)	11,836	125,165
Total loss for the year	-	-	(1,288)	(1,288)
Other comprehensive income	-	(58)	-	(58)
Total comprehensive loss for the year	-	(58)	(1,288)	(1,346)
Balance at 31 December 2018	113,390	(119)	10,548	123,819

Notes 1 to 22 are integral to these financial statements.

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

The Company is a private company limited by shares incorporated and domiciled in the UK and registered in England and Wales. The registered address is given on page 1.

These financial statements were prepared in accordance with FRS 101.

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company and all its subsidiary undertakings in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with U.S. Generally Accepted Accounting Principles, which are *equivalent* to International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Bank of New York Mellon Corporation's consolidated financial statements are available at https://www.bnymellon.com/us/en/investor relations. Accordingly the Company is a *qualifying entity* for the purpose of FRS 101 disclosure exemptions.

Accordingly, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of Adopted IFRSs, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- A Statement of cash flows and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of compensation of Key Management Personnel; and
- Disclosures of revenue contracts with customers and significant judgements.

As the consolidated financial statements of The Bank of New York Mellon Corporation include equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.20.

1 Accounting policies - continued

1.2 Changes in accounting policies

The Company has initially applied IFRS 9 and IFRS 15 from 1 January 2018.

IFRS 9 *Financial Instruments*

The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments.

The new impairment model applies to debt instruments and financial guarantee contracts issued that are not measured at FVTPL. ECLs on instruments classified as FVOCI are recognised in other comprehensive income ("OCI") rather than reducing the value of the instrument.

Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
    - The determination of the business model within which a financial asset is held; and
    - If a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

1 Accounting policies - continued

1.2 Changes in accounting policies - continued

Effect of applying IFRS 9

Changes to classification and measurement of financial assets held at 31 December 2018 were:

- debt securities that were classified as available-for-sale under IAS 39 are now classified as FVOCI under IFRS 9. These continue to be measured at fair value and changes therein are recognised in OCI and accumulated in their reserves; and

- unquoted equity securities were classified as available-for-sale and measured at fair value with changes therein recognised in OCI and accumulated in other reserves under IAS 39. These are now classified as FVTPL and measured at fair value under IFRS 9. Fair value changes of FVTPL assets are recognised in the profit and loss account.

Reconciliation of carrying amounts

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings. There is no impact on other components of equity.

	Impact of adopting IFRS 9 at 1 January 2018 £000
Other reserves - fair value reserve	
Closing balance under IAS 39 (31 December 2017)	6,389
Movement on application of IFRS 9	(6,450)
Opening balance under IFRS 9 (1 January 2018)	(61)
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	5,386
Movement on application of IFRS 9	6,450
Opening balance under IFRS 9 (1 January 2018)	11,836

IFRS 15 *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Introduction of this model had no material impact on the accounting for revenue nor on retained earnings for the Company.

1 Accounting policies - continued

1.3 Accounting standards not yet effective

IFRS 16 *Leases*

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. IFRS 16 replaces existing guidance including IAS 17 *Leases*. The standard is effective for accounting periods beginning on or after 1 January 2019.

When adopting the standard, the Company may recognise an increase in assets and liabilities, as a result of recording operating leases on balance sheet. Additionally, the expense recognition pattern may be modified as a result of switching from a straight line approach, as required by the standard. The Company is currently evaluating the impact of the leasing standard on its financial statements.

1.4 Measurement convention

These financial statements are prepared on the historical cost basis except for financial instruments classified as FVTPL or FVOCI, which are stated at their fair value.

1.5 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 to 3. In addition, the Directors' report on pages 4 to 8 includes the Company's policies and processes for managing its capital, its financial risk management objective and its exposures to credit and liquidity risk.

The Company has adequate liquidity and capital. The directors perform an annual going concern review that considers, under a stress test scenario, the Company's ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Based on the above assessment of the Company's financial position, liquidity and capital, the directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.6 Related party transactions

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions with entities which form part of the Group. Balances with other members of the Group are disclosed within notes 10, 11, 13, 14, 18 and 19.

1.7 Reclassification

Certain prior year numbers have been reclassified to be consistent with current year presentation. This has affected notes 2 and 11 to the financial statements.

1 Accounting policies - continued

1.8 Foreign currency

The Company's functional currency is GBP. The Company's presentational currency is also GBP. Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are reported net in the statement of profit and loss within interest receivable or payable as appropriate.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Any resulting exchange differences are reported net in the statement of profit and loss within interest receivable or payable as appropriate.

1.9 Revenue from contracts with customers

Revenue, which is stated net of value added tax, comprises fees and commissions receivable and arises from the provision of execution, middle office and post trade services and is accrued over the period for which these services are provided.

