

**DLJ Group**  
**Annual report**  
**For the year ended 31 December 2016**



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**BOARD OF DIRECTORS**

|                   |          |
|-------------------|----------|
| Ahmed Kubba       | Director |
| Lawrence Fletcher | Director |
| Paul E. Hare      | Director |

**COMPANY SECRETARY**

|              |           |
|--------------|-----------|
| Paul E. Hare | Secretary |
|--------------|-----------|

## Strategic Report for the year ended 31 December 2016

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2016.

### Business Profile

DLJ Group (the "Company") is an unlimited company, domiciled in the United Kingdom. Its shareholders are DLJ International Group Limited, Credit Suisse Shimada Investments (Gibraltar) and DLJ UK Holding.

The ultimate holding company is Credit Suisse Group AG, which is incorporated in Switzerland.

### Principal activities

The Company was established for the purpose of holding of investments. The principal source of income is interest on money market deposits held by the Company with Group companies.

### Business review

The Company holds interest bearing deposits with Credit Suisse International and Credit Suisse AG, London Branch. There has been no significant change in the Company's principal activities compared to previous years. There are no significant developments or factors which will have a major impact on the continued success or operation of the business in the future.

### Performance

The performance of the Company is explained through the key movements in its Statement of Income and Statement of Financial Position.

#### Statement of Income

For the year ended 31 December 2016, the Company reported a profit after tax of US\$('000) 8,092 (2015: loss of US\$('000) 506). The variation is mainly on account of the interest income during the year.

#### Statement of Financial Position

As at 31 December 2016, the Company has total assets of US\$('000) 2,549,439 (2015: US\$('000) 2,541,282).

As at 31 December 2016, the Company has equity of US\$('000) 2,548,294 (2015: US\$('000) 2,540,202).

#### Key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

### **Principal risks and uncertainties**

The assets of the Company mainly comprise of cash and cash equivalents and interest bearing deposits held with group companies. The Company is not exposed to any significant risks and uncertainties. The Company's financial risk management policies are outlined in note 17 to the Financial Statements.

Approved by the Board of Directors on 01 September 2017 and signed on its behalf by:



Paul E. Hare  
Company Secretary

One Cabot Square  
London E14 4QJ  
01 September 2017

## Directors' Report for the year ended 31 December 2016

The Directors present the Directors' report and the Financial Statements for the year ended 31 December 2016.

### International Financial Reporting Standards

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Financial Statements were approved and authorised for issue by the Directors on 01 September 2017.

### Going concern basis

The Financial Statements have been prepared on a going concern basis.

### Share capital

No additional share capital was issued by the Company during the year (2015: US\$ Nil).

### Dividends

No dividends were paid or are proposed for the year ended 31 December 2016 (2015: US\$ Nil).

### Directors

The names of the Directors as at the date of this report are set out on page 3. Changes in the Directorate since 31 December 2015, and up to the date of this report are as follows:

|             |             |                 |
|-------------|-------------|-----------------|
| Resignation | David Long  | 06 January 2017 |
| Appointment | Ahmed Kubba | 06 January 2017 |

All Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. None of the Directors who held office at the end of the financial year were beneficially interested, at any time during the year, in the shares of the Company.

### Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual 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 IFRS as adopted by the EU 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 and other comprehensive income 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 they have been prepared in accordance with IFRS as adopted by the EU; 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 confirm to the best of their knowledge:

- The Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company with a description of the principal risks and uncertainties faced

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 its Financial Statements comply with the Companies Act 2006. They 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.

#### **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 ought to have taken as a Director to make himself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Auditor**

Pursuant to section 487 of the Companies Act 2006, KPMG LLP continues in office as the Company's auditor.

#### **Exemption for group accounts**

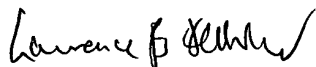
Pursuant to section 401 of the Companies Act 2006, the Company is exempt from preparing and delivering group Financial Statements, as the Company is a wholly owned indirect subsidiary of Credit Suisse AG, incorporated in Switzerland, which prepares consolidated Financial Statements.

### Subsequent events

In 2017, the Company received a dividend of US\$('000) 6,950 from its subsidiary, DLJ Investment Partner II Limited.

There are no other material subsequent events that require disclosure in, or adjustment to, the Financial Statements as at the date of this report.

Approved by the Board of Directors on 01 September 2017 and signed on its behalf by:



Lawrence Fletcher  
Director

One Cabot Square  
London E14 4QJ  
01 September 2017

## **Independent Auditor's Report to the Members of DLJ Group**

We have audited the Financial Statements of DLJ Group for the year ended 31 December 2016 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on pages 6 - 7, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the Financial Statements**

A description of the scope of an audit of Financial Statements is provided on the web-site of the Financial Reporting Council at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on Financial Statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Based solely on the work required to be undertaken in the course of the audit of the Financial Statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

## **Independent Auditor's Report to the Members of DLJ Group**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Alexander Snook  
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada square  
London  
United Kingdom  
E14 5GL  
01 September 2017

**Statement of Income for the year ended 31 December 2016**

|                                    | <b>Note</b> | <b>2016<br/>US\$'000</b> | <b>2015<br/>US\$'000</b> |
|------------------------------------|-------------|--------------------------|--------------------------|
| Interest income                    | 3           | 12,381                   | 4,857                    |
| Interest expense                   | 3           | (2)                      | -                        |
| <b>Operating income</b>            |             | <b>12,379</b>            | <b>4,857</b>             |
| Other income                       | 4           | 8                        | 6                        |
| Administrative expenses            | 5           | (332)                    | (651)                    |
| <b>Profit before tax</b>           |             | <b>12,055</b>            | <b>4,212</b>             |
| Income tax charge                  | 6           | (3,963)                  | (4,718)                  |
| <b>Profit/ (loss) for the year</b> |             | <b>8,092</b>             | <b>(506)</b>             |

Profit for 2016 and loss for 2015 are from continuing operations.

