

**DLJ UK HOLDING**

**Annual Report  
For the year ended 31 December 2016**



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**Board of Directors**

Ahmed Kubba	Director
Lawrence Fletcher	Director
Paul E. Hare	Director

**Company Secretary**

Paul E. Hare	Secretary
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**Strategic Report for the year ended 31 December 2016**

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

**Business Profile**

DLJ UK Holding (the "Company") is an unlimited company, incorporated in the United Kingdom. The Company is a subsidiary of DLJ International Group Limited. The ultimate parent of the Company is Credit Suisse Group AG, incorporated in Switzerland.

**Business review**

The Company's principal activity is to act as an investment holding company.

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 operation of the business in the future.

**Performance**

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

Statement of Income

For the year ended 31 December 2016, the Company reported a net profit after tax for the year of US\$ ('000) 49,005 (2015: US\$ ('000) 49,481).

Statement of Financial Position

As at 31 December 2016, the Company had total assets of US\$ ('000) 5,624,368 (2015: US\$ ('000) 5,573,971).

The Company had a net asset position of US\$ ('000) 2,554,364 (2015: US\$ ('000) 2,505,359).

**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**

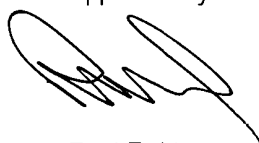
The assets of the Company mainly comprise of loans and receivables placed with fellow group companies under common control hence the Company is not exposed to any significant external credit risk. The Company's financial risk management policies are outlined in Note 21 to the Financial Statements.

**Modern Slavery & Human Trafficking**

In its role as an employer, and as a user and provider of services, Credit Suisse is committed to human rights and respects them as a key element of responsible business conduct. Credit Suisse voluntarily pledged to uphold to international human rights-related agreements, including: 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 our supply chain and across our business. In addition Credit Suisse Supplier Code of Conduct aims to ensure that our external business partners, including their employees, subsidiaries and subcontractors, respect human rights, labour rights, employment laws and environmental regulations. In 2016 CS 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 our suppliers to identify where modern slavery and human trafficking risks may exist.

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



Paul E. Hare  
Company Secretary

One Cabot Square  
London E14 4QJ  
01 September 2017

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

### International Financial Reporting Standards

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

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

### Going concern basis

The Financial Statements have been prepared on a going concern basis, notwithstanding the deficiency in the net current assets, as Credit Suisse AG, Zurich has 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.

### Share capital

There was no movement in share capital during the year (2015: US\$ Nil).

### Dividends

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

### Directors

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

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

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

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

The Directors are responsible for preparing the 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 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 and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

#### **Disclosure of information to the auditor**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Auditor**

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

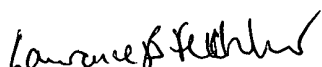
#### **Exemption for group accounts**

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

#### **Subsequent events**

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

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



Lawrence Fletcher  
Director

One Cabot Square  
London E14 4QJ  
01 September 2017

Company Registration Number: 03407994

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DLJ UK HOLDING**

We have audited the Financial Statements of DLJ UK Holding for the year ended 31 December 2016 set out on pages 10 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

### **Respective responsibilities of Directors and Auditor**

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

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

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

### **Opinion on Financial Statements**

In our opinion the Financial Statements:

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

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

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

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

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



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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic report.



Alexander Snook  
(Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory auditor  
Chartered Accountants  
15 Canada Square, London  
E14 5GL  
01 September 2017

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

	Note	2016 US\$'000	2015 US\$'000
Interest income	3	114,362	101,410
Interest expense	4	(47,176)	(34,093)
<b>Net interest income</b>		<b>67,186</b>	<b>67,317</b>
Foreign exchange loss	5	(47)	(14)
Administrative expenses	6	(9)	(18)
<b>Profit before tax</b>		<b>67,130</b>	<b>67,285</b>
Income tax charge	7	(18,125)	(17,804)
<b>Profit after tax</b>		<b>49,005</b>	<b>49,481</b>

Profits for 2016 and 2015 are from continuing operations.

