

DUNCAN LAWRIE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

REGISTERED NUMBER: 2854338



DUNCAN LAWRIE HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2017

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STRATEGIC REPORT

The directors present their strategic report on the financial statements of the Duncan Lawrie Holdings Limited for the year ended 31 December 2017.

Description of the business

The Company's subsidiaries provided holistic private banking services to individuals and their business interests, trusts and pension funds. They were authorised and regulated in the United Kingdom by the Prudential Regulation Authority and Financial Conduct Authority under the Financial Services and Markets Act 2000 and in the Isle of Man by the Financial Services Authority. The Company is a wholly owned subsidiary of Camellia Plc ("Camellia") who, during 2016 took a decision to sell most of these businesses and wind-down the remainder. This process which started in the latter part of 2016 and carried on throughout 2017 is now nearly complete. With the exception of Duncan Lawrie Offshore Services Limited, all other companies have successfully surrendered their regulatory licences. Duncan Lawrie Offshore Services believes that it will be in a position to surrender its regulatory licence during the first half of 2018.

Business review, including future outlook

The Company acts as a holding company, with all trading activities taking place within its subsidiary companies. During the year the following activities have been carried out within the subsidiaries:

- Completed on the sale of the asset management businesses as follows:
 - o the UK business was sold to Brewin Dolphin Limited for £28m which resulted in a profit on sale of £19.3m
 - o the Isle of Man business sold to Canaccord Genuity for £0.5m which resulted in a profit on sale of £0.5m
- Received in full the 10% retention on the sale of the loan book
- Collected out the remaining loan book, with only two loans remaining at 31 December 2017.
- Repaid most depositors:
 - o In the UK only £15,000 of deposits representing 31 dormant accounts could not be traced and were paid into The Reclaim Fund
 - o In the Isle of Man UK £63,000 representing 3 depositors, where two are longstanding probate cases, remain outstanding
- Sold a number of Trust clients to First Names Group (FNG) for £0.4m, resulting in a profit on sale of £0.4m. FNG are now assisting us with the wind-down of the remainder of the Trust business, a process that is expected to complete during the first half of 2018
- Sold the lease interests in 2 properties to other companies in the Camellia Group
- Settled all contractual liabilities, in particular those in respect of dilapidation obligations under property leases
- Decommissioned all operational systems having created archives that will be maintained for a period of six years
- Carried out a capital reduction within the Company to reduce the Ordinary share capital of the Company from £38m to £3m. This has allowed the Company to pay a dividend of £24m (note 9) and repay a loan note of £1m (note 10)

During the first half of 2018 the two remaining loans are expected to be repaid, all remaining liabilities will be settled, the remaining staff will leave the business and surplus funds will be paid away by way of dividend. It is the intention to place the Company into Members Voluntary Liquidation in due course.

Key Performance Indicators

The key performance indicators used for a going concern are no longer appropriate. During 2017 and into 2018 the key performance indicators have focussed on monitoring the forecast proceeds from the wind-down, cost control, the speed of repayment of depositors and monetising all residual assets. It is anticipated that the total funds returned to the shareholder will be approximately £34.2m.

Employees

The contracts of employment for all non-executive directors of the Company are with Camellia Plc, which makes no recharge to the Company.

By order of the Board



J A Morton
Company Secretary
16 March 2018

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is that of a holding company. The subsidiaries were engaged in the provision of banking, investment management, financial services and trust and company administration as the Duncan Lawrie Private Banking Group ("the Group") and were regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") under the Financial Services and Markets Act 2000; and in the Isle of Man by the Financial Services Authority ("FSA"). By 31 December 2017 only Duncan Lawrie Offshore Services Limited in the Isle of Man remained regulated. That company is winding-down its regulated business and expects to be in a position to surrender its licence in the first half of 2018.

Results and dividends

The loss for the year after taxation amounted to £412,000 (2016: loss of £5,626,000). An interim dividend of £24,000,000 was paid during the year. The directors do not propose the payment of a final dividend (2016: £nil). Details are shown in note 7.

Going concern

As set out in the financial statements for the year ended 31 December 2016, several business factors, including lower interest rates, changed the outlook for private banking. These factors, coupled with Camellia's conservative risk appetite and opportunities for investment elsewhere in the Camellia group, led them to review their earlier decision to invest further in the Duncan Lawrie Private Banking Group. Therefore, the private banking business has been winding-down its activities during the latter part of 2016 and throughout 2017, a process which is now nearly complete. These financial statements have therefore been prepared on a basis other than going concern (Note 1).