The notes on pages 15 to 32 form an integral part of these Financial Statements.

**Statement of Financial Position as at 31 December 2016**

|   | Note | 2016<br>US\$'000 | 2015<br>US\$'000 |
|---|------|------------------|------------------|
| <b>ASSETS</b>                                     |      |                  |                  |
| <b>Current assets</b>                             |      |                  |                  |
| Cash and cash equivalents                         | 7    | 119,600          | 119,222          |
| Other assets                                      | 8    | 228              | 97               |
| <b>Total current assets</b>                       |      | <b>119,828</b>   | <b>119,319</b>   |
| <b>Non-current assets</b>                         |      |                  |                  |
| Investment in subsidiary                          | 9    | -                | -                |
| Interest-bearing deposits                         | 10   | 2,400,125        | 2,388,514        |
| Deferred tax asset                                | 6    | 29,486           | 33,449           |
| <b>Total non-current assets</b>                   |      | <b>2,429,611</b> | <b>2,421,963</b> |
| <b>Total assets</b>                               |      | <b>2,549,439</b> | <b>2,541,282</b> |
| <b>LIABILITIES</b>                                |      |                  |                  |
| <b>Current liabilities</b>                        |      |                  |                  |
| Borrowings  | 11   | 225              | 430              |
| Other accruals                                    | 12   | 920              | 650              |
| <b>Total current liabilities</b>                  |      | <b>1,145</b>     | <b>1,080</b>     |
| <b>Total liabilities</b>                          |      | <b>1,145</b>     | <b>1,080</b>     |
| <b>SHAREHOLDERS' EQUITY</b>                       |      |                  |                  |
| Share capital                                     | 13   | 2,745,588        | 2,745,588        |
| Share premium                                     |      | 176              | 176              |
| Other reserves                                    |      | 6                | 6                |
| Accumulated losses                                |      | (197,476)        | (205,568)        |
| <b>Total shareholders' equity</b>                 |      | <b>2,548,294</b> | <b>2,540,202</b> |
| <b>Total liabilities and shareholders' equity</b> |      | <b>2,549,439</b> | <b>2,541,282</b> |

The notes on pages 15 to 32 form an integral part of these Financial Statements.

Approved by the Board of Directors on 01 September 2017 and signed on its behalf by:

  
Lawrence Fletcher  
Director

**Statement of Changes in Equity for the year ended 31 December 2016**

|                                    | Share<br>capital<br>US\$'000 | Share<br>premium<br>US\$'000 | Other<br>reserves<br>US\$'000 | Accumulated<br>losses<br>US\$'000 | Total<br>US\$'000 |
|------------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------------|-------------------|
| Balance at 1 January 2016          | 2,745,588                    | 176                          | 6                             | (205,568)                         | 2,540,202         |
| Profit for the year                | -                            | -                            | -                             | 8,092                             | 8,092             |
| <b>Balance at 31 December 2016</b> | <b>2,745,588</b>             | <b>176</b>                   | <b>6</b>                      | <b>(197,476)</b>                  | <b>2,548,294</b>  |

|                                    | Share<br>capital<br>US\$'000 | Share<br>premium<br>US\$'000 | Other<br>reserves<br>US\$'000 | Accumulated<br>losses<br>US\$'000 | Total<br>US\$'000 |
|------------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------------|-------------------|
| Balance at 1 January 2015          | 2,745,588                    | 176                          | 6                             | (205,062)                         | 2,540,708         |
| Loss for the year                  | -                            | -                            | -                             | (506)                             | (506)             |
| <b>Balance at 31 December 2015</b> | <b>2,745,588</b>             | <b>176</b>                   | <b>6</b>                      | <b>(205,568)</b>                  | <b>2,540,202</b>  |

The notes on pages 15 to 32 form an integral part of these Financial Statements.

**Statement of Cash Flows for the year ended 31 December 2016**

|  | Note | 2016<br>US\$'000 | 2015<br>US\$'000 |
|--|------|------------------|------------------|
| <b>Operating activities</b>  |      |                  |                  |
| Profit before tax  |      | 12,055           | 4,212            |
| <b>Adjustments to reconcile net income to net cash generated from operating activities</b> |      |                  |                  |
| <b>Non-cash items included in profit before tax and other adjustments:</b>                 |      |                  |                  |
| Interest income  |      | (12,381)         | (4,857)          |
| Interest expense   |      | 2                | -                |
| Foreign exchange loss/ (gain)  |      | 7                | (6)              |
| <b>Operating loss before working capital changes</b>                                       |      | <b>(317)</b>     | <b>(651)</b>     |
| Net movement in operating assets and liabilities:  |      |                  |                  |
| Loans and receivables  |      | (11,611)         | (4,533)          |
| Borrowings   |      | (207)            | 400              |
| Other accruals   |      | 270              | 643              |
| Interest received  |      | 12,250           | 4,800            |
| <b>Net cash inflow from operating activities</b>   |      | <b>385</b>       | <b>659</b>       |
| <b>Net increase in cash and cash equivalents</b>   |      | <b>385</b>       | <b>659</b>       |
| <b>Cash and cash equivalents at the beginning of year</b>                                  |      | <b>119,222</b>   | <b>118,557</b>   |
| Effects of exchange rate changes on the balance of cash held in foreign currency           |      | (7)              | 6                |
| <b>Cash and cash equivalents at the end of year</b>  | 7    | <b>119,600</b>   | <b>119,222</b>   |

The notes on pages 15 to 32 form an integral part of these Financial Statements.

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

### 1. General

DLJ Group (the "Company") is a Company domiciled in the United Kingdom. The Company's registered office is at One Cabot Square, London, E14 4QJ. The Company's activities comprise the holding of investments. The principal source of income is interest on money market deposits held by the Company.

