CREDIT SUISSE

DLJ Group

Annual Report
For the year ended 31 December 2018

FRIDAY

L8DXWUAX

LD4 13/09/2019 #54

COMPANIES HOUSE

Company Registration Number: 02479336

TABLE OF CONTENTS

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 2018

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2018.

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 ("CS group"), 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 2018, the Company reported a profit after tax of US$('000) 41,425 (2017 US$('000) 29,330). The variation is mainly on account of the interest and dividend income during the year.

Statement of Financial Position

As at 31 December 2018, the Company has total assets of US$('000) 2,632,401 (2017: US$('000) 2,582,211).

As at 31 December 2018, the Company has equity of US$('000) 2,619,035 (2017: US$('000) 2,577,624).

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 19 to the Financial Statements.

The Company is not materially impacted by potential UK exit from the EU as main source of income is interest on money market deposits held by the Company.

Modern Slavery and Human Trafficking

In its role as an employer, and as a user and provider of services, CS group is committed to human rights and respects them as a key element of responsible business conduct. CS group voluntarily commits to uphold certain international agreements relating to human rights, including: the Equator Principles, Principles for Responsible Investment and UN Global Compact.

A number of internal policies, commitments and controls which are already in place help to eradicate modern slavery and human trafficking in the supply chain and across the business. In addition, CS group Supplier Code of Conduct aims to ensure that the CS group's external business partners, including their employees, subsidiaries and subcontractors, respect human rights, labour rights, employment laws and environmental regulations. In 2016, CS group introduced a formal Third Party Risk Management ('TPRM') framework to scrutinise and monitor the operational, financial and reputational risk associated with third party relationships. The TPRM framework provides for structured due diligence assessments of the all suppliers to identify where modern slavery and human trafficking risks may exist.

The complete statement, made pursuant to section 54, Part 6 of the Modern Slavery Act 2015, is publicly available and can be found at www.credit-suisse.com.

Approved by the Board of Directors on 11th September 2019 and signed on its behalf by:

Paul Hare
Director

One Cabot Square
London E14 4QJ
11th September 2019

Directors' Report for the year ended 31 December 2018

The Directors present the Directors' report and the Financial Statements for the year ended 31 December 2018.

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 11th September 2019.

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 (2017: US$ Nil).

Dividends

No dividends were paid or are proposed for the year ended 31 December 2018 (2017: US$ Nil).

Directors

The names of the Directors as at the date of this report are set out on page 3.

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 Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs 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 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so

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

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 they ought to have taken as a Director to make themselves 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

There are no 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 11th September 2019 and signed on its behalf by:

Ahmed Kubba
Director
One Cabot Square
London E14 4QJ
11th September 2019

Company Registration Number: 02479336

Independent Auditor's Report to the Members of DLJ Group

Opinion

We have audited the financial statements of DLJ Group ("the company") for the year ended 31 December 2018 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Alexander Snook
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
11th September 2019

Statement of Income for the year ended 31 December 2018

	Note	2018	2017 [1]
		US$'000	US$'000
Interest income	3	52,173	27,870
- of which Interest income from instruments at amortised cost		52,173	27,870
Interest expense	3	—	(2)
- of which Interest expense from instruments at amortised cost		—	(2)
Net interest income		**52,173**	**27,868**
Provision for credit losses	4	(841)	—
Net interest income after provision for credit losses		**51,332**	**27,868**
Dividend Income	5	4	6,950
Total non-interest revenues		**4**	**6,950**
Net operating income		**51,336**	**34,818**
Administrative expenses	6	(267)	(279)
Other expense	7	(4)	(1)
Total operating expenses		**(271)**	**(280)**
Profit before tax		**51,065**	**34,538**
Income tax charge	8	(9,640)	(5,208)
Net income		**41,425**	**29,330**

[1] The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

Profit for 2018 and 2017 are from continuing operations.

The notes on pages 14 to 32 form an integral part of these Financial Statements.

