

**Leopold Joseph Holdings Limited**

**Annual Report and Financial Statements**

**31 December 2016**

**Company No: 766959**

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# **LEOPOLD JOSEPH HOLDINGS LIMITED**

**31 December 2016**

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## LEOPOLD JOSEPH HOLDINGS LIMITED

31 December 2016

### Directors and Advisors

<b>Directors*</b>	Jayne Almond	Executive Chair
	Tim Brooke	Non-Executive Director and Chairman of Audit and Risk Committee
	Richard Saunders	Director
	Alpa Bhakta	Director

\* Board of Directors appointed on 6<sup>th</sup> January 2017

### Registered Office

99 Gresham Street  
London  
EC2V 7NG

Telephone: 020 7776 6700  
Facsimile: 020 7776 6701

### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

## LEOPOLD JOSEPH HOLDINGS LIMITED

### DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors submit their report and the audited Financial Statements for Leopold Joseph Holdings Limited ("the company" or "LJH") for the year ended 31 December 2016.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

#### BUSINESS REVIEW

##### *Results and Financial Position*

The profit for the financial year, set out on page 8, is £1,116 (2015: £17,708,865 loss).

The Directors do not recommend the payment of a dividend for the year (2015: £nil).

The Directors consider the financial position of the company at the year-end to be satisfactory.

##### *The Bank of N.T. Butterfield & Son Limited ("BNTB")*

During the year, the parent bank, BNTB, implemented an orderly wind down of the deposit taking and investment activities of the company's wholly-owned subsidiary, Butterfield Bank (UK) Ltd. This subsidiary was renamed Butterfield Mortgages Limited, and will continue to operate as a regulated mortgage provider in the UK.

The parent bank, BNTB, had a Basel III total capital ratio of 17.6% (2015: 19.0%) and a Tier 1 capital ratio of 15.3% (2015: 10.7%) at 31 December 2016. These ratios remain significantly above regulatory requirements. Its ratio of tangible common equity to tangible assets of 5.9% and tangible total equity ratio of 5.9% reflect the continued strength of the balance sheet.

BNTB's liquidity also remains strong, with 60.7% or \$6.6 billion of total assets held in cash, cash equivalents, short-term and long-term investments. The Group business model does not rely on inter-bank borrowing or other wholesale borrowing to fund its balance sheet.

The Directors of the company remain confident in the overall strength and financial support of the Butterfield group of companies.

##### *Future Developments*

The company is non-trading and the Directors do not see any change to this status in the foreseeable future.

# LEOPOLD JOSEPH HOLDINGS LIMITED

## DIRECTORS' REPORT (continued)

for the year ended 31 December 2016

### PRINCIPAL RISKS AND UNCERTAINTIES, KEY PERFORMANCE INDICATORS

#### *Financial Risk Management*

The oversight of the business risks affecting the company and the financial risk management techniques are managed by the Directors, in close consultation with Butterfield Mortgages Limited (new trading name for Butterfield Bank (UK) Limited following Variation of Permission approval by the PRA on 21 December 2016) as part of their risk management activities for the UK group of companies, which includes Leopold Joseph Holdings Limited.

All information relating to Principal Risks and Uncertainties and Key Performance Indicators, where relevant, is dealt with in the Financial Statements of both the ultimate parent company, The Bank of N.T. Butterfield & Son Limited, and also the principal subsidiary, Butterfield Mortgages Limited.

#### **Directors of the Company**

Following the orderly wind down referred to above, a new Board of Directors was appointed.

The current directors are shown on page 3.

Directors of the Company who were in office during 2016 were:

Trevor Gander	Chairman & Non-Executive Director (appointed: 19 August 2014; resigned 18 January 2017)
Conor O'Dea	Non-Executive Director (appointed: 20 September 2011; resigned 18 January 2017)
Douglas Paterson	Non-Executive Director (appointed: 19 August 2014; resigned 18 January 2017)
Charles Gregory	Executive Director (appointed: 9 June 2015; resigned 15 January 2016)
Cameron Marr	Executive Director (appointed: 6 April 2016; resigned 30 November 2016)

The Company maintained directors' and officers' liability insurance during the year and up to the date of signing the Financial Statements.

#### **COMPANY SECRETARY**

The company has decided to dispense with the need to appoint a Company Secretary as allowed by Section 270 of the Companies Act 2006.

#### **STRATEGIC REPORT**

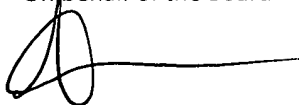
The company is part of a financial services group due to the nature of business carried out by the principal subsidiary, Butterfield Bank (UK) Limited, and as such is not eligible for the audited financial statements exemption which would normally be available to small companies. However, in these circumstances, the provisions of Section 414B of the Companies Act 2006 do allow for an exemption from preparing an annual strategic report, of which the company have decided to take advantage of.