### 2. Significant accounting policies

#### a) Statement of compliance

The Financial Statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and in compliance with Companies Act 2006.

The Financial Statements were approved and authorised for issue by the Directors on 01 September 2017.

Pursuant to section 401 of the Companies Act 2006, the Company is exempt from preparing and delivering group Financial Statements as the Company is a wholly owned indirect subsidiary of Credit Suisse Group AG, incorporated in Switzerland, which prepares consolidated Financial Statements.

#### b) Basis of preparation

The Financial Statements are presented in United States Dollars (US\$) which is the Company's functional currency and have been rounded to the nearest thousand, unless otherwise stated. They are prepared on historical cost basis.

The preparation of Financial Statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. For critical accounting estimates and judgements in applying accounting policies refer note 2(j).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision has a significant effect on both current and future periods. Management believes that the estimates and assumptions used in the preparation of the Financial Statements are reasonable and consistently applied.

### Standards and interpretations effective in the current period

The Company has adopted the following amendments in the current year:

- Annual Improvements to IFRSs 2012-2014 Cycle: In September 2014, the IASB issued 'Annual Improvements to IFRSs 2012-2014 cycle' (Improvements to IFRSs 2012-2014). The adoption of the Improvements to IFRSs 2012-2014 on 1 January 2016, did not have an impact to the Company's financial position, results of operation or cash flows.

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

- Amendments to IAS 27: Equity Method in Separate Financial Statements: In August 2014 the IASB issued 'Equity Method in Separate Financial Statements' (Amendments to IAS 27). The Amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The adoption of the Amendments to IAS 27 on 1 January 2016 did not have an impact to the Company's financial position, results of operation or cash flows.
- Disclosure Initiative (Amendments to IAS 1): In December 2014, the IASB issued Amendments to IAS 1 as part of their Disclosure Initiative. The Amendments clarify guidance regarding materiality, notes to the financial statements and the presentation of the Statement of Financial Position and Statement of income. The Amendments allow entities to use more judgement when preparing and presenting financial statements. As the Amendments to IAS 1 impact disclosures only, the adoption on 1 January 2016 did not have an impact to the Company's financial position, results of operation or cash flows.
- Investment entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28): In December 2014, the IASB issued 'Investment Entities: Applying the Consolidation Exception' (Amendments to IFRS 10, IFRS 12 and IAS 28). The Amendments address issues that have arisen in relation to the exemption from consolidation for investment entities. The adoption of the Amendments to IFRS 10, IFRS 12 and IAS 28 did not have an impact on the Company's financial position, results of operation or cash flows.

### **Standards and interpretations endorsed by the EU and not yet effective**

The Company is not yet required to adopt the following standards and interpretations which are issued by the IASB and have been endorsed by the EU but not yet effective.

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9 'Financial Instruments' (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. In July 2014, the IASB issued IFRS 9 as a complete standard. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 also requires extensive new disclosures as well as the revision of current disclosure requirements under IFRS 7.

Under IFRS 9, financial assets will be classified on the basis of two criteria 1) the business model of how the financial assets are managed and 2) the contractual cash flow characteristics of the financial asset. These factors will determine whether the financial assets are measured at Amortized Cost, Fair value through Other Comprehensive Income or Fair value through Profit & Loss. The accounting for financial liabilities remains largely unchanged except for those financial liabilities which are fair value option elected, where the gains and losses arising from changes in credit risk will be presented in Other Comprehensive Income rather than profit or loss. The Company has not yet identified any material changes to the classification and measurement of financial instruments however this review remains ongoing.

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

Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortised cost and fair value through other comprehensive income as well as certain loan commitments and financial guarantee contracts. The impairment requirements will change from an incurred loss model to an expected loss model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. If the credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement will change from 12-month expected credit losses to lifetime expected credit losses. Therefore impairment will be recognized earlier than is the case under IAS 39 because IFRS 9 requires the recognition of expected credit losses before a loss event occurs and the financial asset is deemed to be credit-impaired. The definition of credit-impaired under IFRS 9 will be similar to the current indicators in IAS 39 of objective evidence of impairment. The assessment of a significant increase in credit risk since initial recognition will be based on different quantitative and qualitative factors that will be relevant to the particular financial instrument in scope.

The Company has established a cross-functional implementation team and governance structure for the project. The Company has decided on an expected credit loss ("ECL") methodology, it is currently in the process of building the ECL models. Once completed, this will be followed by a test phase and subsequently a parallel-run. The Company expects that the new ECL methodology would generally result in increased and more volatile allowance for loan losses. The main impact drivers include:

- the requirement to measure lifetime expected credit losses, if there is a significant increase in credit risk since initial recognition on a financial instrument;
- the point of time in the economic cycle at the adoption date because of the new requirement to incorporate reasonable and supportable forward looking information and macroeconomic factors; and
- the credit quality of the financial instruments in scope at the adoption date.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However certain sections of IFRS 9 relating to fair value option elected financial liabilities can be early adopted in isolation. Upon adoption the Company expects an adjustment to be posted to retained earnings for any changes in loan losses. As the implementation progresses, the Company will continue evaluating the extent of the impact of adopting IFRS 9 however, it is not practical to disclose reliable financial impact estimates until the implementation programme is further advanced.

### Standards and interpretations not endorsed by the EU and not yet effective

The Company is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

- Amendments to IAS 12: Income Taxes: In January 2016, the IASB issued 'Recognition of Deferred Tax Assets for Unrealised Losses' (Amendments to IAS 12). The Amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of the Amendments to IAS 12 on 1 January 2017 will not have a material impact to the Company's financial position, results of operation or cash flows.
- Disclosure Initiative (Amendments to IAS 7): In January 2016, the IASB issued amendments to IAS 7 as part of their Disclosure Initiative. The Amendments require enhanced statement of cash flow disclosures regarding changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. As the Amendments to IAS 7 impact disclosures only, the adoption on 1 January 2017 will not have an impact to the Company's financial position, results of operation or cash flows.