Fees are credited to income when the related service is performed. Commissions are credited to income on a trade date basis on all transactions executed during the year to the balance sheet date. Where expenses have been passed on to clients without mark-up, the income has been netted against the cost. Where a mark-up has been applied, the income is included within revenue.

Revenue is based on terms specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Revenue is recognised when, or as, a performance obligation is satisfied by transferring control of a good or service to a customer.

A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognised by measuring the Company's progress in satisfying the performance obligation in a manner that reflects the transfer of goods and services to the customer. Revenue from a performance obligation satisfied at a point in time is recognised at the point in time the customer obtains control of the promised good or service.

The amount of revenue recognised reflects the consideration the Company expects to be entitled to in exchange for the promised goods and services. Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue producing transaction, are collected from a customer and are excluded from revenue.

Policy applicable before 1 January 2018

The revenue recognition policy applicable before 1 January 2018 was not significantly different to current policy.

1 Accounting policies - continued

1.10 Interest receivable and interest payable

Interest payable and similar charges includes interest payable and net foreign exchange losses that are recognised in the statement of profit and loss (see foreign currency accounting policy). Interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest receivable and interest payable are recognised in the statement of profit and loss as they accrue, using the effective interest method.

1.11 Taxation

Tax comprises current and deferred tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.12 Non-derivative financial assets - classification and measurement

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings and trade and other creditors.

Financial assets are measured at amortised cost if meeting both of the following conditions and are not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1 Accounting policies - continued

1.12 Non-derivative financial assets - classification and measurement - continued

Financial assets are measured at FVOCI only if meeting both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application depending on the facts and circumstances at that date.

A financial liability is initially recognised at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost or FVTPL. Loans and borrowings and payables are measured at amortised cost using the effective interest rate method.

Business model assessment

Certain financial assets, for example, deposits with central banks and financial institutions, always will be held for collection of contractual cash flows as the nature of the asset means that it cannot be sold. For other financial assets, the Company makes an assessment of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. Information that is considered includes:

- the stated policies and objectives for the portfolio;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated; and
- the frequency and volume of historical and expected sales.

The Company generally does not hold assets for trading.

Assessment of whether cash flows are solely payments of principal and interest

'Principal' for these purposes is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e.g. liquidity risk and administrative costs), as well as profit margin.

1. Accounting policies - continued

1.12 Non-derivative financial assets - classification and measurement - continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that would change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money e.g. periodic reset of interest rates.

Policy applicable before 1 January 2018

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other debtors

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

Trade and other creditors

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

Available-for-sale securities

The available-for-sale (AFS) financial assets of the Company comprise both quoted debt securities and unquoted equity securities.

(a) Debt securities

Available-for-sale debt securities are recorded at fair value, including any premium or net of any discount. Accretion/amortisation of premium/discount is calculated from the purchase date to the maturity date. The effective interest method is used for both financial accounting purposes and tax reporting. Unrealised gains and losses are recorded in other comprehensive income, net of tax, after recording the effects of premium or discount amortisation.

Interest income, including amortisation of any premium or discount, is recognised on an effective basis and included in earnings. Interest income earned daily on long positions is accrued on a coupon basis from settlement date to the maturity or disposition date. Accrued interest receivable is recorded in other assets and credited when interest payments are received.

Listed debt securities are valued directly by reference to quoted market prices at the balance sheet date without any deduction for transaction costs, therefore the carrying value is deemed to be the fair value.

1 Accounting policies - continued

1.12 Non-derivative financial assets - classification and measurement - continued

(b) Unquoted equity securities

Unquoted equity securities are measured at fair value with movements recorded in other comprehensive income.

Reclassification of financial assets

The Company may, in certain circumstances, reclassify financial instruments out of the 'available-for-sale' category and into the 'held to maturity' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired then the amount recognised in equity is recycled to the profit and loss account.

Reclassification is at the discretion of management, and is determined on an instrument by instrument basis. The Company does not reclassify any financial instruments into the FVTPL category after initial recognition.

1.13 Derecognition of financial assets and financial liabilities

Financial assets

The Company derecognises a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement where either:
- the Company has transferred substantially all the risks and rewards of the asset; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

The Company derecognises a financial liability (or, where applicable a part of a financial liability or part of a group of similar financial liabilities) when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

1 Accounting policies - continued

1.14 Impairment of financial assets (including trade and other debtors)

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Company generally recognises loss allowances at an amount equal to 12-month ECL (Stage 1, the portion of ECL that results from default events that are possible within 12 months after the reporting date) unless there has been significant increase in credit risk since origination of the instrument, in which case ECLs are recognised on a lifetime loss basis (Stage 2). Exposures that are in default are regarded as credit impaired (Stage 3) and are also measured on a lifetime ECL basis.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- Financial assets that are credit-impaired at the reporting date – the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Financial guarantee contracts – the expected payments to reimburse the holder less any amounts that the Company expects to recover.