Statement of Financial Position as at 31 December 2018

	Note	2018 US$'000	2017 US$'000
ASSETS			
Current assets			
Cash and due from banks	9	200,073	148,598
Other assets	10	992	598
Total current assets		**201,065**	**149,196**
Non-current assets			
Interest-bearing deposits	11	2,403,841	2,404,697
Deferred tax asset	8	27,495	28,318
Total non-current assets		**2,431,336**	**2,433,015**
Total assets		**2,632,401**	**2,582,211**
LIABILITIES			
Current liabilities			
Other accruals	12	13,366	4,587
Total current liabilities		**13,366**	**4,587**
Total liabilities		**13,366**	**4,587**
SHAREHOLDERS' EQUITY			
Share capital	13	2,745,588	2,745,588
Share premium		176	176
Other reserves		—	6
Accumulated losses		(126,729)	(168,146)
Total shareholders' equity		**2,619,035**	**2,577,624**
Total liabilities and shareholders' equity		**2,632,401**	**2,582,211**

The notes on pages 14 to 32 form an integral part of these Financial Statements.

Approved by the Board of Directors on 11th September 2019 and signed on its behalf by:

Ahmed Kubba
Director

Company Registration Number: 02479336

Statement of Changes in Equity for the year ended 31 December 2018

	Attributable to equity holders of the Company				
	Share capital	Share premium	Other reserves	Accumulated losses	Total [1]
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018	**2,745,588**	**176**	**6**	**(168,146)**	**2,577,624**
Adjustment on initial application of IFRS 9 (Net of tax)	—	—	—	(14)	(14)
Adjusted balance at 1 January 2018	2,745,588	176	6	(168,160)	2,577,610
Write off	—	—	(6)	6	—
Profit for the year	—	—	—	41,425	41,425
Balance at 31 December 2018	**2,745,588**	**176**	**—**	**(126,729)**	**2,619,035**

[1] The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

	Attributable to equity holders of the Company				
	Share capital	Share premium	Other reserves	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	2,745,588	176	6	(197,476)	2,548,294
Profit for the year	—	—	—	29,330	29,330
Balance at 31 December 2017	**2,745,588**	**176**	**6**	**(168,146)**	**2,577,624**

The notes on pages 14 to 32 form an integral part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Operating activities			
Profit before tax		51,065	34,538
Adjustments to reconcile net income to net cash generated from operating activities			
Non-cash items included in profit before tax and other adjustments:			
Interest income		(52,173)	(27,870)
Dividend income		(4)	(6,950)
Reversal of provision for credit losses		(841)	—
Foreign exchange loss		—	7
Operating loss before working capital changes		**(1,953)**	**(275)**
Net movement in operating assets and liabilities:			
Net loans		856	(4,572)
Other accruals		(37)	(373)
Interest received		51,779	27,500
Net cash inflow from operating activities		**50,645**	**22,280**
Cash flow from financing activities			
Borrowings		—	(227)
Interest expense		—	2
Net cash inflow from financing activities		**—**	**(225)**
Cash flow from investing activities			
Dividend income		4	6,950
Net cash inflow from investing activities		**4**	**6,950**
Net increase in cash and cash equivalents		**50,649**	**29,005**
Cash and cash equivalents at the beginning of year		**148,598**	**119,600**
Effects of exchange rate changes on the balance of cash held in foreign currency		—	(7)
Effect of provision for credit losses		826	—
Cash and cash equivalents at the end of year	**9**	**200,073**	**148,598**

The notes on pages 14 to 32 form an integral part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2018

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 29 August 2019.

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 CS group 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 adopted IFRS 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. Critical accounting estimates and judgements applied to these Financial Statements are set out in Note 2(i).

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:

- IFRS 9 Financial Instruments: In July 2014, the IASB issued IFRS 9 'Financial Instruments' (IFRS 9) as a complete standard which replaces IAS 39. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The amendments to IFRS 7 'Financial Instruments: Disclosures' resulting from IFRS 9 also requires new disclosures as well as the revision of current disclosure requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. In October 2017, the IASB issued Prepayments Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Company early adopted this amendment as at 1 January 2018. Changes in accounting policies resulting from the adoption of IFRS 9 are generally applied retrospectively; however the Company has taken advantage of the exemption allowing it not to restate comparative information for prior periods. As a result, the Significant Accounting Policies and Critical Accounting Estimates and Judgements notes have both the 2018 and 2017 policies where applicable.