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

- IFRIC 22: In December 2016, the IASB issued IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (IFRIC 22). IFRIC 22 clarifies the date of the transaction for the purposes of determining the exchange rate used on initial recognition of related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact of adopting IFRIC 22.
- Annual Improvements to IFRSs 2014-2016 Cycle: In December 2016, the IASB issued 'Annual Improvements to IFRSs 2014-2016 cycle' (Improvements to IFRSs 2014-2016). The Improvements to IFRSs 2014-2016 are effective for annual periods beginning on or after 1 January 2017. The Company is currently evaluating the impact of adopting the Improvements to IFRSs 2014-2016.

### **c) Foreign currency**

The functional currency of the Company is United States Dollar (US\$). Transactions denominated in currencies other than the functional currency of the Company are recorded by remeasuring to the functional currency of the Company at the exchange rate on the date of the transaction. At the reporting date, monetary assets and liabilities such as receivables and payables are reported using the spot exchange rates applicable at that date. Non-monetary assets and liabilities denominated in foreign currencies at reporting date are not revalued for movements in foreign exchange rates. Foreign exchange differences arising from re-measurement and settlement are recognised in the Statement of Income.

### **d) Interest income and expense**

Interest income and expense is recognised on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income includes interest on deposits and cash balances held with group companies. Interest expense relates to short term borrowings from group companies.

### **e) Income tax and deferred tax**

Income tax recognised in the Statement of Income for the year comprises current and deferred tax. Income tax is recognised in the Statement of Income except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised in equity. For items initially recognised in equity and subsequently recognised in Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Statement of Income.

Current tax is the expected tax payable on the taxable income for the year and includes any adjustment to tax payable in respect of previous year. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date.

For UK corporation tax purposes the Company may surrender or claim certain losses from another UK group company. The surrendering company will be compensated in full for the tax losses surrendered to the claimant company.

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

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities on the Statement of Financial Position, using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Tax assets and liabilities of the same type (current or deferred) are offset when they arise from the same tax reporting group, they relate to the same tax authority, the legal rights to offset exists, and they are intended to be settled net or realised simultaneously. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay related dividend arises.

Information as to the calculation of income tax on the profit and loss for the periods presented is included in note 6 – Income tax charge.

### **f) Investment in subsidiary**

A subsidiary is an entity controlled by the Company. Control exists when all the following conditions are met:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

When the Company has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The Company also determines whether another entity with decision-making rights is acting as an agent for the Company. An agent is a party primarily engaged to act on behalf and for the benefit of another party (the principal) and therefore does not control the entity when it exercises its decision-making authority. A decision maker considers the overall relationship between itself and other parties involved with the entity, in particular all of the factors below, in determining whether it is an agent:

- The scope of its decision making authority over the entity;
- The rights held by other parties;
- The remuneration to which it is entitled; and
- The decision maker's exposure to variability of returns from other interests that it holds in the entity.

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

The Company makes significant judgements and assumptions when determining if it has control of another entity. The Company may control an entity even though it holds less than half of the voting rights of that entity, for example if the Company has control over an entity on a de facto basis because the remaining voting rights are widely dispersed and/or there is no indication that other shareholders exercise their votes collectively. Conversely, the Company may not control an entity even though it holds more than half of the voting rights of that entity, for example where the Company holds more than half of the voting power of an entity but does not control it, as it has no right to variable returns from the entity and is not able to use its power over the entity to affect those returns.

Investment in subsidiaries is carried at cost and is reviewed for impairment on each reporting date to determine whether there is any indication that the carrying amount may not be recoverable. If such an indication exists, the carrying amount of the investment is written down to its recoverable amount (i.e. the higher of the fair value less costs to sell and the value in use).

Any charges relating to the impairment of investment in subsidiary is recognised in the Statement of Income in the period in which the impairment occurs. When investment is disposed, the profit or loss resulting from the disposal is recognised in the Statement of Income.

### **g) Financial instruments – Recognition and derecognition**

The Company recognises financial assets and liabilities on its Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets/financial liabilities are recognised/derecognised using settlement date accounting.

### **h) Financial assets**

#### **Interest bearing deposits**

Interest bearing deposits comprise short-term and long-term deposits and interest accrued thereon, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to the initial recognition, they are measured at amortised cost using the effective interest method.

#### **Cash and cash equivalents**

For the purpose of preparation and presentation of the statement of cash flows, cash and cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value and that are held for cash management purposes.

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

### **i) Financial liabilities**

Financial liabilities comprises of other liabilities including short term borrowings. These liabilities are initially recognised at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

### **j) Critical accounting estimates and judgements in applying accounting policies**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Impairment of investment in subsidiaries**

Significant judgement is required in determining the expected recoverable amount in reviewing for impairment. The Directors consider net asset value to be an appropriate basis in determining the recoverable amount of the investment in subsidiaries.

### **Income taxes - deferred tax valuation**

Deferred tax assets and deferred tax liabilities are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the Statement of Financial Position date. The realisation of deferred tax assets on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realization of deferred tax assets on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether deferred tax assets can be realised. Only if management considers it probable that a deferred tax asset will be realised is a corresponding deferred tax assets established without impairment.

Periodically, management evaluates the probability that taxable profits will be available against which the deductible temporary differences and unused carry forward tax losses and credits can be utilised. Within this evaluation process, management also considers tax-planning strategies. The evaluation process requires significant management judgement, primarily with respect to projecting future taxable profits.