There is no other comprehensive income in the current and prior year. Accordingly, Statement of Other Comprehensive Income has not been provided.

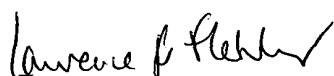
The notes on pages 14 to 33 form an integral part of these Financial Statements.

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

	Note	2016 US\$'000	2015 US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	187,436	140,522
Other assets	9	26,604	23,141
Tax receivable	10	104	125
<b>Total current assets</b>		<b>214,144</b>	<b>163,788</b>
<b>Non-current assets</b>			
Investments	11	2,377,111	2,377,111
Loans and receivables	12	3,033,113	3,033,072
<b>Total non-current assets</b>		<b>5,410,224</b>	<b>5,410,183</b>
<b>Total assets</b>		<b>5,624,368</b>	<b>5,573,971</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft	8	900	1
Short term borrowing	13	1,500,000	1,500,000
Other liabilities	14	44,354	43,861
<b>Total current liabilities</b>		<b>1,545,254</b>	<b>1,543,862</b>
<b>Non-current liabilities</b>			
Long term borrowing	15	1,524,750	1,524,750
<b>Total non-current liabilities</b>		<b>1,524,750</b>	<b>1,524,750</b>
<b>Total liabilities</b>		<b>3,070,004</b>	<b>3,068,612</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	2,811,168	2,811,168
Capital contribution reserve	17	279	279
Accumulated losses		(257,083)	(306,088)
<b>Total shareholders' equity</b>		<b>2,554,364</b>	<b>2,505,359</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,624,368</b>	<b>5,573,971</b>

The notes on pages 14 to 33 form an integral part of these Financial Statements.

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



Lawrence Fletcher  
Director

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

	Share Capital	Capital contribution reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2016</b>	<b>2,811,168</b>	<b>279</b>	<b>(306,088)</b>	<b>2,505,359</b>
Profit for the year	-	-	49,005	49,005
<b>Balance at 31 December 2016</b>	<b>2,811,168</b>	<b>279</b>	<b>(257,083)</b>	<b>2,554,364</b>
<b>Balance at 1 January 2015</b>	<b>2,811,168</b>	<b>279</b>	<b>(355,569)</b>	<b>2,455,878</b>
Profit for the year	-	-	49,481	49,481
<b>Balance at 31 December 2015</b>	<b>2,811,168</b>	<b>279</b>	<b>(306,088)</b>	<b>2,505,359</b>

The notes on pages 14 to 33 form an integral part of these Financial Statements.

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

	Note	2016 US\$'000	2015 US\$'000
<b>Operating activities</b>			
Profit before tax		67,130	67,285
<b>Adjustments to reconcile net income to net cash generated from operating activities</b>			
Non-cash items included in profit before tax and other adjustments:			
Interest income		(114,362)	(101,410)
Interest expense		47,176	34,093
Foreign exchange loss		26	14
<b>Operating loss before working capital changes</b>		<b>(30)</b>	<b>(18)</b>
Net movement in operating assets/ liabilities:			
Loans and receivables		(41)	(16)
Other liabilities		(11)	18
Interest received		110,899	100,640
Interest paid		(44,999)	(33,618)
<b>Cash generated from operating activities</b>		<b>65,839</b>	<b>67,006</b>
Group relief paid		(19,777)	-
<b>Net cash generated from operating activities</b>		<b>46,041</b>	<b>67,006</b>
<b>Net increase in cash and cash equivalents</b>		<b>46,041</b>	<b>67,006</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>140,521</b>	<b>73,523</b>
Effects of exchange rate changes on the balance of cash held in foreign currency		(26)	(8)
<b>Cash and cash equivalents at end of year</b>	8	<b>186,536</b>	<b>140,521</b>

The notes on pages 14 to 33 form an integral part of these Financial Statements.