Notes to the Financial Statements for the year ended 31 December 2018

2. Significant accounting policies (continued)

For the impact of adoption of IFRS 9 on 1 January 2018, please refer to the below table.

The below table provides a reconciliation of impairment of financial assets between IAS 39 and IFRS 9.

	31 December 2017 (IAS 39)	Reclassification	Remeasurement	1 January 2018 (IFRS 9)
	US$'000	US$'000	US$'000	US$'000
Cash and due from banks	–	–	17	17
Total	**–**	**–**	**17**	**17**

Under IAS 39, there was no provision required for expected credit losses upto 31 December 2017 since the loans are due from inter company. On account of implementation of IFRS 9 with effect from 1 January 2018, the Company has booked a provision of US$ ('000) 17 on cash and due from banks. The initial measurement of the credit losses has been adjusted from the opening balance of the retained earnings.

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 but not yet effective.

- IFRIC 23: In June 2017, the IASB issued IFRIC 23 'Uncertainty over Income Tax Treatments' (IFRIC 23). IFRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. The adoption of IFRIC 23 on 1 January 2019 did not have a material impact on the Company's financial position, results of operations or cash flows.

- Annual Improvements to IFRSs 2015-2017 Cycle: In December 2017, the IASB issued 'Annual Improvements to IFRSs 2015-2017 cycle' (Improvements to IFRSs 2015-2017). The Improvements to IFRSs 2015-2017 are effective for annual periods beginning on or after 1 January 2019. The adoption of Annual Improvements to IFRSs 2015-2017 Cycle on 1 January 2019 did not have a material impact on the Company's financial position, results of operations or cash flows.

The accounting policies have been applied consistently by the Company. Certain reclassifications have been made to the prior year Consolidated Financial Statements of the Company to conform to the current year's presentation and had no impact on net income/ (loss) or total shareholders' equity.

c) Foreign currency

The Company's functional currency is United States Dollars (US$). Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to US$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising from re-measurement are recognised in the Statement of Income. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates.

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) Dividend income

Dividends from investments are recorded in the Statement of Income as dividend income once declared and approved in the shareholders' meeting of the Company's subsidiary.

Notes to the Financial Statements for the year ended 31 December 2018

2. Significant accounting policies (continued)

f) 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.

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 8 Income tax charge.

g) 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

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 an investment is disposed of, the profit or loss resulting from the disposal is recognised in the Statement Income.

Notes to the Financial Statements for the year ended 31 December 2018

2. Significant accounting policies (continued)

h) Financial assets and liabilities (Accounting policy for 2018)

The Company's financial assets are classified on the basis of two criteria: 1) the business model which refers to how the Company manages a financial asset in order to generate cash flows and 2) the contractual cash flow characteristics of the financial asset.

The business model assessments are performed by considering the way in which the financial assets are managed to achieve a particular business objective as determined by management. The assessment is made at the level at which the group of financial assets are managed. These assessments are based on reasonable expectations. All relevant and objective evidence are considered while performing the business model assessments, for example:

- How the performance of the financial assets are evaluated and reported to key management personnel.
- The risks that affect the performance of the financial assets and how those risks are managed.
- How managers of the business are compensated.

The 'Hold to Collect' business model is a model with the objective to hold a financial asset to collect contractual cash flows. Sales are incidental to the objective of this model. The 'Hold to Collect and Sell' business model is a model with the objective to both hold financial assets to collect contractual cash flows and to sell financial assets. This model has a greater frequency of sales than a 'Hold to Collect' business model. The Company does not have any financial assets which are under the 'Hold to Collect and Sell' business model.

