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CREDIT SUISSE 

DLJ Group
Annual Report
For the year ended 31 December 2019



Company Registration Number: 02479336

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BOARD OF DIRECTORS

Ahmed Kubba	Director
Lawrence Fletcher	Director
Paul Hare	Director

COMPANY SECRETARY

Paul Hare	Secretary
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Strategic Report for the year ended 31 December 2019

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2019.

Business Profile

DLJ Group (the "Company") is a Private Unlimited Company limited by shares, 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. 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.

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.

Section 172 Statement

The Board complies with the Companies Act Section 172 general duty to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and having regard to the consequences of decisions and the interests of stakeholders. The Directors' have not taken any such key decisions during the year.

The Company is part of the CS group which strives to comply with the values and standards set out in its Code of Conduct in every aspect of work, including its relationships with stakeholders. CSG publishes a comprehensive Corporate Responsibility Report which can be found on Credit Suisse's website at www.credit-suisse.com/crr. Further information can also be found in CSG's Annual Report 2019 at www.credit-suisse.com/about-us/en/reports-research/annual-reports.html.

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 2019, the Company reported a profit after tax of US\$('000) 49,243 (2018 : US\$('000) 41,425). The variation is mainly on account of the interest income during the year.

Statement of Financial Position

As at 31 December 2019, the Company has total assets of US\$('000) 2,688,260 (2018: US\$('000) 2,632,401).

As at 31 December 2019, the Company has equity of US\$('000) 2,668,275 (2018: US\$('000) 2,619,035).

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 by the Company with non-EU CS 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 the UK's exit from EU as it is an investment holding company which does not hold any investments in the EU or be party to any material transactions with EU counterparties.

The spread of COVID-19 is expected to have a significant impact on the global economy and may affect the business performance of the Company in at least the first half of 2020 and going forward. The Company is closely monitoring the spread of COVID-19 and the potential effects on its operations and business. However, the Directors are of the opinion that the Company would continue as a going concern for at least 12 months from the date of approval of the financial statements on the basis of continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future.

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 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 22 May 2020 and signed on its behalf by:



Paul Hare
Director

One Cabot Square
London E14 4QJ
22 May 2020

Directors' Report for the year ended 31 December 2019

The Directors present the Directors' report and the Financial Statements for the year ended 31 December 2019.

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 22 May 2020.

Going concern basis

The financial statements have been prepared on a going concern basis. Notwithstanding the recent market developments caused by COVID-19, the Directors are of the opinion that the going concern basis is still appropriate taking account of reasonably possible downside scenarios. The validity of the going concern assumption is dependent upon continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future. The Directors have also considered Credit Suisse AG's ability to provide such financial support and concluded that it has the financial capacity to provide the financial support as may be required. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Share capital

No additional share capital was issued by the Company during the year (2018: US\$ Nil).

Dividends

No dividends were paid or are proposed for the year ended 31 December 2019 (2018: 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 IFRSs 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

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.

Statement on Directors' Relationships with Clients, Suppliers and Other Stakeholders

Information pertaining to the Directors' engagement with clients, suppliers and other stakeholders can be found in the Strategic Report.

Political Contributions

Neither the Company nor any of its subsidiaries made any political donation or incurred any political expenditure during the year.

Auditors

The Board and shareholders proposed PricewaterhouseCoopers LLP ('PwC') as the new statutory auditor for the Company, effective for the fiscal year ending 31 December 2020.

In December 2018, the Credit Suisse Group AG Board of Directors approved that PwC be proposed as the new statutory auditor of the Group's Financial Statements at the CS Group AG's Annual General Meeting in April 2020. The appointment is proposed to be effective for the fiscal year ending December 31, 2020 and is subject to CSG shareholder approval.

The current auditor, KPMG LLP, will resign after the approval of these Financial Statements.

Subsequent events

The spread of COVID-19 is expected to have a significant impact on the global economy and may affect the business performance of the Company in at least the first half of 2020 and going forward. The Company is closely monitoring the spread of COVID-19 and the potential effects on its operations and business. However, the Directors are of the opinion that the Company would continue as a going concern for at least 12 months from the date of approval of the financial statements on the basis of continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future.

The Company is not materially impacted by the UK's exit from the European Union ('EU') as it is an investment holding company which does not hold any investments in the EU and is not party to any material transactions with EU counterparties.