Consequently, all assets and liabilities have been recorded at their realisable value, where this was lower than the carrying amount of the relevant asset or liability. No upward revaluation of assets has taken place. All fixed assets have been classified as current assets. The Company has started to return surplus funds to the shareholder by way of dividend payments as the Directors are confident that the Company has sufficient resources to be able to meet its obligations as they fall due.

Directors

A summary of directors who served throughout the year and up to the date of signing the Financial Statements is as follows:

M C Perkins
T K Franks
S A Walker

All directors are considered to be non-Executive.

Charitable donations

During the year the Company did not make any charitable donations (2016: £nil)

Risk management

Details of the principal risks faced by the Company are explained in note 2 of the financial statements.

Insurance

The company purchases insurance to cover its directors and officers in respect of legal actions against them in their capacity as directors and officers of the company.

Post balance sheet events

Since 31 December 2017 there have been no events that require disclosure in or adjustment to the Financial Statements.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

Statements of Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report individually confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

With effect from the completion of the 2016 audit, Deloitte LLP were appointed as auditors to the Company. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the Board



J A Morton
Company Secretary
16 March 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUNCAN LAWRIE HOLDINGS LIMITED

Report on the audit of the financial statements

Our Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements of Duncan Lawrie Holdings Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUNCAN LAWRIE HOLDINGS LIMITED (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.



Michael Williams - Senior Statutory Auditor
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
17 March 2018

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|--|------|---------------|----------------|
| Dividend income from subsidiary company | 4 | 25,000 | - |
| Total income | | 25,000 | - |
| Impairment of carrying value of investment in subsidiary company | 9 | (25,350) | (5,626) |
| Loss before taxation | | (350) | (5,626) |
| Taxation charge | 7 | (62) | - |
| Loss and total comprehensive loss for the year | | (412) | (5,626) |

All results are derived from discontinued activities in respect of current and preceding years.

The notes on pages 11 to 17 are an integral part of these financial statements.

DUNCAN LAWRIE HOLDINGS LIMITED

BALANCE SHEET
as at 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|--|------|---------------|---------------|
| Assets | | | |
| Loans and advances to banks | | - | 5 |
| Investments in subsidiary undertakings | 9 | 9,337 | 37,153 |
| Total current assets | | 9,337 | 37,158 |
| Liabilities | | | |
| Long term debt | 10 | - | 3,235 |
| Other creditors and accruals | | 161 | 335 |
| Total current liabilities | | 161 | 3,570 |
| Equity | | | |
| Share capital | 12 | 3,000 | 38,000 |
| Retained earnings | | 6,176 | (4,412) |
| Total equity | | 9,176 | 33,588 |
| Total equity and liabilities | | 9,337 | 37,158 |

The notes on pages 11 to 17 are an integral part of these financial statements.

The financial statements on pages 7 to 17 were approved by the board of directors and authorised for issue on 16 March 2018. They were signed on its behalf by:



T K Franks
Director



S A Walker
Director

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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

| | Share Capital £'000 | Retained Earnings £'000 | Total Reserves £'000 | Total Equity £'000 |
|--|---------------------------|-------------------------------|----------------------------|-----------------------|
| Balance at 1 January 2016 | 33,000 | 1,214 | 1,214 | 34,214 |
| Total comprehensive expense for the year | - | (5,626) | (5,626) | (5,626) |
| Share capital issued | 5,000 | - | - | 5,000 |
| Balance at 31 December 2016 | 38,000 | (4,412) | (4,412) | 33,588 |
| Total comprehensive loss for the year | - | (412) | (412) | (412) |
| Share capital reduction | (35,000) | 35,000 | 35,000 | - |
| Equity dividend paid | - | (24,000) | (24,000) | (24,000) |
| Balance at 31 December 2017 | 3,000 | 6,176 | 6,176 | 9,176 |

The notes on pages 11 to 17 are an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|---|------|---------------|---------------|
| Cash flows from operating activities | | | |
| Loss before taxation | | (350) | (5,626) |
| Impairment of carrying value of investment in subsidiary | | 25,350 | 5,626 |
| Dividends received | | (25,000) | - |
| Cash generated from operations | | - | - |
| Changes in operating assets and liabilities | | | |
| Net decrease in other liabilities | | (236) | (11) |
| Net cash outflow from operating activities | | (236) | (11) |
| Cash flows from investing activities | | | |
| Purchase of further interest in subsidiary undertaking | | (25,500) | - |
| Sale of shares in subsidiary undertaking | | 27,966 | - |
| Purchase of shares in subsidiary undertaking | | - | (5,000) |
| Dividends received from subsidiary undertaking | | 25,000 | - |
| Net cash inflow to/(outflow from) investing activities | | 27,466 | (5,000) |
| Cash flows from financing activities | | | |
| Payment of dividend | | (24,000) | - |
| Repayment of loan notes | | (3,235) | - |
| Issue of ordinary shares | | - | 5,000 |
| Net cash (outflow from)/inflow to financing activities | | (27,235) | 5,000 |
| Net decrease in cash and cash equivalents | | (5) | (11) |
| Cash and cash equivalents at beginning of year | | 5 | 16 |
| Cash and cash equivalents at end of year | 14 | - | 5 |