The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 did not result in any additional allowance for impairment.

The Company maintains an allowance for doubtful accounts for the estimated non-collection of accounts receivable. Uncollectability is presumed 180 days after invoice issue date unless there are known customer - specific reasons for the delay in settlement.

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company assesses the debt instruments classified as available-for-sale on an individual basis, whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

1 Accounting policies - continued

1.15 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.16 Fixed asset investments

Investments in subsidiaries are carried at cost less impairment.

1.17 Interest-bearing borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period. Finance costs of debt are allocated over the term of the debt at the applicable rate on the carrying amount.

1.18 Provisions

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.

1.19 Securities settlement

The Company accounts for securities transactions on its balance sheet on a settlement date basis. If unmatched trades occur, either as a result of error or counterparty default, then balances are marked to market through the statement of profit and loss until settlement occurs. Trade income is accrued on a trade date basis.

1.20 Accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions about future conditions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Management believes that the Company's critical accounting policies for which judgement is necessarily applied are those which relate to unquoted equity securities, provisions and revenue recognition. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in notes 3, 12 and 16.

2 Financial risk management

The Company's objectives in respect of risk management are to ensure that, at all times, it satisfies the requirement of maintaining a balance sheet demonstrating the characteristics of high liquidity and high credit quality assets, and to maintain a robust and embedded risk management framework. The Board of Directors ensures adherence with all internally set risk limits and compliance with all regulatory ratios.

Through its normal operations, the Company is exposed to a number of risks, the most significant of which are credit, market, operational, liquidity, business and regulatory risk. Management of these risks is central to the Company's activities and the ownership and management of risk is the responsibility of business management. The establishment of an independent risk management function provides the necessary challenge and support to business management in implementing and managing risk within the risk appetite approved by the Board of Directors.

Oversight of all risk limits and thresholds outlined in the Pershing Group risk appetite statement is undertaken by the Pershing Risk Committee, which reports to the Executive Committee and ultimately to the Board of Directors. Membership of the Pershing Risk Committee includes representatives from senior management in the Pershing Group and Risk Management and meets monthly, or as required. Regular reports relating to the condition of the Group and Company, including all prudential ratios, limits and other thresholds are also reviewed on a monthly basis and are fully discussed, as are any matters of a risk policy or of a compliance nature.

The Chief Risk Policy Officer of The Bank of New York Mellon Corporation formulates the necessary policies to identify, measure and monitor credit, operational and market risk. These are detailed in The Bank of New York Mellon Risk Policy Manual, to which the Company, except in the case of local regulatory differences, complies.

Credit risk

Credit risk covers default risk from counterparties or clients for securities traded where realisation of the value of the asset is dependent on counterparties' ability to perform. Should a credit risk event occur at a client or market counterparty, the residual credit risk (i.e. post mitigation) will devolve to market risk, as the exposure in such cases is the movement in the underlying stock and foreign currency prices.

Risk mitigation is provided through the requirement of clients to deposit collateral with the Company in support of their indemnifying the Company against any losses and the Company also reserves the right to realise unpaid securities and sell assets held for the account of a defaulting underlying client.

(a) Securities settlement amounts receivable

The credit risk policy for securities settlement amounts receivable is to monitor the level of past due receivables on a daily basis and any negative mark to market exposure is measured against each client's collateral and tangible net worth. Provisions are raised where the recovery of a debt is considered to be unlikely. All clients with whom the Company deals are subject to detailed credit analysis and a high level assessment of market counterparties is carried out prior to allowing clients to trade.

Notes to the financial statements
for the year ended 31 December 2018

2 Financial risk management - continued

Credit risk - continued

The aging of securities settlement amounts receivable that were not impaired at the balance sheet date was as follows:

	2018	2017
	£000	£000
Neither past due nor impaired	102,436	225,537
Past due up to one month	154,835	212,720
Past due from one month to three months	3,374	3,613
Past due from three months to six months	880	972
	261,525	442,842

The concentration of credit risk for securities settlement amounts receivable at the balance sheet date by geographical region was predominantly European.

The concentration of credit risk for securities settlement amounts receivable at the balance sheet date by type of customer was:

	2018	2017
	£000	£000
Clients	171,844	228,463
Market counterparties	89,681	214,379
	261,525	442,842

(b) Cash and balances at bank

The credit risk policy for cash and balances at bank is to maintain bank accounts with banks having an average rating of A-/A3 from external rating agencies.