In the UK budget announcement of 11 March 2020, the UK government announced its intention to maintain the UK corporation tax rate at 19% and the previously enacted legislation to reduce the tax rate to 17% with effect from 1 April 2020 would be repealed. This tax rate increase was enacted in March 2020. If this tax rate increase had been substantively enacted as at 31 December 2019 it would have had the impact of increasing the deferred tax asset recorded by approximately USD 2.7m.

Apart from above, there are no other material subsequent events that require disclosure in, or adjustment to, the Financial Statements as at 31 December 2019.

Approved by the Board of Directors on 22 May 2020 and signed on its behalf by:



Ahmed Kubba
Director
One Cabot Square
London E14 4QJ
22 May 2020

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 2019 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 2019 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 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.

Independent Auditor's Report to the Members of DLJ Group

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.



Matthew Green (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
22 May 2020

Statement of Income for the year ended 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Interest income	3	61,052	52,173
of which Interest income from instruments at amortised cost		61,052	52,173
Interest expense	3	(1)	—
of which Interest expense from instruments at amortised cost		(1)	—
Net interest income		61,051	52,173
Provision for credit losses	4,15	(268)	(841)
Net interest income after provision for credit losses		60,783	51,332
Dividend Income	5	—	4
Total non-interest revenues		—	4
Net operating income		60,783	51,336
Administrative expenses	6	(224)	(267)
Other expense	7	(3)	(4)
Total operating expenses		(227)	(271)
Profit before tax		60,556	51,065
Income tax charge	8	(11,313)	(9,640)
Net income		49,243	41,425

Profit for 2019 and 2018 are from continuing operations.

The notes on pages 15 to 34 form an integral part of these Financial Statements.

Statement of Financial Position as at 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	260,852	200,073
Interest-bearing deposits	11	381	—
Other assets	10	777	992
Total current assets		262,010	201,065
Non-current assets			
Interest-bearing deposits	11	2,403,574	2,403,841
Deferred tax asset	8	22,676	27,495
Total non-current assets		2,426,250	2,431,336
Total assets		2,688,260	2,632,401
LIABILITIES			
Current liabilities			
Short term borrowings	12	276	—
Other accruals	13	19,709	13,366
Total current liabilities		19,985	13,366
Total liabilities		19,985	13,366
SHAREHOLDERS' EQUITY			
Share capital	14	2,745,588	2,745,588
Share premium		176	176
Accumulated losses		(77,489)	(126,729)
Total shareholders' equity		2,668,275	2,619,035
Total liabilities and shareholders' equity		2,688,260	2,632,401

The notes on pages 15 to 34 form an integral part of these Financial Statements.

Approved by the Board of Directors on 22 May 2020 and signed on its behalf by:



Ahmed Kubba
Director

Company Registration Number: 02479336

Statement of Changes in Equity for the year ended 31 December 2019

	Attributable to equity holders of the Company			
	Share capital	Share premium	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2019	2,745,588	176	(126,729)	2,619,035
Tax impact of IFRS 9 transition adjustment reversed	—	—	(3)	(3)
Adjusted balance at 1 January 2019	2,745,588	176	(126,732)	2,619,032
Write off	—	—	—	—
Profit for the year	—	—	49,243	49,243
Balance at 31 December 2019	2,745,588	176	(77,489)	2,668,275

	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 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

The notes on pages 15 to 34 form an integral part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Operating activities			
Profit before tax		60,556	51,065
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		(61,052)	(52,173)
Interest expense		1	—
Dividend income		—	(4)
Provision for credit losses		268	841
Operating loss before working capital changes		(227)	(271)
Net movement in operating assets and liabilities:			
Interest-bearing deposits		(381)	—
Other accruals		2,951	(37)
Interest received		61,281	51,781
Other assets		(16)	—
Cash generated from operating activities		63,608	51,473
Group relief paid		(3,103)	—
Net cash inflow from operating activities		60,505	51,473
Cash flow from financing activities			
Borrowings		276	—
Interest expense		(1)	—
Net cash inflow from financing activities		275	—
Cash flow from investing activities			
Dividend income		—	4
Net cash inflow from investing activities		—	4
Net increase in cash and cash equivalents		60,780	51,477
Cash and cash equivalents at the beginning of year		200,073	148,598
Effect of provision for credit losses		(1)	(2)
Cash and cash equivalents at the end of year	9	260,852	200,073

The notes on pages 15 to 34 form an integral part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2019

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 22 May 2020.