The notes on pages 11 to 17 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. Summary of significant accounting policies

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

1.1 Basis of presentation

As a result of the decision taken by the ultimate parent company to wind down the Company and its subsidiaries, the directors have adopted a basis other than going concern in respect of the preparation of its financial statements. Consequently all assets and liabilities have been recorded at their realisable value, where this was lower than the carrying amount of the relevant asset or liability. No upward revaluation of assets has taken place. All fixed assets have been classified as current assets and carried at realisable value. Costs directly associated with the decision to wind down the business have been accrued as soon as they have been identified, irrespective of when the liability will be settled.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as applicable to companies under the International Financial Reporting Interpretations Committee's (IFRIC) interpretations and the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.14 to the financial statements.

There are no standards or amendments to existing standards which have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2017 or later periods which are expected to have a significant impact on the results of the Company.

1.2 Investment in subsidiaries

(a) Exemption from preparing consolidated financial statements

The company has taken advantage of the exemption available under IAS 27 "Consolidated and separate financial statements" and section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The name and address of the ultimate holding company in whose financial statements the results of the Company and its subsidiaries are consolidated under International Financial Reporting Standards (which are publicly available) is detailed in note 13. Therefore, these financial statements present information about the individual undertaking only and not about its group.

(b) Investments in subsidiaries

Investments in subsidiaries are included in the balance sheet at cost less provision for impairment.

1.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). These financial statements are presented in pounds sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

1.5 Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. Accounting policies (continued)

1.6 Costs of wind down

All costs associated directly with the decision to wind down the Company were provided for in the Financial Statements as soon as the liability was established, although settlement of some of the amounts often occurred significantly later.

1.7 Financial assets and liabilities

The Company classifies its financial assets into loans and receivables, held to maturity and available-for-sale categories. Management determines the classification of its investments at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

(b) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses.

(c) Available-for-sale

Available-for-sale investments are non-derivatives that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by valuation techniques.

Disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. These are:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs.

(d) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments. Other financial liabilities are carried at amortised cost using the effective interest method. The fair value of other liabilities repayable on demand is assumed to be the amount payable on demand at the Balance Sheet date.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, modified, exchanged or expire.

(e) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment.

1.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

(b) Assets carried at fair value

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of an investment security classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. Accounting policies (continued)

1.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

1.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

1.12 Current and deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future.

Current income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of comprehensive income together with the deferred gain or loss.

1.13 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.14 Critical accounting estimates and judgements

In the process of applying the Company's accounting policies, which are described above, management made the following judgements that had the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with separately below):

Costs associated with wind down of the business

Costs directly associated with the decision to wind down the business, which were primarily incurred during 2017, including those where the cost to the Company of settling contracts exceed the economic benefit that accrued from the contracts, were recognised at 31 December 2016. The estimates at 31 December 2016 for these costs were included in the detailed wind down plans that were prepared. Any variances from the initial estimates were charged to profit or loss when the costs were settled.

Key source of estimation uncertainty

Given that the business is currently in the process of wind-down, the key sources of estimation uncertainty at the previous balance sheet date, that was considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within 2017 was the level of accruals and provisions that were required to meet all future claims on the business. Given the advanced status of the wind-down at 31 December 2017, these risks are now considered to be significantly reduced.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. Risk Management

Given that the Company and its subsidiaries are in the late stages of winding-down the business, the level of risk associated with the business is significantly reduced. However, the Company and its subsidiaries continue to have a clear strategy and process to manage the changing risks faced. This strategy seeks to:

- maintain the ability to identify and assess risks;
- define the risk appetite;
- develop solutions for reducing or transferring risk; and
- manage and control risk to maximise shareholder value.

The vast majority of the risk, split between credit, liquidity and funding, capital, operational and market risks, was faced by the individual subsidiary companies and is described primarily in the financial statements of Duncan Lawrie Limited. The management of the risks within each subsidiary has a direct impact on the carrying value of these businesses and therefore the quantum of funds that will be remitted to the Company on their wind-down. This in turn impacts the carrying value of the Company's investment in its subsidiaries, which is the largest balance sheet category by value.