The concentration of credit risk for cash and cash equivalents at the balance sheet date by geographical region was:

	2018	2017
	£000	£000
United Kingdom	34,345	82,103
United States	38,925	6,133
Europe	40,674	56,441
Others	15,777	10,261
	129,721	154,938

2 Financial risk management - continued

Credit risk - continued

(c) Loans to third parties

The credit risk policy for loans to third parties is to lend against a portfolio of fully paid for liquid securities. Conservative loan to value and concentration parameters are monitored daily to ensure that breaches are remedied in a timely manner and there has therefore been no impairment of this loan portfolio. Most loans to underlying investors are covered by an indemnity from the Pershing client introducing the account. All loans to third parties at the balance sheet date were neither past due nor impaired and all are based in Europe. Furthermore, all loans to third parties were to retail customers.

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets. Besides the market risk resulting from credit risk, the main source of market risk arises from foreign exchange exposure in respect of revenue, expenses and borrowings, and interest rate exposure on cash balances and borrowings.

BNY Mellon hedges foreign exchange exposure at the consolidated level and therefore subsidiaries are not required to hedge independently. There is a limited amount of market risk resulting from collateralised lending against investors' portfolios of fully paid for eligible securities which is mitigated by conservative loan to value limits. To the extent that market risk arises from a credit risk event, mitigation is provided through the requirement of clients to deposit collateral with the Company in support of their indemnity as mentioned above.

The Company does not engage in proprietary trading. It does however, continue to hold a minority shareholding in Euroclear plc, and a portfolio of UK and US Government debt securities for the purpose of managing its liquid asset buffer. It does not hold a significant proprietary foreign exchange trading position.

(a) Foreign currency risk

The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December. The Company takes small amounts of proprietary foreign exchange (FX) trading positions.

2 Financial risk management - continued

Market risk - continued

(a) Foreign currency risk - continued

The Company's exposure to foreign currency risk is shown below:

2018	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Current assets	274,965	119,978	185,502	7,993	588,438
Current liabilities	(158,786)	(112,765)	(187,043)	(5,954)	(464,548)
Total exposure	116,179	7,213	(1,541)	2,039	123,890

2017	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Current assets	378,125	200,784	203,616	10,459	792,984
Current liabilities	(261,365)	(193,983)	(204,327)	(8,098)	(667,773)
Total exposure	116,760	6,801	(711)	2,361	125,211

A 5% weakening of the following currencies against the pound sterling at 31 December would have increased/ (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

A 5% strengthening of the currencies would have an equal but opposite effect, on the basis that all other variables remain constant.

	Equity 2018 £000	Profit or loss 2018 £000	Equity 2017 £000	Profit or loss 2017 £000
Euro	(361)	(361)	(340)	(340)
US Dollar	77	77	36	36

Notes to the financial statements
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2 Financial risk management - continued

Market risk - continued

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

Management have concluded that the impact of interest rate risk on the Company is minimal due to the short-term duration of interest bearing instruments as evidenced in the tables below.

The profile of the Company's interest-bearing financial instruments is as follows:

	2018 £000	2017 £000
Fixed rate instruments		
Financial assets - UK and US Government securities	134,909	132,784
Variable-rate instruments		
Financial assets	399,581	630,383
Financial liabilities	(338,200)	(566,352)

The interest rate profile of the Company's interest-bearing financial instruments by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date is as follows:

2018	Carrying amount £000	Less than 3 months £000	3-6 months £000	6-12 months £000	1-5 years £000	More than 5 years £000
Assets						
Cash and cash equivalents	129,721	129,721	-	-	-	-
Current asset investments	134,909	-	38,957	63,341	32,611	-
Loans to third parties	32,733	32,733	-	-	-	-
Trade receivables	237,128	237,128	-	-	-	-
	534,491	399,582	38,957	63,341	32,611	-
Liabilities						
Bank loans and overdrafts	(512)	(512)	-	-	-	-
Trade payables	(189,221)	(189,221)	-	-	-	-
Amounts owed to Group companies	(148,467)	(13,447)	(135,020)	-	-	-
	(338,200)	(203,180)	(135,020)	-	-	-

2 Financial risk management - continued

Market risk - continued

(b) Interest rate risk - continued

2017	Carrying amount £000	Less than 3 months £000	3-6 months £000	6-12 months £000	1-5 years £000	More than 5 years £000
Assets						
Cash and cash equivalents	154,938	154,938	-	-	-	-
Current asset investments	132,784	-	-	64,326	68,458	-
Loans to third parties	36,195	36,195	-	-	-	-
Trade receivables	439,250	439,250	-	-	-	-
	763,167	630,383	-	64,326	68,458	-
Liabilities						
Bank loans and overdrafts	(91,940)	(91,940)	-	-	-	-
Trade payables	(327,348)	(327,348)	-	-	-	-
Amounts owed to Group companies	(147,064)	-	(147,064)	-	-	-
	(566,352)	(419,288)	(147,064)	-	-	-

The Company has performed sensitivity analysis on the above position and determined that a 1% increase in interest rates at the reporting dates would increase annual profits before tax for the Company by £614,000 (2017: £640,000). However in the current low interest environment, further declines in interest rates will not have a significant impact on the results of the Company.