#### **STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

In accordance with Section 418 of the Companies Act 2006, the Directors' Report shall include a statement, in the case of each Director in office at the date of the Directors' Report is approved that:

- so far as each Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



Alpa Bhakta  
Director

27 March 2017

## LEOPOLD JOSEPH HOLDINGS LIMITED

for the year ended 31 December 2016

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

#### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



Alpa Bhakta  
Director  
27 March 2017

# ***Independent auditors' report to the members of Leopold Joseph Holdings Ltd***

## ***Report on the financial statements***

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### **Our opinion**

In our opinion, Leopold Joseph Holdings Ltd.'s financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Strategic Report. We have nothing to report in this respect.

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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# Responsibilities for the financial statements and the audit

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## Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## What an audit of financial statements involves

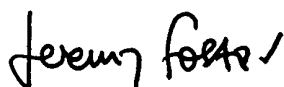
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Strategic Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jeremy Foster (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
27 March 2017



**LEOPOLD JOSEPH HOLDINGS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
AND RETAINED EARNINGS**

for the year ended 31 December 2016

	Note	2016 £	2015 £
Interest receivable and similar income		1,396	2,795
<b>Total operating income</b>		<b>1,396</b>	<b>2,795</b>
Impairment provision on investment in subsidiary undertaking		-	(17,711,234)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>1,396</b>	<b>(17,708,439)</b>
Tax on <b>Profit/(loss)</b> on ordinary activities	8	<b>(279)</b>	<b>(426)</b>
<b>Profit/(loss) for the financial year</b>		<b>1,116</b>	<b>(17,708,865)</b>

All income and profits/(losses) are in respect of continuing operations.

All recognised gains and losses have been included in the income statement.

The accompanying notes on pages 10 to 14 form an integral part of these financial statements.

**LEOPOLD JOSEPH HOLDINGS LIMITED**

**STATEMENT OF FINANCIAL POSITION**

as at 31 December 2016

	Note	31-Dec-16 £	31-Dec-15 £
<b>Fixed Assets</b>			
Investments	9	25,898,925	25,898,925
<b>Current Assets</b>			
Amounts owed by group undertakings	10	1,120,306	1,119,471
<b>Creditors: amounts falling due within one year</b>		(8,587)	(8,868)
<b>Net current assets</b>		1,111,719	1,110,603
<b>Total assets less current liabilities</b>		27,010,644	27,009,528
<b>Capital and Reserves</b>			
Called up share capital	11	29,741,577	29,741,577
Share premium account	12	14,661,997	14,661,997
Profit and loss account	12	(17,392,930)	(17,394,046)
<b>Total shareholders' funds</b>		27,010,644	27,009,528

Approved by the Board at its meeting on 27 March 2017, and signed on its behalf on 27 March 2017 by:



Jayne Almond  
Executive Chair



Alpa Bhakta  
Director

The accompanying notes on pages 10 to 14 form an integral part of these financial statements.

# LEOPOLD JOSEPH HOLDINGS LIMITED

## Notes to the Financial Statements for the year ended 31 December 2016

### 1 Company information

The company is an investment holding company and the parent company of a private bank registered in the United Kingdom, Butterfield Bank (UK) Limited ("BBUK"), whose principal activities (prior to surrendering its banking license during 2016) were focussed on the provision of Private Banking and Wealth Management Services to High Net Worth clients.

Leopold Joseph Holdings Limited and its subsidiary are part of the Butterfield group, the ultimate parent company being The Bank of N.T. Butterfield & Son Limited ("the parent bank") which is incorporated in Bermuda (see Note 13).

The company is incorporated in England (Companies House registered number 766959). The principal place of business is London.

### 2 Statement of compliance

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

### 3 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

The financial statements are presented in Sterling (£) which is the company's functional currency.

The company being a wholly owned subsidiary undertaking of the parent bank has taken advantage of the provisions of Section 401 of the Companies Act 2006 and paragraph AG 6 of FRS 100 exempting it from the requirement to prepare consolidated Financial Statements. The company's Financial Statements are included in the full consolidation prepared by the parent bank

#### (b) Basis of preparation - Going concern

Following the decision of the Board on 12 February 2016 to discontinue the deposit-taking and investment management activities of the UK business of the company's principal subsidiary, the structure of the business underwent a considerable transformation in the year ended 31 December 2016. This included the surrender of its UK deposit taking licence and the transition of BBUK into a non-bank financial institution ("NBFI") regulated by the FCA. There is full support from the Board of both the company and the parent Bank to support the business activities in the UK.

The company's forecasts and projections indicate that the company is expected to be able to operate within the level of its restructured capital and liquidity, as agreed with and supported by the Group. After making enquiries, the directors have a reasonable expectation that the BML has adequate resources to continue in operational existence for the foreseeable future. Therefore the company continues to adopt the going concern basis in preparing its financial statements.

#### (c) Fixed asset investments

Fixed asset investments are accounted for at cost less provision for impairment.

## LEOPOLD JOSEPH HOLDINGS LIMITED

### Notes to the Financial Statements for the year ended 31 December 2016

#### 3 Principal accounting policies (continued)

##### (d) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is not a commitment to sell the asset.

##### (e) Income recognition

Interest receivable and interest payable are recognised on an accruals basis.