Therefore, in order to manage the risks that directly impact the Company's financial statements, the Board of Directors ensure that there is robust and coordinated risk management governance embedded within group organisation structure.

The impact of the various risk categories on the Company are as follows:

- Credit risk Credit risk was minimal as the Company used to have a banking relationship with its subsidiary, Duncan Lawrie Limited and did not extend credit on a commercial basis on its own account
- Liquidity and funding risk Similarly, liquidity risk was minimal as it had only minimal outgoings to fund
- Capital risk The consolidated capital requirements, as the holding company for a UK bank, fell away when the licence for Duncan Lawrie Limited was surrendered
- Operational risk All operations were carried out within the subsidiaries and therefore these risks were minimal for the Company
- Market risk All assets and liabilities were denominated in sterling and therefore the Company was not exposed to currency

3. Segmental Reporting

The business is comprised of one segment, being that of a holding Company for various subsidiaries providing private banking services from the UK (including the Isle of Man). The revenue stream of the Company is included in note 4.

4. Dividend income from subsidiary company

| | 2017 £'000 | 2016 £'000 |
|--------------------|---------------|---------------|
| Dividends received | 25,000 | - |

In December 2017 Duncan Lawrie Limited paid a dividend to the Company, which represented the first distribution of surplus funds as a result of the orderly wind-down of the Duncan Lawrie Holdings Group.

5. Administrative expenses

All administrative expenses of the company in both 2017 and 2016 have been met by Duncan Lawrie Limited who made no recharge to the Company. Included in those costs borne by Duncan Lawrie Limited was £5,000 paid to the Company's external auditors in respect of the statutory audit.

6. Average number of employees

The monthly average number of persons employed by the Company during the year was made up as follows:

| | 2017 | 2016 |
|-------------------------|------|------|
| Non-executive directors | 3 | 3 |

All of the directors are also directors of Camellia Plc.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

7. Taxation charge

| | 2017 £'000 | 2016 £'000 |
|-------------------------|---------------|---------------|
| Current tax | | |
| United Kingdom taxation | (62) | - |
| Overseas taxation | - | - |
| | <u>(62)</u> | <u>-</u> |
| Total income tax charge | <u>(62)</u> | <u>-</u> |

The applicable rate of corporation tax for the year is 19.25% (2016: 20.00%). The total tax charge differs from 19.25% (2016: 20.00%) for the reasons set out in the following reconciliation:

| | 2017 £'000 | 2016 £'000 |
|--|---------------|----------------|
| Loss before taxation | <u>(350)</u> | <u>(5,626)</u> |
| Income tax on profit on ordinary activities at standard rate | 67 | 1,125 |
| Factors affecting charge | | |
| - Write off of investment in subsidiaries | (4,880) | (1,125) |
| - Group dividends | 4,813 | - |
| - Adjustment to tax charge in respect of previous periods | <u>(62)</u> | <u>-</u> |
| Income tax expense | <u>(62)</u> | <u>-</u> |

8. Equity dividends paid

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Amounts recognised as distributions to equity holders in the period: | | |
| Interim dividend for the year ended 31 December 2017 of 800p (2016: nil) per share | <u>24,000</u> | <u>-</u> |
| | <u>24,000</u> | <u>-</u> |

9. Investments in subsidiary undertakings

| Company | 2017 £'000 | 2016 £'000 |
|--------------------------|-----------------|----------------|
| As at 1 January | 37,153 | 37,779 |
| Investment in year | 25,500 | 5,000 |
| Disposals | (27,966) | - |
| Impairment | <u>(25,350)</u> | <u>(5,626)</u> |
| As at 31 December | <u>9,337</u> | <u>37,153</u> |
| Credit Institutions | - | 34,693 |
| Others | <u>9,337</u> | <u>2,460</u> |
| Total | <u>9,337</u> | <u>37,153</u> |

Principal Subsidiary Companies

| | Shares held and voting rights % | Incorporation | Activity |
|--|---------------------------------------|---------------|----------------------------|
| Direct Subsidiaries | | | |
| Duncan Lawrie Limited | 100% | Great Britain | Previously private banking |
| - 6,000,000 shares of £1 each | | | |
| Indirect Subsidiaries | | | |
| Duncan Lawrie International Holdings Limited | 100% | Isle of Man | Holding Company |
| - 6,000,000 shares of £1 each | | | |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

9. Investments in subsidiary undertakings (continued)**Subsidiaries of Duncan Lawrie International Holdings Limited**

| | | | |
|---|------|-------------|-------------------------------------|
| Duncan Lawrie (IOM) Limited - 6,000,000 shares of £1 each | 100% | Isle of Man | Previously private banking |
| Duncan Lawrie Offshore Services Limited - 50,000 shares of £1 each | 100% | Isle of Man | Trust and Company Administration |

During the year a further investment of £25,500,000 was made in Duncan Lawrie Asset Management Limited ("DLAM"). This investment, which together with the original investment, represented 100% of the equity shares issued by DLAM, was then sold to Brewin Dolphin Limited for £27,966,000.