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 financial statements have been prepared on a going concern basis. Notwithstanding the recent market developments caused by COVID-19, the Directors are of the opinion that the going concern basis is still appropriate taking account of reasonably possible downside scenarios. The validity of the going concern assumption is dependent upon continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future. The Directors have also considered Credit Suisse AG's ability to provide such financial support and concluded that it has the financial capacity to provide the financial support as may be required. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The financial statements have been prepared on a going concern basis. In considering going concern, the Directors' have reviewed the capital, liquidity and financial position of the Company. With the recent market developments caused by COVID-19, the Directors' are of the opinion that the going concern basis is still appropriate. Credit Suisse AG has also confirmed its intention to provide the necessary financial support to the Company to continue operations and meet its liabilities as and when they fall due, therefore, the Financial Statements have been prepared on a going concern basis.

The preparation of Financial Statements which conform to the 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(j) Critical accounting estimates and judgements in applying accounting policies.

Notes to the Financial Statements for the year ended 31 December 2019

2 Significant accounting policies (continued)

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 and standards in the current year:

- 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.

Standard and Interpretation 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 been endorsed by the EU.

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform: In September 2019, the IASB issued 'Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform' (Amendments to IFRS 9, IAS 39 and IFRS 7) in order to address the financial reporting consequences of the interest rate benchmark reform in the period before the replacement of an existing interest rate benchmark with an alternative reference rate. The amendments are effective for annual periods beginning on or after 1 January 2020 with an early adoption permitted. The adoption on 1 January 2020 will not have a material impact on the Company's financial position, results of operations or cash flows.

Standards and Interpretations not endorsed by the EU and not yet effective

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

- Amendments to the definition of Business (IFRS 3): In October 2018, the IASB 'Definition of a Business' (Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The adoption on 1 January 2020 will not have a material impact on the Company's financial position, results of operations or cash flows.

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 translation 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.

Notes to the Financial Statements for the year ended 31 December 2019

2 Significant accounting policies (continued)

d) Financial assets and liabilities

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 e).

e) Impairment of financial assets

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.

Notes to the Financial Statements for the year ended 31 December 2019

2 Significant accounting policies (continued)

For financial instruments that include both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component, the expected credit losses on the loan commitment is recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses is recognised as a provision.

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.

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.

Notes to the Financial Statements for the year ended 31 December 2019

2 Significant accounting policies (continued)

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).

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.

Notes to the Financial Statements for the year ended 31 December 2019

2 Significant accounting policies (continued)

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.

f) Cash and due from banks

For the purpose of preparation and presentation of the Statement of Cash Flows, cash and cash equivalents comprise the components of cash and due from banks that are short term, highly liquid instruments with original maturities of three months or less which are subject to an insignificant risk of changes in their fair value and that are held or utilised for the purpose of cash management.

g) Interest income and expense

Interest income and expense includes interest income and expense on the Company's loans, deposits, borrowings, debt issuances, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the Company's trading derivatives (except for hedging relationships) and certain financial instruments classified as at fair value through profit or loss which are included in 'Net gains from financial assets/liabilities at fair value through profit or loss'. Interest income and expense on instruments measured at amortised cost is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortized as an adjustment to the yield over the life of the related asset or liability. When a financial asset becomes credit-impaired (or 'Stage 3'), interest income is calculated by applying the effective interest rate to the amortised cost (i.e. net of the expected credit loss provision).

Notes to the Financial Statements for the year ended 31 December 2019

2 Significant accounting policies (continued)

h) Income 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.

i) 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.

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.

Notes to the Financial Statements for the year ended 31 December 2019

3 Interest income and expense

	2019	2018
	US\$'000	US\$'000
Money market deposits	61,052	52,173
Total interest income	61,052	52,173
Short term borrowings	(1)	—
Total interest expense	(1)	—
Net interest income of which	61,051	52,173
Interest income from Financial assets at amortised cost	61,052	52,173
Interest expense from Financial assets at amortised cost	(1)	—

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 of US\$ 600 on borrowings with Credit Suisse AG, London branch (2018: Nil).