The financial assets which are not classified under the 'Hold to Collect' and 'Hold to Collect and Sell' business models are measured at fair value. These include financial assets that meet the trading criteria; those that are managed on a fair value basis or designated at fair value as well as equity instruments where an irrevocable election is made on initial recognition to present changes in fair value in other comprehensive income (OCI). Refer to sections below for further guidance.

For 'Hold to Collect' and 'Hold to Collect and Sell' business model, the contractual cash flows of the financial assets are assessed to determine if they consist of solely payments of principal and interest. For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

These criteria determine how a financial asset is subsequently measured.

Amortised Cost

Financial assets which have contractual cash flows which consist solely of payments of principal and interest and are held in a 'Hold to Collect' business model are subsequently measured at amortised cost and are subject to impairment. (Refer note j).

Financial assets and liabilities (Accounting policy for 2017)

Recognition and derecognition

The Company recognizes 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 derecognized 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.

Notes to the Financial Statements for the year ended 31 December 2018

2. Significant accounting policies (continued)

Non derivative 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.

Non derivative 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.

i) 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.

j) Impairment of financial assets (Accounting Policy for 2018)

The impairment requirements apply primarily to financial assets measured at amortised cost as well as certain loan commitments and financial guarantee contracts. The impairment requirements are based on a forward-looking expected credit loss ('ECL') model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. This requires considerable judgement over how changes in economic factors affect ECLs, which is determined on a probability-weighted basis.

All financial assets attract a 12 month ECL on origination (Stage 1) except for loans that are purchased or originated credit-impaired. When credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement is changed from 12-month expected credit losses (Stage 1) to lifetime expected credit losses (Stage 2).

The assessment of a significant increase in credit risk since initial recognition is based on different quantitative and qualitative factors that are relevant to the particular financial instrument in scope. If the financial assets are credit-impaired they are then moved to Stage 3. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Notes to the Financial Statements for the year ended 31 December 2018

2. Significant accounting policies (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of potential credit losses and application of measurement is as follows:

- Financial assets that are not credit-impaired at the reporting date (Stage 1 or Stage 2), apply the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. The Company applies a PD/LGD approach under which term structures of point-in-time probability of defaults ("PDs"), point-in-time loss given defaults ("LGDs") and exposure at defaults ("EADs") are estimated;
- Financial assets that are credit-impaired at the reporting date (Stage 3), apply the difference between the gross carrying amount and the present value of estimated future cash flows.

Definition of default

The definition of default is aligned with the regulatory definition of default which is based on 90 days past due and unlikely to pay on material obligation.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. breaches of covenants;
- Quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Forward looking information

The estimation and application of forward-looking information requires significant judgment. The Company's estimation of expected credit losses is based on a discounted probability-weighted estimate that considers three future macroeconomic scenarios to capture the point of non-linearity of losses: a base scenario, an upside scenario, and a downside scenario. The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. Currently, the other scenarios represent more optimistic and more pessimistic outcomes with the downside scenario being more severe than the upside scenario.

Scenarios are probability-weighted according to the Company's best estimate of their relative likelihood based on historical frequency and current trends and conditions and macroeconomic factors such as interest rates, gross domestic product and unemployment rates. Probability weights are reviewed and updated (if required) on a quarterly basis.

Significant increases in credit risk ("SICR")

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

The Company has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Company's internal credit risk management process. The criteria for determining whether credit risk has increased significantly varies by portfolio.

The assessment of significant increases in credit risk is generally based on two indicators:

- *changes in probability-weighted forward-looking lifetime PD, using the same macroeconomic scenarios as the* calculation of expected credit losses for newly originated financial instruments (forward book); or changes in credit rating for financial instruments originated prior to the effective date of IFRS 9 (back book), and
- credit watch list as specific qualitative information.

The rebuttable presumption of more than 30 days past due has not been used because financial instruments are considered credit-impaired and therefore transferred into Stage 3 earlier than 30 days past due, unless credit risk management determines the default to be operational in nature and it is rectified in a short period of time (normally within a week).