### **Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of the financial instruments is based on quoted prices in active markets or observable inputs. For all financial instruments which are carried at amortised cost, the determination of fair value requires subjective assessment and judgement depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

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

**3. Interest income and expense**

|   | 2016<br>US\$'000 | 2015<br>US\$'000 |
|---|------------------|------------------|
| Interest income on money market deposits  | 12,381           | 4,857            |
| <b>Total</b>                              | <b>12,381</b>    | <b>4,857</b>     |
| Interest expense on short term borrowings | (2)              | -                |
| <b>Total</b>                              | <b>(2)</b>       | <b>-</b>         |

The interest income represents interest earned on the deposits with Credit Suisse International and Credit Suisse AG, London branch. The interest expense represents interest expense on borrowings with Credit Suisse AG, London branch (2015: US\$ nil).

**4. Other income**

Other income represents foreign currency exchange gain.

**5. Administrative expenses**

|   | 2016<br>US\$'000 | 2015<br>US\$'000 |
|---|------------------|------------------|
| Auditor's remuneration in relation to statutory audit | (5)              | (6)              |
| UK bank levy  | (326)            | (644)            |
| Other expenses  | (1)              | (1)              |
| <b>Total</b>  | <b>(332)</b>     | <b>(651)</b>     |

**6. Income tax charge**

**a) Components of tax charge**

|                                       | 2016<br>US\$'000 | 2015<br>US\$'000 |
|---------------------------------------|------------------|------------------|
| <b>Deferred tax</b>                   |                  |                  |
| Utilisation of losses brought forward | (2,476)          | (983)            |
| Effect of change in tax rate          | (1,487)          | (3,735)          |
| <b>Total deferred tax charge</b>      | <b>(3,963)</b>   | <b>(4,718)</b>   |
| <b>Income tax charge</b>              | <b>(3,963)</b>   | <b>(4,718)</b>   |

**b) An explanation of the relationship between tax charge and the accounting profit**

The income tax for the year can be reconciled to the standard rate of corporation tax in the UK of 20% (2015: 20.25%) as follows:

|  | 2016<br>US\$'000 | 2015<br>US\$'000 |
|--|------------------|------------------|
| <b>Profit before tax</b>   | <b>12,055</b>    | <b>4,212</b>     |
| Profit before tax multiplied by the UK statutory rate of corporation tax of 20% (2015: 20.25%) | (2,411)          | (853)            |
| Non-deductible expense   | (65)             | (130)            |
| Effect of change in tax rate   | (1,487)          | (3,735)          |
| <b>Income tax charge</b>   | <b>(3,963)</b>   | <b>(4,718)</b>   |

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

### c) Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 17% (2015: 18%).

|  | 2016<br>US\$'000 | 2015<br>US\$'000 |
|--|------------------|------------------|
| <b>Deferred tax assets</b>   | <b>29,486</b>    | <b>33,449</b>    |
| The movement for the year on the deferred tax position was as follows: |                  |                  |
| At 1 January   | 33,449           | 38,167           |
| Debit to income for the year   | (2,476)          | (983)            |
| Effect of change in tax rate expensed to the Statement of Income       | (1,487)          | (3,735)          |
| <b>At end of year</b>  | <b>29,486</b>    | <b>33,449</b>    |

Deferred tax assets are attributable to the following items:

|                   | 2016<br>US\$'000 | 2015<br>US\$'000 |
|-------------------|------------------|------------------|
| <b>Tax losses</b> | <b>29,486</b>    | <b>33,449</b>    |

The company has estimated tax losses US\$('000) 173,448 (2015: US\$('000) 185,829) as at 31 December 2016 to carry forward against future taxable income and these have no expiry date. The benefit for these tax loss carry forwards is recognised in full as the company expects future taxable income will be available against which the unused tax losses will be utilised.

The Company also has capital losses of US\$('000) 2,237 (2015: US\$('000) 2,704) to carry forward against future chargeable gains and these have no expiry date. The benefit of the capital losses has not been recognised in these financial statements due to the uncertainty of their recoverability.

The Finance Act 2013, which passed into law on 17 July 2013, reduced the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and 21% to 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015, which passed into law on 18 November 2015, included rate reductions in the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and 19% to 18% with effect from 1 April 2020.

The Finance Act 2016, which was enacted on 15 September 2016, further reduced the UK corporation tax rate from 18% to 17% with effect from 1 April 2020.

The reduction in the UK corporation tax rate from 18% to 17% resulted in an expense to the income statement of US\$('000) 1,487 (2015: US\$('000) 3,735)

The UK budget announcement of 16 March 2016 included proposals for new rules on corporation tax loss relief with effect from 1 April 2017. The future enactment of these proposals does not change the company's assessment that the tax losses carried forward are expected to be earned out over a reasonable period.

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

### 7. Cash and cash equivalents

|                                  | 2016<br>US\$'000 | 2015<br>US\$'000 |
|----------------------------------|------------------|------------------|
| Cash at bank                     | 3                | 414              |
| Short term money market deposits | 119,597          | 118,808          |
| <b>Total</b>                     | <b>119,600</b>   | <b>119,222</b>   |

Cash and cash equivalents represent nostro accounts held with Credit Suisse AG, Zurich and short-term money market deposits held with Credit Suisse AG, London Branch. All the bank accounts are repayable on demand. The effective interest rate on money market deposits as at 31 December 2016 was 0.88% (2015: 0.20%), with an average maturity of 90 days (2015: 71 days).

### 8. Other assets

|   | 2016<br>US\$'000 | 2015<br>US\$'000 |
|---|------------------|------------------|
| Interest accrued on money market deposits | 228              | 97               |
| <b>Total</b>                              | <b>228</b>       | <b>97</b>        |

### 9. Investment in subsidiary

The Company had the following UK incorporated subsidiary as of 31 December 2016 and 2015:

|                                   | Activity   | Portion of ordinary<br>shares held<br>% | Total issued capital<br>US\$ |
|-----------------------------------|------------|---|------------------------------|
| DLJ Investment Partner II Limited | Investment | 100                                     | 3                            |

Due to the minimal value and rounded presentation, the amount of investment is not reflected on the face of Statement of Financial Position.