4 Provision for credit losses

	2019	2018
	US\$ '000	US\$ '000
Reversal of Provision for credit losses on cash and cash equivalents	1	15
Provision for credit losses on interest bearing deposits	(267)	(856)
Provision for credit losses on Other assets	(2)	—
Provision for credit losses	(268)	(841)

5 Dividend Income

	2019	2018
	US\$'000	US\$'000
Dividend Income	—	4
Total	—	4

Dividend for the year 2018, was received from wholly owned subsidiary DLJ Investment Partner II Limited on 30 May 2018. 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.

6 Administrative expenses

	2019	2018
	US\$'000	US\$'000
Fees payable to the company's auditor for the audit of the company's annual accounts	(6)	(6)
UK bank levy	(218)	(261)
Total	(224)	(267)

7 Other Expense

Other expense represents foreign currency exchange loss.

Notes to the Financial Statements for the year ended 31 December 2019

8 Income tax expense

a) Components of tax expense

	2019 US\$'000	2018 US\$'000
Current tax		
Current tax on profits of the period	(7,612)	(9,751)
Adjustment in respect of previous period	1,116	937
Total current tax expense	(6,496)	(8,814)
Deferred tax		
Utilisation of losses brought forward	(3,675)	—
Adjustment in respect of previous period	(1,142)	(826)
Total deferred tax expense	(4,817)	(826)
Income tax expense	(11,313)	(9,640)

b) An explanation of the relationship between tax expense 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% as follows:

	2019 US\$'000	2018 US\$'000
Profit before tax	60,556	51,065
Profit before tax multiplied by the UK statutory rate of corporation tax of 19%	(11,506)	(9,702)
Other permanent differences	(213)	(50)
Adjustments to current tax in respect of previous period	1,116	937
Adjustments to deferred tax in respect of previous period	(1,142)	(826)
Differential in movement in deferred taxes to that at statutory tax rate	432	—
Non Taxable Income	—	1
Income tax expense	(11,313)	(9,640)

c) Deferred tax

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

	2019 US\$'000	2018 US\$'000
Deferred tax assets	22,676	27,495
The movement for the year on the deferred tax position was as follows:		
At 1 January	27,495	28,318
Debit to income for the year	(3,675)	—
Adjustment in respect of previous period	(1,142)	(826)
Amount Booked to Equity	(2)	3
At end of year	22,676	27,495

Notes to the Financial Statements for the year ended 31 December 2019

8 Income tax expense (continued)

Deferred tax assets are attributable to the following items:

	2019	2018
	US\$'000	US\$'000
Tax losses	22,676	27,492
ECL Transition Adjustment	—	3
Tax losses	22,676	27,495

The company has estimated tax losses US\$('000) 133,385 (2018: US\$('000) 166,722) as at 31 December 2019 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) 2,394 (2018: US\$('000) 2,323) 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

	2019	2018
	US\$'000	US\$'000
Cash at bank	75	4,731
Short term money market deposits	260,778	195,363
Bank overdraft	—	(19)
Total	260,853	200,075
Allowance for credit losses	(1)	(2)
Total	260,852	200,073

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 2019 was 2% (2018: 2.8%), with an average maturity of 28 days (2018: 38 days).

The amount borrowed represents Bank overdraft with Credit Suisse AG, Zurich in previous year.

10 Other assets

	2019	2018
	US\$'000	US\$'000
Interest accrued on money market deposits	762	989
Intercompany receivable	17	1
Interest accrued on cash accounts	—	2
Total	779	992
Allowance for credit losses	(2)	—
Total	777	992

Notes to the Financial Statements for the year ended 31 December 2019

11 Interest-bearing deposits

	2019 US\$'000	2018 US\$'000
Current Asset		
Money market deposit	381	—
Total	381	—
Non Current Asset		
Money market deposit	2,404,697	2,404,697
Allowance for credit losses	(1,123)	(856)
Total	2,403,574	2,403,841

The money market deposit is held with Credit Suisse International and is due to mature on 26 February 2021. The interest rate, which is linked to LIBOR rate, is reset every month. The effective interest rate on non current money market deposit of US\$('000) 2,404,697 was 1.79% (2018: 2.52%) as at 31 December 2019 with an average interest period of 31 days (2018: 30 days). The effective interest rate on current money market deposit of US\$('000) 381 was 1.2% as at 31 December 2019 with an average interest period of 365 days.