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

### 1. General

DLJ UK Holding (the "Company") is domiciled in the United Kingdom. The Company's registered office is at One Cabot Square, London, E14 4QJ. The Company's principal activity is to act as an investment holding company.

### 2. Significant accounting policies

#### a) Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("adopted IFRS") and in compliance with Companies Act 2006.

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

Credit Suisse AG, Zurich has 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. As such, notwithstanding the deficiency in the net current assets, the Financial Statements have been prepared on a going concern basis.

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

#### b) Basis of preparation

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

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

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 preparation of the Financial Statements are reasonable and consistently applied.

### Standards and interpretations effective in the current period

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

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

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

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

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

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

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

Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortised cost and fair value through other comprehensive income as well as certain loan commitments and financial guarantee contracts. The impairment requirements will change from an incurred loss model to an expected loss model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. If the credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement will change from 12-month expected credit losses to lifetime expected credit losses. Therefore impairment will be recognized earlier than is the case under IAS 39 because IFRS 9 requires the recognition of expected credit losses before a loss event occurs and the financial asset is deemed to be credit-impaired (Stage 3). The definition of credit-impaired under IFRS 9 will be similar to the current indicators in IAS 39 of objective evidence of impairment. The assessment of a significant increase in credit risk since initial recognition will be based on different quantitative and qualitative factors that will be relevant to the particular financial instrument in scope.

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

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

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

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

- Amendments to IAS 12: Income Taxes: In January 2016, the IASB issued 'Recognition of Deferred Tax Assets for Unrealised Losses' (Amendments to IAS 12). The Amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of the Amendments to IAS 12 on 1 January 2017 will not have a material impact to the Company's financial position, results of operation or cash flows.
- Disclosure Initiative (Amendments to IAS 7): In January 2016, the IASB issued amendments to IAS 7 as part of their Disclosure Initiative. The Amendments require enhanced statement of cash flow disclosures regarding changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. As the Amendments to IAS 7 impact disclosures only, the adoption on 1 January 2017 will not have an impact to the Company's financial position, results of operation or cash flows.
- IFRIC 22: In December 2016, the IASB issued IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (IFRIC 22). IFRIC 22 clarifies the date of the transaction for the purposes of determining the exchange rate used on initial recognition of related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact of adopting IFRIC 22.
- Annual Improvements to IFRSs 2014-2016 Cycle: In December 2016, the IASB issued 'Annual Improvements to IFRSs 2014-2016 cycle' (Improvements to IFRSs 2014-2016). The Improvements to IFRSs 2014-2016 are effective for annual periods beginning on or after 1 January 2017. The Company is currently evaluating the impact of adopting the Improvements to IFRSs 2014-2016.

### c) Foreign currency

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

### d) Interest income and expense

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

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



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

### e) Income tax and deferred tax

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

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

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

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

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

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

Information as to the calculation of income tax on the profit and loss for the periods presented is included in Note 7 – income tax charge.

### f) Investment in subsidiaries

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

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

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

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

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

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

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

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

At each reporting date, the Company assesses whether there is an indication that a previously recognized impairment loss has reversed. If such an indication exists, the entity estimates the recoverable amount of the asset. Reversal, if any on such assessment, of an impairment loss is recognized in the Statement of Income to the extent of the impairment loss booked earlier on the same asset.

### **g) Investment in associates**

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investment in associates is carried at cost.

### **h) Financial instruments - Recognition and derecognition**

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

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

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

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

### i) Financial assets

#### • Loans and receivables

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

#### • Cash and cash equivalents

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

### j) Financial liabilities

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

### k) Critical accounting estimates and judgements in applying accounting policies

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

#### **Impairment of investment in subsidiaries and associates**

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

#### **Tax contingencies**

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The Company may accrue for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

#### **Income taxes – deferred tax valuation**

Deferred tax assets and liabilities are recognised to reflect the estimated amounts of income tax recoverable/payable in future periods in respect of temporary differences and unused carry forward of tax losses and credits. For temporary differences, a deferred tax asset is recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Similarly, a deferred tax asset is recognised on unused carry forward tax losses and credits to the extent that it is probable that future taxable profits will be available against which the unused carry forward tax losses and credits can be utilised.