Notes to the Financial Statements for the year ended 31 December 2018

2. Significant accounting policies (continued)

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

A financial instrument is transferred from Stage 2 to Stage 1, if it no longer meets the stage transition criteria. The stage transition criteria implicitly reflect a probation period, either by the idiosyncratic nature of PDs or by the credit watch list process.

A financial instrument is transferred from Stage 3 to Stage 2 or 1 after a probation period in line with the Company's credit risk management practices. If the financial instrument has not met the criteria to be considered credit-impaired for a minimum number of months, it will be returned to either Stage 2 or Stage 1 depending on the characteristics of the financial instrument.

The low credit risk exemption has not been used in the context of determining significant increases in credit risk.

Reverse repurchase agreements and securities borrowing transactions are not impacted by the SICR process due to the risk management practices adopted, including regular margin calls. If margin calls are not satisfied, positions will be closed out immediately with any shortfall generally classified as a Stage 3 position.

Expected life

The maximum period to consider when measuring expected credit losses is the maximum contractual period (including borrower-only extension options) over which the Company is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

Grouping financial assets measured on a collective basis

For Stage 1 and Stage 2 ECLs, financial assets are grouped based on shared credit risk characteristics, e.g. product type and geographic location. However, for each financial asset within the grouping an ECL is calculated based on the PD/LGD approach. Financial assets are grouped as follows:

- Financial institutions
- Corporates
- Fallback (assets not included in any of the above categories)

For all Stage 3 assets, regardless of the class of financial assets, the Company calculates ECL on an individual basis.

Write-off of loans

When it is considered certain that there is no reasonable prospect of recovery and all collateral has been realised or transferred to the Company, the loan and any associated allowance is written off. If the amount of loss on write-off is greater than the accumulated loss allowance, the differences result in an additional impairment loss. The additional impairment loss is first recognised as an addition to the allowance that is then applied against the gross carrying amount. Any repossessed collateral is initially measured at fair value. The subsequent measurement depends on the nature of the collateral.

k) 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 a reasonable approximation to fair value and therefore an appropriate basis in determining the recoverable amount of the investment in subsidiaries.

l) Income taxes - deferred tax valuation

Deferred tax assets ('DTA') and deferred tax liabilities ('DTL') 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 realisation 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 and is a corresponding deferred tax assets established without impairment.

Notes to the Financial Statements for the year ended 31 December 2018

2. Significant accounting policies (continued)

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.

m) 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.

3. Interest income and expense

	2018	2017
	US$'000	US$'000
Money market deposits	52,173	27,870
Total interest income	**52,173**	**27,870**
Short term borrowings	—	(2)
Total interest expense	**—**	**(2)**
Net interest income	**52,173**	**27,868**
of which		
Interest income from Financial assets at amortised cost	52,173	27,870
Interest expense from Financial assets at amortised cost	—	(2)

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 (2017: US$ (2)).

4. Provision for credit losses

	2018	2017
	US$ '000	US$ '000
Reversal of Provision for credit losses on cash and cash equivalents	15	—
Provision for credit losses on interest bearing deposits	(856)	—
Provision for credit losses	(841)	—

5. Dividend Income

	2018	2017
	US$'000	US$'000
Dividend Income	4	6,950
Total	**4**	**6,950**

Dividend received from wholly owned subsidiary DLJ Investment Partner II Limited on 30th May 2018.

Notes to the Financial Statements for the year ended 31 December 2018

6. Administrative expenses

	2018 US$'000	2017 US$'000
Auditor's remuneration in relation to statutory audit	(6)	(6)
UK bank levy	(261)	(261)
Other expenses*	—	(12)
Total	**(267)**	**(279)**

*Other expenses include audit fees paid on behalf of subsidiary for the year 2017.

7. Other Expense

Other expense represents foreign currency exchange loss.