##### (f) Related party transactions

The company is exempt under Section 33 'Related Party Disclosures' of FRS 102 from the disclosure of transactions with other Group entities or investees of the Group qualifying as related parties as all group entities are wholly owned.

#### 4 Critical accounting judgements and estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The items in the financial statements where these judgements and estimates have been made include:

- **Going Concern**

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

## LEOPOLD JOSEPH HOLDINGS LIMITED

### Notes to the Financial Statements for the year ended 31 December 2016

#### 4 Critical accounting judgements and estimation uncertainty (continued)

- **Taxation**

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and the level of future taxable profits together with an assessment of the effect of future tax planning strategies (see Note 8 Tax on (loss)/profit on Ordinary Activities for further information).

- **Impairment of Fixed asset investments**

At each balance sheet date, fixed asset investments are assessed to determine whether there is an indication that the investments may be impaired. Where management are of the opinion that such an indication exists, the recoverable amount of the fixed asset investments is compared to the carrying amount of the fixed asset investments in order to determine the amount of impairment.

#### 5 Cash flow statement

The company as a wholly owned subsidiary undertaking is included in the consolidated financial statements of the parent bank. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under paragraph 1.12 of FRS 102.

#### 6 Profit/(loss) on ordinary activities before taxation

Audit fees arising from the audit of the company and auditors' remuneration for non-audit work are incorporated into the audit fees payable by Butterfield Mortgages Limited, a subsidiary undertaking, and no recharge is made to the company.

The audit fees in 2016 were £4,000 (2015: £4,000) for the company and £178,000 (2015: £178,000) for its subsidiary undertakings.

The Auditors' remuneration for non-audit work in the subsidiary undertakings was £8,000 (2015: £8,000) for services relating to taxation work and £360,000 (2015: £360,000) for all other services.

#### 7 Directors and Employees

The company employed no staff during the year (2015: none)

All emoluments are paid by BBUK and no amounts are recharged to the company.

#### 8 Tax on profit/ (loss) on ordinary activities

The tax charge is based on the profit for the year and is detailed below:

	2016	2015
	£	£
Current tax	279	426
Deferred tax	-	-
<b>Tax on (loss)/ profit on ordinary activities</b>	<b>279</b>	<b>426</b>

# LEOPOLD JOSEPH HOLDINGS LIMITED

## Notes to the Financial Statements for the year ended 31 December 2016

### 8 Tax on profit/(loss) on ordinary activities (continued)

Reconciliation to total tax charge	31-Dec-16 £	31-Dec-15 £
(Loss)/profit on ordinary activities before taxation	1,396	(17,708,439)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20%	(279)	(3,585,959)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	3,586,525
Adjustment in respect of prior periods	-	(140)
<b>Tax on (loss)/profit on ordinary activities</b>	<b>(279)</b>	<b>426</b>

### 9 Investments

Incorporated in the UK, registered and operating in England and Wales:

Percentage of ordinary shares and voting rights held by company

	2016 %	2015 %
<b>Held by the company</b>		
<b>Name of subsidiary</b>	<b>Main activity</b>	
Butterfield Mortgages Limited	Private Bank	100

	2016 £	2015 £
<b>Investment in group undertakings</b>		
Cost and recoverable amount at 1 January	25,898,925	43,610,159
Impairment provision recognised in the income statement	-	(17,711,234)
<b>Recoverable amount at 31 December</b>	<b>25,898,925</b>	<b>25,898,925</b>

### 10 Amounts owed by group undertakings

	2016 £	2015 £
<b>Amounts owed by group undertakings:</b>		
Repayable on demand – intercompany loan to BBUK	1,120,306	1,119,471

# LEOPOLD JOSEPH HOLDINGS LIMITED

## Notes to the Financial Statements for the year ended 31 December 2016

### 11 Called up share capital

	2016 £	2015 £
<b>Ordinary shares of £1 each</b>		
<i>Authorised</i>		
At 1 January and 31 December	<b>35,000,000</b>	35,000,000
<i>Allotted, issued and fully paid</i>		
At 1 January and 31 December	<b>29,741,577</b>	29,741,577

### 12 Reserves

	Called up share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds £
At 1 January 2016	29,741,577	14,661,997	(17,394,046)	27,009,528
Loss for the financial year	-	-	1,116	1,116
<b>At 31 December 2016</b>	<b>29,741,577</b>	<b>14,661,997</b>	<b>(17,392,930)</b>	<b>27,010,644</b>

Share premium account includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium account.

Profit and loss account includes all current and prior years retained profits and losses.

### 13 Ultimate parent company and controlling party

The company's ultimate parent company and controlling party is The Bank of N.T. Butterfield & Son Limited, a company incorporated in Bermuda.

The Bank of N.T. Butterfield & Son Limited is the only level of consolidation of the financial statements of Leopold Joseph Holdings Limited.