12 Short term borrowings

	2019 US\$'000	2018 US\$'000
Short term borrowings	276	—
Total	276	—

The effective interest rate on short term borrowings was 0.89% as at 31 December 2019 with an average interest period of 24 days.

13 Other accruals

	2019 US\$'000	2018 US\$'000
UK bank levy payable*	354	370
Intercompany payable**	3,103	130
Audit fees payable	6	6
Other accruals	—	6
Group relief payable	12,017	12,854
Corporation tax payable	4,229	—
Total	19,709	13,366

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

**IC payable is due to Credit Suisse International in respect of group relief settlement made on behalf of the Company.

Notes to the Financial Statements for the year ended 31 December 2019

14 Share capital

	2019	2018
	US\$	US\$
Authorised:		
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:	2019	2018
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 (2018: 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.

15 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 2019	12 Month ECL Amount
Cash and due from banks	US\$ '000
Opening Balance	2
Net remeasurement of Loss Allowance	—
Foreign Exchange	(1)
Closing Balance	1

Notes to the Financial Statements for the year ended 31 December 2019

15 Expected Credit Loss Measurement (continued)

31 December 2019	12 Month ECL Amount
Interest-bearing assets	US\$ '000
Opening Balance	856
Net remeasurement of Loss Allowance	—
Foreign Exchange	267
Closing Balance	1,123
31 December 2019	12 Month ECL Amount
Other assets	US\$ '000
Opening Balance	—
Net remeasurement of Loss Allowance	—
Foreign Exchange	2
Closing Balance	2
Total Provision	1,126
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
Interest-bearing assets	US\$ '000
Opening Balance	—
Net remeasurement of Loss Allowance	856
Foreign Exchange	—
Closing Balance	856
31 Total Provision	858

16 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.

Notes to the Financial Statements for the year ended 31 December 2019

16 Related party transactions (continued)

a) Related party assets and liabilities

	2019			2018		
	Parent ¹	Fellow group companies	Total	Parent ¹	Fellow group companies	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Current assets						
Cash and cash equivalents	260,852 ²	—	260,852	195,342 ²	4,731	200,073
Interest-bearing deposits	381	—	381	—	—	—
Other assets	163	614	777	151	841	992
Non-current assets						
Interest-bearing deposits	—	2,403,574	2,403,574	—	2,403,841	2,403,841
Total	261,396	2,404,188	2,665,584	195,493	2,409,413	2,604,906

Current liabilities

Short term borrowing	276	—	276	—	—	—
Other accruals	—	3,103	3,103	—	130	130
Total	276	3,103	3,379	—	130	130

¹Above table includes other assets, short term borrowing balances Credit Suisse AG, London Branch.

²Out of the above balances, US\$('000) 77 of Cash and cash equivalents relates to CS AG, Zurich and US\$('000) 260,774 (2018: US\$('000) 195,342) relates to Credit Suisse AG, London Branch.

b) Related party revenues and expenses

	2019			2018		
	Parent ¹	Fellow group companies	Total	Parent ¹	Fellow group companies	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Interest income	5,903	55,149	61,052	3,926	48,247	52,173
Interest expense	(1)	—	(1)	—	—	—
Dividend income	—	—	—	—	4	4
Total	5,902	55,149	61,051	3,926	48,251	52,177

¹Above table includes interest income and expense balances Credit Suisse AG, London Branch.

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 2019 is US\$('000) 12,017 (2018: US\$('000) 12,854).

c) Remuneration to 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 (2018: 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 (2018: US\$ Nil).

Notes to the Financial Statements for the year ended 31 December 2019

16 Related party transactions (continued)

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 (2018: US\$('000) 1,984,971) and DLJ International Group Limited US\$('000) 518,926 (2018: 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 2019 and 2018, the Company did not recognise any liability in relation to this charge.

17 Employee Remuneration

The Company had no employees during the year (2018: 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.

Notes to the Financial Statements for the year ended 31 December 2019

18 Financial instruments (continued)

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.