8. Income tax charge

a) Components of tax charge

	2018 US$'000	2017 US$'000
Current tax		
Current tax on profits of the period	(9,751)	(4,040)
Adjustment in respect of previous period	937	—
Total current tax expense	**(8,814)**	**(4,040)**
Deferred tax		
Utilisation of losses brought forward	—	(1,168)
Adjustment in respect of previous period	(826)	—
Total deferred tax charge	**(826)**	**(1,168)**
Income tax charge	**(9,640)**	**(5,208)**

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 19% (2017: 19.25%) as follows:

	2018 US$'000	2017 US$'000
Profit before tax	**51,065**	**34,538**
Profit before tax multiplied by the UK statutory rate of corporation tax of 19% (2017: 19.25%)	(9,702)	(6,647)
Non-deductible expense	(50)	(53)
Adjustments to current tax in respect of previous period	937	—
Adjustments to deferred tax in respect of previous period	(826)	—
Differential in movement in deferred taxes to that at statutory tax rate	—	154
Non Taxable Income	1	1,338
Income tax charge	**(9,640)**	**(5,208)**

Notes to the Financial Statements for the year ended 31 December 2018

c) Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 17% (2017: 17%).

	2018	2017
	US$'000	US$'000
Deferred tax assets	**27,495**	**28,318**
The movement for the year on the deferred tax position was as follows:		
At 1 January	28,318	29,486
Debit to income for the year	—	(1,168)
Adjustment in respect of previous period	(826)	—
Amount of equity booked	3	—
At end of year	**27,495**	**28,318**

Deferred tax assets are attributable to the following items:

	2018	2017
	US$'000	US$'000
Tax losses	27,492	28,318
ECL Transition Adjustment	3	—
Tax losses	**27,495**	**28,318**

The company has estimated tax losses US$ ('000) 166,722 (2017: US$ ('000) 166,581) as at 31 December 2018 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) 2,323 (2017: US$ ('000) 2,455) to carry forward against future expansible 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.

Legislation has been enacted which reduces the UK corporation tax rate to 17% with effect from 1 April 2020.

There are restrictions on the use of tax losses carried forward.

9. Cash and cash equivalents

	2018	2017
	US$'000	US$'000
Cash at bank	4,731	2,737
Short term money market deposits	195,363	145,861
Bank overdraft	(19)	–
Total	**200,075**	**148,598**
Allowance for credit losses	(2)	—
Total	**200,073**	**148,598**

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 2018 was 2.8% (2017: 1.70%), with an average maturity of 38 days (2017: 90 days).

During the year 2018, a new deposit was placed with CSAG London Branch for US$ ('000) 123,535 which is due to mature on 25 March 2019.

The amount borrowed represents Bank overdraft with Credit Suisse AG, Zurich during the year.

Notes to the Financial Statements for the year ended 31 December 2018

10. Other assets

	2018 US$'000	2017 US$'000
Interest accrued on money market deposits	989	598
Intercompany receivable	1	—
Interest accrued on cash accounts	2	—
Total	**992**	**598**

11. Interest-bearing deposits

	2018 US$'000	2017 US$'000
Non Current Asset		
Money market deposit	2,404,697	2,404,697
Allowance for credit losses	(856)	—
Total	**2,403,841**	**2,404,697**

The money market deposit is held with Credit Suisse International and was due to mature on 27 February 2019. The maturity of the deposit was further extended to 26 February 2021 in May 2018. 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 2018 was 2.52% (2017: 1.55%) with an average interest period of 30 days (2017: 30 days).

12. Other accruals

	2018 US$'000	2017 US$'000
UK bank levy payable*	370	375
Intercompany payable*	130	148
Audit fees payable	6	12
Other accruals**	6	12
Group relief payable	12,854	4,040
Total	**13,366**	**4,587**

*UK Bank levy expenses are accrued on monthly basis by the bank levy team. Accrued bank levy expenses are re-classed to Inter-company account (IC 9000) at the time of settlement.