Pursuant to section 401 of the Companies Act 2006, the Company is exempt from preparing and delivering group financial statements as the Company is a wholly owned indirect subsidiary of Credit Suisse AG, incorporated in Switzerland, which prepares consolidated financial statements.

### 10. Interest-bearing deposits

|                      | 2016<br>US\$'000 | 2015<br>US\$'000 |
|----------------------|------------------|------------------|
| Money market deposit | 2,400,125        | 2,388,514        |
| <b>Total</b>         | <b>2,400,125</b> | <b>2,388,514</b> |

The money market deposit is held with Credit Suisse International and is due to mature on 27 February 2019. The interest rate, which is linked to LIBOR rate, is reset every month. The effective interest rate on money market deposit as at 31 December 2016 was 0.76% (2015: 0.19%) with an average interest period of 30 days (2015: 28 days).

### 11. Borrowings

|                       | 2016<br>US\$'000 | 2015<br>US\$'000 |
|-----------------------|------------------|------------------|
| Short term borrowings | 225              | 430              |
| <b>Total</b>          | <b>225</b>       | <b>430</b>       |

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

Short term borrowings are from Credit Suisse AG, London Branch. The effective interest rate on loan as at 31 December 2016 was 0.65% (31 December 2015: 0.25%) with an average interest reset period of 30 days (2015: 30 days).

### 12. Other accruals

|                      | 2016<br>US\$'000 | 2015<br>US\$'000 |
|----------------------|------------------|------------------|
| UK bank levy payable | 403              | 436              |
| Intercompany payable | 512              | 201              |
| Audit fees payable   | 5                | 13               |
| <b>Total</b>         | <b>920</b>       | <b>650</b>       |

### 13. Share capital

|   | 2016<br>US\$         | 2015<br>US\$         |
|---|----------------------|----------------------|
| <b>Authorised:</b>                                |                      |                      |
| <b>Ordinary shares</b>                            |                      |                      |
| 1,353,322 ordinary shares of GBP 0.10 each        | 218,115              | 218,115              |
| 100,000,000 ordinary A shares of US\$ 1.00 each   | 100,000,000          | 100,000,000          |
| 2,700,000,000 ordinary B shares of US\$ 1.00 each | 2,700,000,000        | 2,700,000,000        |
| <b>Total</b>                                      | <b>2,800,218,115</b> | <b>2,800,218,115</b> |

|  | 2016<br>US\$         | 2015<br>US\$         |
|--|----------------------|----------------------|
| <b>Allotted, called up and paid up:</b>                                |                      |                      |
| <b>Ordinary shares</b>   |                      |                      |
| 580,623 ordinary shares of GBP 0.10 paid up to GBP 0.001 each          | 936                  | 936                  |
| 90,000,000 ordinary A shares of US\$ 1.00 paid up to US\$ 1.00 each    | 90,000,000           | 90,000,000           |
| 2,655,586,770 ordinary B shares of US\$ 1.00 paid up to US\$ 1.00 each | 2,655,586,770        | 2,655,586,770        |
| <b>Total</b>   | <b>2,745,587,706</b> | <b>2,745,587,706</b> |

GBP ordinary shares and ordinary A shares carry voting rights and the right to receive dividends are held by DLJ International Group Limited. Ordinary B shares, which carry right to receive dividends but don't carry any voting rights, are held by Credit Suisse Shimada Investments (Gibraltar) (458,058,924 shares of US\$ 1 each) and DLJ UK Holding (2,197,527,846 shares of US\$ 1 each).

No additional share capital was issued by the Company during the year (2015: US\$ nil).

### Capital management

The Board's policy is to maintain an adequate capital base so as to enable smooth operation of the Company's activities.

The capital structure of the Company consists of equity attributable to equity holders of the Company comprising issued capital, reserves and accumulated losses.

The Company funds its operations and growth through equity. This includes assessing the need to raise additional equity where required.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

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

### 14. Related party transactions

The Company is domiciled in the United Kingdom. It is a subsidiary of DLJ International Group Limited incorporated in the United Kingdom. The ultimate holding company is Credit Suisse Group AG, which is incorporated in Switzerland.

Copies of group Financial Statements of Credit Suisse AG and Credit Suisse Group AG, which are those of the smallest and largest groups in which the results of the Company are consolidated, are available to the public and may be obtained from Credit Suisse Group AG, Paradeplatz 8, 8070 Zurich, Switzerland.

The Company is involved in financing and other transactions, and has significant related party balances, with subsidiaries and affiliates of Credit Suisse Group AG. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties.

#### a) Related party assets and liabilities

|                            | 2016<br>Fellow group companies<br>US\$'000 | 2015<br>Fellow group companies<br>US\$'000 |
|----------------------------|--|--|
| <b>Current assets</b>      |  |  |
| Cash and cash equivalents  | 119,600                                    | 119,222                                    |
| Other assets               | 228  | 97   |
| <b>Non-current assets</b>  |  |  |
| Interest-bearing deposits  | 2,400,125                                  | 2,388,514                                  |
| <b>Total</b>               | <b>2,519,953</b>                           | <b>2,507,833</b>                           |
| <b>Current liabilities</b> |  |  |
| Borrowings                 | 225  | 430  |
| Other accruals             | 512  | 201  |
| <b>Total</b>               | <b>737</b>                                 | <b>631</b>                                 |

#### b) Related party revenues and expenses

|                  | 2016<br>Fellow group companies<br>US\$'000 | 2015<br>Fellow group companies<br>US\$'000 |
|------------------|--|--|
| Interest income  | 12,381                                     | 4,857                                      |
| Interest expense | (2)  | -  |
| <b>Total</b>     | <b>12,379</b>                              | <b>4,857</b>                               |

#### c) Remuneration of Directors and Key Management Personnel

The Directors and Key Management Personnel did not receive any remuneration in respect of their services as Directors of the Company (2015: US\$ nil). The Directors and Key Management Personnel are employees of its related companies and the Company does not reimburse its related companies for the services rendered by these Directors and Key Management Personnel. All Directors benefited from qualifying third party indemnity provisions.