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:

2019 (US\$'000)		Fair Value			
	Amortized cost	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and due from banks	260,852	260,852	—	—	260,852
Short term Interest bearing deposit	381	—	381	—	381
Other assets	777	—	777	—	777
Long term Interest-bearing deposits	2,403,574	—	2,404,202	—	2,404,202
Total	2,665,584	260,852	2,405,360	—	2,666,212
Financial liabilities					
Short term borrowings	276	—	276	—	276
Other accruals	3,109	—	3,109	—	3,109
Total	3,385	—	3,385	—	3,385
2018 (US\$'000)		Fair Value			
	Amortized cost	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	200,073	200,073	—	—	200,073
Other assets	992	—	992	—	992
Interest-bearing deposits	2,403,841	—	2,404,134	—	2,404,134
Total	2,604,906	200,073	2,405,126	—	2,605,199
Financial liabilities					
Other accruals	142	—	142	—	142
Total	142	—	142	—	142

Notes to the Financial Statements for the year ended 31 December 2019

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.

(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:

2019 (US\$'000)	25%	-25%
Change in equity and income/(loss) with interest rate fluctuation in interest bearing deposits	10,773	(10,773)
Total	10,773	(10,773)
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)

Notes to the Financial Statements for the year ended 31 December 2019

19 Financial risk management (continued)

(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\$:

	2019 GBP'000	2018 GBP'000
Monetary assets		
Cash and cash equivalents	8	100
Short term money market deposit	290	—
Other assets	16	1
Total	314	101
Monetary liabilities		
Other accruals	4	295
Borrowings	210	15
Total	214	310
Net exposure	100	(209)

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 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. As per the Company policies the amount of credit exposure is with 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	Lifetime ECL credit-impaired (Stage 3)	Purchased credit- impaired	Total
2019	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
A+ to A-	260,853	—	—	—	260,853
Gross Carrying amount	260,853	—	—	—	260,853
Loss allowance	(1)	—	—	—	(1)
Net Carrying amount	260,852	—	—	—	260,852

Interest-bearing deposits	12-month ECL (Stage 1)	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired (Stage 3)	Purchased credit- impaired	Total
2019	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
A+ to A-	2,405,078	—	—	—	2,405,078
Gross Carrying amount	2,405,078	—	—	—	2,405,078
Loss allowance	(1,123)	—	—	—	(1,123)
Net Carrying amount	2,403,955	—	—	—	2,403,955

Notes to the Financial Statements for the year ended 31 December 2019

19 Financial risk management (continued)

Other assets	12-month ECL (Stage 1)	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired (Stage 3)	Purchased credit- impaired	Total
2019	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
A+ to A-	779	—	—	—	779
Gross Carrying amount	779	—	—	—	779
Loss allowance	(2)	—	—	—	(2)
Net Carrying amount	777	—	—	—	777

Cash and due from banks	12-month ECL (Stage 1)	Lifetime ECL not credit- impaired	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	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	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

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 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.

Notes to the Financial Statements for the year ended 31 December 2019

19 Financial risk management (continued)

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
2019 (US\$'000)					
Short term borrowings	276	276	—	276	276
Other accruals	3,109	3,109	3,109	—	3,109
Total	3,385	3,385	3,109	276	3,385
2018 (US\$'000)					
Other accruals	142	142	142	—	142
Total	142	142	142	—	142

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 (2018: US\$('000) 1,984,971) and DLJ International Group Limited US\$('000) 518,926 (2018: 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 2019 and 2018, the Company did not recognise any liability in relation to this charge.

21 Subsequent events

The spread of COVID-19 is expected to have a significant impact on the global economy and may affect the business performance of the Company in at least the first half of 2020 and going forward. The Company is closely monitoring the spread of COVID-19 and the potential effects on its operations and business. However, the Directors are of the opinion that the Company would continue as a going concern for at least 12 months from the date of approval of the financial statements on the basis of continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future.

The Company is not materially impacted by the UK's exit from the European Union ('EU') as it is an investment holding company which does not hold any investments in the EU and is not party to any material transactions with EU counterparties.

In the UK budget announcement of 11 March 2020, the UK government announced its intention to maintain the UK corporation tax rate at 19% and the previously enacted legislation to reduce the tax rate to 17% with effect from 1 April 2020 would be repealed. This tax rate increase was enacted in March 2020. If this tax rate increase had been substantively enacted as at 31 December 2019 it would have had the impact of increasing the deferred tax asset recorded by approximately USD 2.7m.

Apart from above, there are no other material subsequent events that require disclosure in, or adjustment to, the Financial Statements as at 31 December 2019.