**Other accruals include audit fees on behalf of subsidiary for US$('000) 12 for the year 2017.

Notes to the Financial Statements for the year ended 31 December 2018

13. Share capital

Authorised:	2018 US$	2017 US$
Ordinary shares		
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
Total	**2,800,218,115**	**2,800,218,115**

Allotted, called up and paid up:	2018	2017
Ordinary shares	**US$**	**US$**
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
Total	**2,745,587,706**	**2,745,587,706**

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 (2017: 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 2018

14. Expected Credit Loss Measurement

The following table shows reconciliations from the opening to the closing balance of the loans allowance by class of financial instrument as well as a reconciliation of the gross carrying amount.

31 December 2018	12 Month ECL Amount
Cash and due from banks	**US$ '000**
Opening Balance	17
Net remeasurement of Loss Allowance	(15)
Foreign Exchange	—
Closing Balance	**2**

31 December 2018	12 Month ECL Amount
Other Assets	**US$ '000**
Opening Balance	—
Net remeasurement of Loss Allowance	856
Foreign Exchange	—
Closing Balance	**856**
31 Total Provision	**858**

15. 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 CS group, which is incorporated in Switzerland.

Copies of group Financial Statements of Credit Suisse AG and CS group, 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 CS group, 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 CS group. 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

	2018 Fellow group companies US$'000	2017 Fellow group companies US$'000
Current assets		
Cash and cash equivalents	76,559	148,598
Other assets	991	598
Non-current assets		
Investment in subsidiary	—	—
Interest-bearing deposits	2,403,841	2,404,697
Total	**2,481,391**	**2,553,893**
Current liabilities		
Borrowings	—	—
Other accruals	130	148
Total	**130**	**148**

*Due to the minimal value and rounded presentation, the amount of investment is not reflected in the note.

Notes to the Financial Statements for the year ended 31 December 2018

b) Related party revenues and expenses

	2018 Fellow group companies US$'000	2017 Fellow group companies US$'000
Interest income	52,173	27,870
Interest expense	—	(2)
Dividend income	4	6,950
Provision for credit losses	(841)	—
Total	**51,336**	**34,818**

For UK corporation tax purposes, the Company may surrender or claim certain losses from another UK Group Company. The Group relief payable as at 31 December 2018 is US$ ('000) 12,854 (2017: US$ ('000) 4,040).

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 (2017: 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.

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 (2017: 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) Charge securing loans to related parties

The Company has charged in favour of Credit Suisse International the interest bearing deposit of the Company held with Credit Suisse International which was maturing on 27 February 2019 in order to secure liabilities of DLJ UK Investment Holdings Limited US$('000) 1,984,971 (2017: US$('000) 1,984,971) and DLJ International Group Limited US$('000) 518,926 (2017: US$('000) 518,926) to Credit Suisse International arising under loan facility agreements. The maturity of the deposit was further extended to 26 February 2021 in May 2018. As at 31 December 2018 and 2017, the Company did not recognise any liability in relation to this charge.

16. Investment in subsidiary

The Company had the following UK incorporated subsidiary as of 31 December 2018:

	Activity	Portion of ordinary shares held %	Total issued capital US$
DLJ Investment Partner II Limited	Investment	100	3

The process of strike off and dissolution of subsidiary DLJ Investment Partner II Limited was commenced on 25 June 2018, which was duly completed by 16 October 2018.

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.

Notes to the Financial Statements for the year ended 31 December 2018

17. Employee Remuneration

The Company had no employees during the year (2017: nil). The Company receives a range of administrative services from related companies within CS group. CS group companies have borne the cost of these services.

18. 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.

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 outs the carrying amounts and fair value of the Company's financial instruments.