Liquidity risk

Liquidity risk is the risk that a firm, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

The Company is subject to the Group Liquidity Policy. It is the responsibility of all Group companies to maintain liquid resources that are adequate in both amounts and quality. The Company has adopted an internal liquidity policy (based on the Group policy) which has been approved by the Asset and Liability Committee and the Board of Directors and outlines the liquidity framework, annual stress testing programme and liquidity risk tolerance levels. Monthly liquidity analysis is carried out by the Finance function and reported to the Pershing Risk Committee and Asset and Liability Committee.

Pershing Securities Limited

Notes to the financial statements
for the year ended 31 December 2018

2 Financial risk management - continued

Liquidity risk - continued

A maturity analysis of financial liabilities and assets, including estimated interest payments and excluding the effect of netting agreements is shown below:

			Contractual cash flows				
2018	**Carrying amount £000**	**Gross nominal (outflow)/ inflow £000**	**Less than 3 months £000**	**3-6 months £000**	**6-12 months £000**	**1-5 years £000**	**More than 5 years £000**
Non-derivative liabilities							
Bank loans and overdrafts	(512)	(513)	(513)	-	-	-	-
Securities settlement amounts payable	(259,825)	(259,844)	(259,844)	-	-	-	-
Amounts owed to Group companies	(151,126)	(152,234)	(17,156)	(135,078)	-	-	-
Accruals & deferred income	(29,825)	(29,825)	(29,825)	-	-	-	-
Other creditors	(20,690)	(20,690)	(20,690)	-	-	-	-
Deferred tax liability	(2,274)	(2,274)	-	-	(2,274)	-	-
Taxation and social security	(296)	(296)	-	-	-	(296)	-
Provisions	(71)	(71)	(44)	-	-	-	(27)
	(464,619)	(465,747)	(328,072)	(135,078)	(2,274)	(296)	(27)
Non-derivative assets							
Bank, cash and cash equivalents	129,721	129,801	129,801	-	-	-	-
Current asset investments	144,612	146,459	9,809	39,165	64,221	33,264	-
Securities settlement amounts receivable	261,525	261,549	261,549	-	-	-	-
Amounts owed by Group companies	3,949	3,949	3,949	-	-	-	-
Loans to third parties	36,757	36,778	36,778	-	-	-	-
Prepayments and accrued income	7,111	7,111	7,111	-	-	-	-
Other debtors	4,763	4,763	4,763	-	-	-	-
	588,438	590,410	453,760	39,165	64,221	33,264	-

Notes to the financial statements
for the year ended 31 December 2018

2 Financial risk management - continued

Liquidity risk - continued

			Contractual cash flows				
	Carrying amount	Gross nominal (outflow)/ inflow	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
2017*	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Non-derivative liabilities							
Bank loans and overdrafts	(91,940)	(91,971)	(91,971)	-	-	-	-
Securities settlement amounts payable	(364,940)	(364,953)	(364,953)	-	-	-	-
Amounts owed to Group companies	(159,363)	(159,439)	(12,298)	(147,141)	-	-	-
Accruals & deferred income	(28,613)	(28,613)	(28,613)	-	-	-	-
Other creditors	(20,535)	(20,535)	(20,535)	-	-	-	-
Deferred tax liability	(2,130)	(2,130)	-	-	(2,130)	-	-
Taxation and social security	(252)	(252)	-	-	-	(252)	-
Provisions	(46)	(46)	(24)	-	-	-	(22)
	(667,819)	(667,939)	(518,394)	(147,141)	(2,130)	(252)	(22)
Non-derivative assets							
Bank, cash and cash equivalents	154,938	154,975	154,975	-	-	-	-
Current asset investments	141,832	144,329	9,648	300	65,226	69,155	-
Securities settlement amounts receivable	442,842	442,858	442,858	-	-	-	-
Amounts owed by Group companies	1,612	1,612	1,612	-	-	-	-
Loans to third parties	39,861	39,869	39,869	-	-	-	-
Prepayments and accrued income	4,903	4,903	4,903	-	-	-	-
Other debtors	6,996	6,996	6,996	-	-	-	-
	792,984	795,542	660,861	300	65,226	69,155	-

*The Company has reclassified certain prior year numbers to be consistent with current year classification. £3,638,000 has been reclassified from other debtors to loans to third parties.

3 Revenue from contracts with customers

Nature of services and revenue recognition

Fee revenue in Investment Services is primarily variable, based on levels of assets under custody or administration ("AUC/A") and the level of client driven transactions, as specified in fee schedules.

Investment Services fees are based primarily on the market value of AUC/A, the volume of transactions and fees for other services. Certain fees based on the market value of assets are calculated in arrears on a monthly or quarterly basis.