During the year, the Company's investment in Duncan Lawrie Limited was impaired by £25,350,000 following an annual impairment review, as a significant proportion of the value of the investment had been remitted to the Company by way of dividend (See note 4 above).

Of the above, the companies which are incorporated in Great Britain are registered in England and Wales. All the subsidiaries are consolidated in the financial statements of Camellia Plc

10. Long term debt

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Loan notes issued to subsidiary | - | 2,235 |
| Subordinated loan issued by ultimate parent company | - | 1,000 |
| Total. | - | 3,235 |

The balance on the loan note issued to the subsidiary was settled from the proceeds of the sale of the Company's investment in Duncan Lawrie Asset Management Limited.

The balance on the subordinated loan issued by ultimate parent company was settled following the receipt of the dividend from Duncan Lawrie Limited (see note 4). As the Company did not have sufficient funds at the time that the interest fell due, the interest on this instrument was serviced by Duncan Lawrie Limited.

11. Commitments

At the year-end the Group had entered into commitments for capital expenditure amounting to £nil (2016 £nil).

12. Share capital

| | 2017 £'000 | 2016 £'000 |
|-------------------------------------|---------------|---------------|
| Ordinary shares of £ 1 each: | | |
| Issued, allotted and fully paid: | | |
| Balance as at 1 January | 38,000 | 33,000 |
| Shares issued | - | 5,000 |
| Shares redeemed | (35,000) | - |
| Balance as at 31 December | 3,000 | 38,000 |

In December 2017 the Company carried out a capital reduction exercise, which resulted in the issued ordinary share capital of the company reducing from 38 million shares of £1 each to 3 million shares of £1 each.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

13. Parent company and ultimate parent company**Parent Company**

The immediate parent company of Duncan Lawrie Holdings Limited as at 31 December 2017 was Lawrie Group Plc and the ultimate parent company is Camellia Plc, which is the largest company to consolidate the results of the Group, both of which are registered in England. Copies of the Camellia Plc financial statements can be obtained from Linton Park, Linton, Maidstone, Kent, ME17 4AB.

Control of Camellia plc

Camellia Holding AG holds 1,427,000 ordinary shares of Camellia Plc (representing 51.34% of total voting rights). Camellia Holding AG is owned by The Camellia Private Trust Company Ltd, a private trust company incorporated under the laws of Bermuda to act as a trustee of the Camellia Foundation. The Camellia Foundation is a Bermudian trust, the income of which is utilised for charitable, educational and humanitarian causes at the discretion of the trustees.

14. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days original maturity:

| | 2017 | 2016 |
|-----------------------------|-------|-------|
| | £'000 | £'000 |
| Loans and advances to banks | - | 5 |

15. Related party transactions**Directors' and officers' loans**

There were no loans to Directors outstanding either throughout the year or at 31 December 2017 (2016: £nil).

Directors' remuneration

| | 2017 | 2016 |
|---|-------|-------|
| | £'000 | £'000 |
| Emoluments of the directors: | | |
| - Remuneration | - | - |
| Remuneration of the highest paid director | - | - |

The remuneration of the highest paid director excludes £nil (2016: £nil) in respect of pension contributions. The remuneration of the current directors is paid by the ultimate parent company which makes no recharge to the company. The current directors are directors of the parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of the current directors. The total remuneration of the current directors is included in the aggregate of directors' remuneration disclosed in the financial statements of the ultimate parent company.

Other

| | 2017 | | 2016 | |
|------------------------------------|---------|----------|---------|----------|
| | £'000 | £'000 | £'000 | £'000 |
| | Balance | Interest | Balance | Interest |
| Loan notes due to ultimate company | - | - | 1,000 | 15 |

The interest on the loan note due to the ultimate parent was settled by Duncan Lawrie Limited on behalf of the Company (Note 10).

During the year the Company received a dividend of £25,000,000 (2016: £nil) from Duncan Lawrie Limited and paid a dividend of £24,000,000 (2016: £nil) to Lawrie Group Plc.

Administrative expenses include amounts payable to affiliated undertakings of £nil (2016: £nil). Affiliated undertakings relate to those undertakings within the Camellia Plc group.