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

### d) Loans and advances to Directors and Key Management Personnel

There were no loans or advances made to Directors or Key Management Personnel during the year (2015: US\$ nil).

### e) Liabilities due to pension funds

The Company has no employees and therefore does not have any liabilities with regard to pension funds.

### f) Guarantees given to related parties

The Company guarantees liabilities under loan facility agreements amounting to US\$('000) 1,981,198 (2015: US\$('000) 1,971,613) of DLJ UK Investment Holdings Limited to Credit Suisse International and the deposit of the Company is held by and charged in favour of Credit Suisse International to secure these liabilities for the term of the deposit which is maturing on 27 February 2019 (2015: 27 February 2018). As at 31 December 2016 and 2015, the Company did not recognise any liability on this guarantee.

## 15. Employees

The Company had no employees during the year (2015: nil). The Company receives a range of administrative services from related companies within the Credit Suisse group. Credit Suisse group companies have borne the cost of these services.

## 16. Financial instruments

The disclosure of the Company's financial instruments below includes the following sections:

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy);
- Fair value of financial instruments not carried at fair value.

Fair value is the price that would be received as a result of selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial assets and liabilities is impacted by factors such as contractual cash flows and observable inputs like the benchmark interest rates and foreign exchange rates. Unobservable inputs used are credit spreads which is a part of the risk-adjusted discount factors. Valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of counterparty, and are applied to debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or CVA) is considered when measuring the fair value of assets and the impact of changes in the Company's own credit spreads (known as debit valuation adjustments or DVA) is considered when measuring the fair value of its liabilities. The adjustments also take into account contractual factors designed to reduce the Company's credit exposure to counterparty.

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

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realised in an immediate sale or settlement of the instrument.

For cash and other liquid assets, the fair value is assumed to approximate book value, given the short term nature of these instruments. For long term instruments (loans and receivables and debt instruments), fair value is calculated using the discounted cash flow methodology. The information presented herein represents estimates of fair values of accrual accounted instruments as at the Statement of Financial Position date.

The financial instruments carried at fair value were categorized under the three levels of the IFRS fair value hierarchy as follows:

**Level 1:** Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs). These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

Financial instruments are measured on an on-going basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair value of the Company's financial instruments.

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

The levels in the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured at fair value in the Statement of Financial Position are as follows:

| 2016 (US\$'000)              | Carrying amount          |                            | Level 1        | Fair Value       |         |                  | Total |
|------------------------------|--------------------------|----------------------------|----------------|------------------|---------|------------------|-------|
|                              | Loans and<br>receivables | Other<br>amortized<br>cost |                | Level 2          | Level 3 |                  |       |
| <b>Financial assets</b>      |                          |                            |                |                  |         |                  |       |
| Cash and cash equivalents    | -                        | 119,600                    | 119,600        | -                | -       | <b>119,600</b>   |       |
| Other assets                 | 228                      | -                          | -              | 228              | -       | <b>228</b>       |       |
| Interest-bearing deposits    | 2,400,125                | -                          | -              | 2,394,713        | -       | <b>2,394,713</b> |       |
| <b>Total</b>                 | <b>2,400,353</b>         | <b>119,600</b>             | <b>119,600</b> | <b>2,394,941</b> | -       | <b>2,514,541</b> |       |
| <b>Financial liabilities</b> |                          |                            |                |                  |         |                  |       |
| Borrowings                   | 225                      | -                          | -              | 225              | -       | <b>225</b>       |       |
| Other accruals               | -                        | 517                        | -              | 517              | -       | <b>517</b>       |       |
| <b>Total</b>                 | <b>225</b>               | <b>517</b>                 | -              | <b>742</b>       | -       | <b>742</b>       |       |
| <b>2015 (US\$'000)</b>       |                          |                            |                |                  |         |                  |       |
| <b>Financial assets</b>      |                          |                            |                |                  |         |                  |       |
| Cash and cash equivalents    | -                        | 119,222                    | 119,222        | -                | -       | <b>119,222</b>   |       |
| Other assets                 | 97                       | -                          | -              | 97               | -       | <b>97</b>        |       |
| Interest-bearing deposits    | 2,388,514                | -                          | -              | 2,380,402        | -       | <b>2,380,402</b> |       |
| <b>Total</b>                 | <b>2,388,611</b>         | <b>119,222</b>             | <b>119,222</b> | <b>2,380,499</b> | -       | <b>2,499,721</b> |       |
| <b>Financial liabilities</b> |                          |                            |                |                  |         |                  |       |
| Borrowings                   | 430                      | -                          | -              | 430              | -       | <b>430</b>       |       |
| Other accruals               | -                        | 214                        | -              | 214              | -       | <b>214</b>       |       |
| <b>Total</b>                 | <b>430</b>               | <b>214</b>                 | -              | <b>644</b>       | -       | <b>644</b>       |       |

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

### 17. Financial risk management

The Company's activities expose it to a variety of financial risks.

- Market risk (including foreign exchange risk and interest rate risk)
- Credit risk
- Liquidity risk
- Operational risk

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Credit Suisse Group AG, of which the Company is a part, manages its risks under global policies. The Credit Suisse Group AG risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with Credit Suisse Group AG's control framework and in consideration of industry best practices. The primary responsibility for risk management lies with Credit Suisse Group AG's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk and reputational risk.