Most services within the Investment Services business are provided over time. Revenue for these services is recognised using the time elapsed method, equal to the expected invoice amount, which typically represents the value provided to the customer for performance completed to date.

Trade execution and clearing services are delivered at a point in time, based on customer actions. Revenue for trade execution and clearing services is recognised on trade date, which is consistent with the time that the service was provided. Customers are generally billed for services on a monthly or quarterly basis.

Contract balances

The Company's customers are billed based on fee schedules that are agreed upon in each customer contract. The receivables from customers were £4,138,000 at 1 January 2018 and £4,825,000 at 31 December 2018. An allowance is maintained for accounts receivable which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in administrative expense in the statement of profit and loss. Receivables from customers are included in debtors on the balance sheet.

Contract assets represent accrued income that has not yet been billed to the customers due to contingent factors other than the passage of time. The Company had £nil contract assets as at 31 December 2018 (2017: £nil).

Contract liabilities represent payments received in advance of providing services under certain contracts and were £nil as at 31 December 2018 (2017: £nil).

Any changes in the balances of contract assets and contract liabilities would result from changes arising from business combinations, impairment of a contract asset and changes in the timeframe for a right to consideration becoming unconditional or a performance obligation to be satisfied. No such instances were noted.

Contract costs

Contract costs represent either costs which are capitalised relating to incremental costs for obtaining contracts, or costs incurred for fulfilling contract obligations when they relate directly to an existing contract or specific anticipated contract, generate or enhance resources that will be used to fulfil performance obligations and are recoverable. The Company had £nil contract costs as at 31 December 2018 (2017: £nil).

Unsatisfied performance obligations

The Company does not have any unsatisfied performance obligations other than those subject to a practical expedient election under IFRS 15. The practical expedient applies to (i) contracts with an original expected length of one year or less, and (ii) contracts for which the Company recognises revenue at the amount to which the Company has the right to invoice for services performed.

3 Revenue from contracts with customers - continued

The Company's business comprises of a single segment: the provision of execution, middle office and post trade services, sourced from the United Kingdom, to global intermediary and investor clients.

	2018	2017
	£000	£000
Clearing and settlement revenue	67,256	63,419
Net foreign exchange trading profit	3,382	3,656
	70,638	67,075

4 Administrative expenses and auditor's remuneration

(Loss)/profit before taxation is stated after charging:

Auditor's remuneration:

	2018	2017
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	56	52
Other audit related assurance services	161	157
	217	209

5 Staff numbers and costs

The Company had no employees during the years ended 31 December 2018 and 2017. All operating functions were performed by Pershing Limited, the Company's immediate parent, which acted as settlement agent for the Company and made charges to the Company for these services. All Pershing Limited staff are based in the United Kingdom.

6 Directors' emoluments

The aggregate amount of remuneration paid to or receivable by directors in respect of qualifying services is disclosed below. Qualifying services include services as a director of the Company, as a director of any of its subsidiary undertakings or otherwise in connection with the management of the affairs of the Company or any of its subsidiary undertakings. The amounts are disclosed irrespective of which Group company actually makes the payment to the directors.

	2018	2017*
	£000	£000
Directors' emoluments	380	465
Amounts receivable under long term incentive schemes	61	81
Company contributions to money purchase pension plans	9	24
Compensation for loss of office	-	23
	450	593

6 Directors' emoluments - continued

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £197,000 (2017: £183,000), and there were no Company pension contributions made on their behalf (2017: £nil). During the year, the highest paid director received shares under a long term incentive scheme but did not exercise any share options.

	Number of Directors	
	2018	2017*
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	4
Number of directors in respect of whose services shares were received or receivable under long term incentive schemes	3	4

*The Company has restated certain prior year numbers relating to directors' remuneration to disclose amounts paid in the year and amounts which became receivable under long-term incentive schemes. The number of directors disclosed for each item in the above table has also been restated where applicable to reflect this change.

7 Interest receivable and similar income

	2018	2017
	£000	£000
Receivable on loans to third parties	923	956
Receivable from third parties on bank deposits	748	284
Late settlement interest and similar income	2,304	2,329
Receivable from investments in debt securities	536	515
Net foreign exchange gain	-	112
Receivable from current asset investment	577	-
Total interest receivable and similar income	5,088	4,196

8 Interest payable and similar charges

	2018	2017
	£000	£000
Net foreign exchange loss	328	-
Payables on loans from third parties	527	377
Payable to Group companies	4,075	3,246
Total interest payable and similar charges	4,930	3,623

Notes to the financial statements
for the year ended 31 December 2018

9 Taxation

Recognised in the Statement of profit and loss

	2018	2017
	£000	**£000**
UK corporation tax		
Current tax on loss/profit for the year	-	447
Total current tax	-	447
Deferred tax (see note 15)		
Current year	175	-
Effect of changes in tax rates	4	-
Origination and reversal of temporary differences	-	8
Total deferred tax	179	8
Tax on loss/profit	179	455