Notes to the Financial Statements for the year ended 31 December 2018

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:

2018 (US$'000)	Carrying amount		Fair Value			
	Loans and receivables	Other amortized cost	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and due from banks	–	200,073	200,073	–	–	200,073
Other assets	992	–	–	992	–	992
Interest-bearing deposits	2,403,841	–	–	2,404,134	–	2,404,134
Total	**2,404,833**	**200,073**	**200,073**	**2,405,126**	**–**	**2,605,199**
Financial liabilities						
Other accruals	–	142	–	142	–	142
Total	**–**	**142**	**–**	**142**	**–**	**142**

2017 (US$'000)	Carrying amount		Fair Value			
	Loans and receivables	Other amortized cost	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents	–	148,598	148,598	–	–	**148,598**
Other assets	598	–	–	598	–	**598**
Interest-bearing deposits	2,404,697	–	–	2,402,419	–	**2,402,419**
Total	**2,405,295**	**148,598**	**148,598**	**2,403,017**	**–**	**2,551,615**
Financial liabilities						
Other accruals	–	172	–	172	–	**172**
Total	**–**	**172**	**–**	**172**	**–**	**172**

19 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.

CS group, of which the Company is a part, manages its risks under global policies. The CS group risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with CS group's control framework and in consideration of industry best practices. The primary responsibility for risk management lies with CS group'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.

Notes to the Financial Statements for the year ended 31 December 2018

(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:

2018 (US$'000)	**25%**	**-25%**
Change in equity and income/(loss) with interest rate fluctuation in interest bearing deposits	15,067	(15,067)
Total	**15,067**	**(15,067)**

2017 (US$'000)	**25%**	**-25%**
Change in equity and income/(loss) with interest rate fluctuation in interest bearing deposits	9,331	(9,331)
Total	**9,331**	**(9,331)**

(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 US$:

	2018	**2017**
	GBP'000	**GBP'000**
Monetary assets		
Cash and cash equivalents	100	128
Other assets	1	—
Total	**101**	**128**
Monetary liabilities		
Other accruals	295	296
Borrowings	15	—
Total	**310**	**296**
Net exposure	**(209)**	**(168)**

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

Notes to the Financial Statements for the year ended 31 December 2018

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 CS 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.

Cash and due from banks	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	Total
2018	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
A+ to A-	200,075	–	–	–	200,075
Gross Carrying amount	**200,075**	**–**	**–**	**–**	**200,075**
Loss allowance	2	–	–	–	**2**
Net Carrying amount	**200,073**	**–**	**–**	**–**	**200,073**

Interest-bearing deposits	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	Total
2018	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
A+ to A-	2,404,697	–	–	–	2,404,697
Gross Carrying amount	**2,404,697**	**–**	**–**	**–**	**2,404,697**
Loss allowance	(856)	–	–	–	(856)
Net Carrying amount	**2,403,841**	**–**	**–**	**–**	**2,403,841**

Other assets	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	Total
2018	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
A+ to A-	992	–	–	–	992
Gross Carrying amount	**992**	**–**	**–**	**–**	**992**
Loss allowance	–	–	–	–	–
Net Carrying amount	**992**	**–**	**–**	**–**	**992**

Counterparty Exposure by Rating:	**Banks**
	2017
	US$'000
- A+ to A-	2,553,893
Total	**2,553,893**

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

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 CS group reflects the risk appetite, business activities, strategy, the markets and overall operating environment. CS group liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether

Notes to the Financial Statements for the year ended 31 December 2018

caused by market events and/ or issues specific to the CS group. This approach enhances CS group's ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels in response to stressed conditions.

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

	Carrying Amount	Gross Nominal Outflow	On demand	Due within 3 months	Total
2018 (US$'000)					
Short term borrowings	–	–	–	–	–
Other accruals	142	142	142	–	**142**
Total	**142**	**142**	**142**	**–**	**142**
2017 (US$'000)					
Short term borrowings	–	–	–	–	–
Other accruals	172	172	172	–	**172**
Total	**172**	**172**	**172**	**–**	**172**

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.

20. 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 was maturing on 27 February 2019 in order to secure liabilities of DLJ UK Investment Holdings Limited US$('000) 1,984,971 (2017: US$('000) 1,984,971) and DLJ International Group Limited US$('000) 518,926 (2017: US$('000) 518,926) to Credit Suisse International arising under loan facility agreements. The maturity of the deposit was further extended to 26 February 2021 in May 2018. As at 31 December 2018 and 2017, the Company did not recognise any liability in relation to this charge.

21. Subsequent events

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