#### Market risk

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant market parameters, such as market volatilities.

##### (i) Interest rate risk

The Company has interest bearing assets and liabilities, which are mainly in the form of Interest bearing deposits, cash and cash equivalents and short term borrowings. The interest rates on these instruments typically resets within 3 months which minimises the risk to changes in interest rates. As the Company's interest-bearing assets and liabilities are against group companies, the Company is not exposed to any third party counter party interest rate risks.

The Company holds no other significant interest-bearing assets and liabilities and the remaining Company expenses and operating cash flows are substantially independent of changes in interest rates. The sensitivity analysis is prepared based on financial instruments that are recognised at the reporting dates. The sensitivity assumes changes in certain market conditions. These assumptions may differ materially from the actual events due to the inherent uncertainties in global financial markets. In practice, market risks rarely change in isolation and are likely to be interdependent. There is no change in the methods and assumptions used for both the reporting period and the comparative period.

Sensitivity analysis for changes in interest rate, which is given below, assume an instantaneous increase or decrease by 25% as at the reporting date, with all other variables remaining constant:

| <b>2016 (US\$'000)</b>   | <b>25%</b>   | <b>-25%</b>    |
|--|--------------|----------------|
| Change in equity and income/(loss) with interest rate fluctuation in interest bearing deposits and cash and cash equivalents | 4,798        | (4,798)        |
| <b>Total</b>   | <b>4,798</b> | <b>(4,798)</b> |
| <hr/>  |              |                |
| <b>2015 (US\$'000)</b>   | <b>25%</b>   | <b>-25%</b>    |
| Change in equity and income/(loss) with interest rate fluctuation in interest bearing deposits and cash and cash equivalents | 1,207        | (1,207)        |
| <b>Total</b>   | <b>1,207</b> | <b>(1,207)</b> |

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

### (ii) Foreign exchange risk

Foreign currency risk is the risk that the value of monetary assets / liabilities will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from GBP exposures.

The Company had the following assets and liabilities denominated in currencies other than USD:

|                             | 2016<br>GBP'000 | 2015<br>GBP'000 |
|-----------------------------|-----------------|-----------------|
| <b>Monetary assets</b>      |                 |                 |
| Cash and cash equivalents   | 122             | 76              |
| <b>Total</b>                | <b>122</b>      | <b>76</b>       |
| <b>Monetary liabilities</b> |                 |                 |
| Borrowings                  | -               | 20              |
| Other accruals              | 4               | 9               |
| <b>Total</b>                | <b>4</b>        | <b>29</b>       |
| <b>Net exposure</b>         | <b>118</b>      | <b>47</b>       |

Since the Company has minimum foreign exchange risk, sensitivity analysis has not been performed for changes in foreign exchange rates.

### Credit risk

Credit risk is the possibility of a loss being incurred by the Company as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. The Company is exposed to credit risk from other Credit Suisse group companies. Transactions are limited to fellow group companies and high-credit-quality financial institutions. The carrying value of amounts due from related companies represents the maximum credit exposure of the Company to counterparties. The Company has policies that limit the amount of credit exposure to any financial institution.

There are no amounts due from related companies which are past due but not impaired.

#### Counterparty Exposure by Rating:

|              | Banks            |                  |
|--------------|------------------|------------------|
|              | 2016<br>US\$'000 | 2015<br>US\$'000 |
| A+ to A-     | 2,519,953        | 2,507,833        |
| <b>Total</b> | <b>2,519,953</b> | <b>2,507,833</b> |

For the entities which are not individually rated, ratings have been derived using the Credit Suisse AG rating.

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

### Liquidity risk

Liquidity risk is the risk that a Company is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. The liquidity and funding profile of Credit Suisse AG ('CS') reflects the risk appetite, business activities, strategy, the markets and overall operating environment. CS liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events and/ or issues specific to CS. This approach enhances CS's ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet any stress situation.

The following table sets out details of the remaining contractual maturity for financial liabilities.

|                        | Carrying<br>Amount | Gross Nominal<br>Outflow | On<br>demand | Due within<br>3 months | Total      |
|------------------------|--------------------|--------------------------|--------------|------------------------|------------|
| <b>2016 (US\$'000)</b> |                    |                          |              |                        |            |
| Short term borrowings  | 225                | 225                      | -            | 225                    | <b>225</b> |
| Other accruals         | 517                | 517                      | 517          | -                      | <b>517</b> |
| <b>Total</b>           | <b>742</b>         | <b>742</b>               | <b>517</b>   | <b>225</b>             | <b>742</b> |
| <b>2015 (US\$'000)</b> |                    |                          |              |                        |            |
| Short term borrowings  | 430                | 430                      | -            | 430                    | <b>430</b> |
| Other accruals         | 214                | 214                      | 214          | -                      | <b>214</b> |
| <b>Total</b>           | <b>644</b>         | <b>644</b>               | <b>214</b>   | <b>430</b>             | <b>644</b> |

### Operational risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events. The Company is exposed to minimal operational risk.

### 18. Contingent liabilities

The Company has charged in favour of Credit Suisse International the interest bearing deposit of the Company held with Credit Suisse International which is maturing on 27 February 2019 (2015: 27 February 2018) in order to secure liabilities of DLJ UK Investment Holdings Limited US\$('000) 1,981,198 (2015: US\$('000) 1,971,613) and DLJ International Group Limited US\$('000) 517,940 (2015: US\$('000) 515,434) to Credit Suisse International arising under loan facility agreements. As at 31 December 2016 and 2015, the Company did not recognise any liability in relation to this charge.

### 19. Subsequent events

In 2017, the Company received a dividend of US\$('000) 6,950 from its subsidiary, DLJ Investment Partner II Limited.

There are no other material subsequent events that require disclosure in, or adjustment to, the Financial Statements as at the date of this report.