Factors affecting total tax charge for the current period

The charge for the year can be reconciled to the income per the Statement of profit and loss as follows:	**2018**	**2017**
	£000	**£000**
Total (loss)/profit for the year	(1,288)	1,192
Total tax expense	179	455
(Loss)/profit excluding taxation	(1,109)	1,647
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	(211)	317
Increase on tax rate arising from timing differences	-	8
Tax rate changes	4	-
Expenses not deductible for tax purposes	-	(2)
Effects of Group relief	211	-
Loss on revaluation of available for sale investments	15	-
Bank surcharge @8%	-	132
Movement of current asset investment	160	-
Total tax expense	179	455

A reduction in the UK corporate tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015 and a further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax position as at 31 December 2018 has been calculated based on these rates.

10 Fixed asset investments

Fixed asset investments of £2 (2017: £2) are carried at cost less any provision for permanent diminution in value and comprise holdings in subsidiaries as disclosed below.

Subsidiaries

The Company has the following investments in subsidiaries:

	Country of incorporation	Registered office	Principal activity	Class of shares held	Ownership 2018	Ownership 2017
Pershing Nominees Limited	England and Wales	Royal Liver Building, Pier Head, Liverpool L3 1LL	Nominee company	£1 ordinary shares	100%	100%
Northern and Midland Nominees Limited	England and Wales	Royal Liver Building, Pier Head, Liverpool L3 1LL	Nominee company	£1 ordinary shares	100%	100%

11 Debtors

	2018 £000	2017* £000
Securities settlement amounts receivable		
Third parties	257,857	305,978
Group companies	3,668	136,864
Amounts owed by Group companies	3,949	1,612
Loans to third parties	36,757	39,861
Prepayments and accrued income	7,111	4,903
Other debtors	4,763	6,996
	314,105	496,214
Due within one year	314,105	496,214

For receivables with a remaining life of less than one year, the directors consider that the carrying amount is a reasonable approximation of fair value. This assumption is also applied to variable rate financial instruments.

*The Company has reclassified certain prior year numbers to be consistent with current year classification. £3,638,000 has been reclassified from other debtors to loans to third parties.

Notes to the financial statements
for the year ended 31 December 2018

12 Current asset investments

	2018 £000	2017 £000
Current asset investments - debt securities		
At 1 January	132,784	131,626
Additions	65,272	103,922
Disposals	(64,181)	(101,026)
Unrealised gains & amortisation	1,034	(1,738)
Total current asset investments - debt securities	134,909	132,784
Current asset investments - unquoted equity securities		
At 1 January	9,048	8,116
Unrealised gains	655	932
Total current asset investments - unquoted equity securities	9,703	9,048
Total current asset investments	144,612	141,832

The debt securities are UK and US Government debt securities, held as liquid asset buffer to comply with the FCA liquidity rules. Level 1 inputs have been applied to arrive at fair value.

The unquoted equity securities comprise a minority holding in Euroclear plc which is held at fair value subject to impairment review. Level 2 inputs have been applied to arrive at fair value.

13 Cash at bank and in hand

	2018 £000	2017 £000
Cash at bank and in hand	129,721	154,938

At 31 December 2018 the Company held client money of £2,526,000,000 (2017: £2,386,000,000). This amount, together with the corresponding obligation to clients, is not included in the Company's balance sheet.

Cash at bank and in hand included £1,504,000 (2017: £1,281,000) of funds on deposit with a UK regulated banking entity within the Group.

The Company is exposed to foreign exchange risk between the date of recognition and settlement of foreign currency income and expenses. To mitigate this, the Company maintains foreign currency cash balances to offset the net currency position. This activity can result in foreign currency overdrafts that mitigate the risk of foreign currency receivables.

Notes to the financial statements
for the year ended 31 December 2018

14 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Bank loans and overdrafts	512	91,940
Securities settlement amounts payable		
Third parties	251,144	228,246
Group companies	8,681	136,694
Amounts owed to Group companies	151,126	159,363
Accruals and deferred income	29,825	28,613
Taxation and social security	296	252
Other creditors	20,690	20,535
Deferred tax liability (see note 15)	2,274	2,130
	464,548	667,773

Included in amounts owed to Group companies is £135,020,000 (2017: £147,064,000) of inter-group borrowings at a variable rate and repayable within 12 months of the balance sheet date.

15 Deferred tax liability

Movement in deferred tax liability during the year

	2018	2017
	£000	£000
At 1 January	2,130	2,011
Deferred tax charge to profit and loss for the year	179	8
Deferred tax charge to OCI for the year	(35)	111
At 31 December	2,274	2,130

The major components of deferred tax are as follows:

Recognised deferred tax liability

	2018	2017
	£000	£000
Current asset investments	2,274	2,130

Notes to the financial statements
for the year ended 31 December 2018

16 Provisions

An analysis of movements in provisions during the year is as follows:

	2018	2017
Client related claims	£000	£000
At 1 January	46	117
Provided for during the year	251	236
Amounts utilised in the year	(226)	(307)
At 31 December	71	46

17 Capital and reserves

Share capital - **Allotted, called up and fully paid**

	2018	2017
	£000	£000
113,390,000 ordinary shares of £1 each	113,390	113,390

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

Other reserves

Other reserves comprise the fair market reserve for current asset investments measured at FVOCI.

18 Financial instruments

Fair values are determined according to the following hierarchy:

- Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

For unquoted equity securities fair value is estimated using appropriate valuation techniques which may include recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; or other valuation models (Level 2 inputs).

Notes to the financial statements
for the year ended 31 December 2018

18 Financial instruments - continued

Financial instruments that are not carried at fair value:

	Carrying value		Fair value	
	2018 **£000**	**2017** **£000**	**2018** **£000**	**2017** **£000**
Financial liabilities				
Loan due to fellow Group companies	135,020	147,064	131,887	143,278

Financial instruments whose carrying amount is a reasonable approximation of fair value because, for example, they are short term in nature:

Financial assets
Cash at bank and in hand
Debtors

Financial liabilities
Creditors: amounts falling due within one year (other than loans due to fellow Group companies)

As at 31 December 2018 the Company had entered into a number of foreign exchange client trades which were individually matched to market foreign exchange trades. Netted, these trades had a fair value at 31 December 2018 of £21,000 (2017: £14,000):

	2018			2017		
By Currency	**Client trades £000**	**Market trades £000**	**Net £000**	**Client trades £000**	**Market trades £000**	**Net £000**
EUR	506	299	805	(1,579)	763	(816)
GBP	17	799	816	(9,983)	7,765	(2,218)
USD	(523)	7,205	6,682	11,495	(7,693)	3,802
CAD	(1)	16	15	(117)	(159)	(276)
CHF	(2)	250	248	389	(885)	(496)
DKK	-	47	47	-	33	33
NOK	-	-	-	(15)	-	(15)
SEK	(4)	(15,813)	(15,817)	-	-	-
JPY	-	7,224	7,224	-	-	-
AUD	-	(36)	(36)	(159)	145	(14)
ZAR	2	(10)	(8)	(57)	43	(14)
CNY	-	3	3	-	-	-
	(5)	(16)	(21)	(26)	12	(14)

18 Financial instruments - continued

	2018			2017		
	Client trades	Market trades	Net	Client trades	Market trades	Net
By Maturity	£000	£000	£000	£000	£000	£000
0-30 days	(5)	(16)	(21)	(26)	12	(14)
	(5)	(16)	(21)	(26)	12	(14)

19 Offsetting financial assets and financial liabilities

Group netting

Amounts due to and from certain individual Group companies who have signed a Master Netting Agreement are netted in the balance sheet as settlement is made net.

End investor netting

Where the Company has the obligation to settle transactions on behalf of a client, the Company records the settlement obligations on its balance sheet. In cases where an end investor of our client has both a receivable and a payable for trade settlements, the Company's client agreements contain the explicit right to offset such balances. Therefore these are recorded net.

Commission payable offset

In cases where the Company's client earnings are collected and recorded as a payable on the Company's balance sheet until paid, the Company deducts its fees from these amounts, therefore the payable is recorded net of this receivable. The extent of this netting can be seen below:

	2018			2017		
	Gross amounts	Amounts offset	Net amounts	Gross amounts	Amounts offset	Net amounts
	£000	£000	£000	£000	£000	£000
Amount owed by Group companies	4,032	83	3,949	1,612	-	1,612
Amount owed to Group companies	151,209	83	151,126	159,363	-	159,363
End investor netting	206,086	35,418	170,668	380,201	158,301	221,900
Commission payable	31,569	6,204	25,365	34,120	7,724	26,396
Commission receivable	9,756	6,204	3,552	10,706	7,724	2,982

20 Contingencies

The Company did not have any contingencies at the year end. In the prior year documentary credit facilities were arranged but not utilised for the Pershing Group.

21 Transactions involving directors, officers and others

At 31 December 2018 there were no loans or other transactions made to directors, officers or other related parties of the Company (2017: £nil).

22 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is Pershing Limited, a company registered in England and Wales. The registered address of Pershing Limited is Royal Liver Building, Pier Head, Liverpool L3 1LL and copies of accounts for Pershing Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate parent company as at 31 December 2018 was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from its registered address:

The Secretary
The Bank of New York Mellon Corporation
240 Greenwich Street
New York, NY
10286
USA