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

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

### Fair value

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

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

### Structured entities

As part of normal business, the Company engages in various transactions with entities that include entities which are considered structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Transactions with structured entities are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the Company may hold interests in the structured entities. The Company discloses information about significant judgements and assumptions made in determining whether the Company has (joint) control of, or significant influence over, another entity including structured entities. The Company also provides disclosures with regards to unconsolidated structured entities such as when it sponsors or has an interest in such an entity.

### 3. Interest income

The interest income relates to the interest earned on the deposits with Credit Suisse AG, London Branch, Credit Suisse International, Credit Suisse Investments (UK) and on the cash balance in the bank account with Credit Suisse AG, Zurich.

### 4. Interest expense

The interest expense relates to the interest incurred on the borrowings from Credit Suisse AG, London branch and on the overdraft balance in the bank account with Credit Suisse AG, Zurich.

### 5. Other expense

Other expense represents foreign currency exchange loss.

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

### 6. Administrative expenses

	2016 US\$'000	2015 US\$'000
Auditor's remuneration for statutory audit of these Financial Statements	(8)	(9)
Other administrative expenses	(1)	(9)
<b>Total</b>	<b>(9)</b>	<b>(18)</b>

### 7. Income tax charge

#### a) Components of tax charge

	2016 US\$'000	2015 US\$'000
<b>Current tax</b>		
Current tax on profits of the period	(18,134)	(17,079)
Adjustments in respect of previous periods	9	(725)
<b>Income tax charge</b>	<b>(18,125)</b>	<b>(17,804)</b>

#### b) An explanation of the relationship between tax expense and the accounting profit

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

	2016 US\$'000	2015 US\$'000
Profit before tax	67,130	67,285
Profit before tax multiplied by the UK statutory rate of corporation tax at the rate of 20% (2015: 20.25%)	(13,426)	(13,623)
Non-deductible expenses	(4,708)	(3,456)
Adjustments in respect of previous periods	9	(725)
<b>Income tax charge</b>	<b>(18,125)</b>	<b>(17,804)</b>

The entity has capital losses carried forward on which no deferred tax asset has been recognised of US\$ ('000) 359,304 (2015: US\$ ('000) 435,810). The deferred tax asset not recognised on these losses carried forward is US\$ ('000) 61,082 (2015: US\$ ('000) 78,446). The benefit of the losses carried forward has not been recognised in these Financial Statements due to the uncertainty of their recoverability. The losses carried forward have no expiry date.

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

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

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

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

### 8. Cash and cash equivalents

	2016 US\$'000	2015 US\$'000
Cash at bank	127	388
Short term money market deposits	187,309	140,134
<b>Cash and cash equivalents in the Statement of Financial Position</b>	<b>187,436</b>	<b>140,522</b>
Bank overdraft	(900)	(1)
<b>Cash and cash equivalents in the Statement of Cash Flows</b>	<b>186,536</b>	<b>140,521</b>

Cash and cash equivalents relate to nostro accounts held with Credit Suisse AG, Zurich and short term money market deposits held with Credit Suisse AG, London Branch.

The effective interest rate as at 31 December 2016 on the deposit placed with Credit Suisse AG, London Branch during the year, and amounting to US\$ ('000) 187,309 (2015: US\$ ('000) 140,134) is 0.88% (2015: 0.40%) with a maturity of 3 months or less (2015: 3 months or less).

### 9. Other assets

	2016 US\$'000	2015 US\$'000
Interest accrued on deposits	26,603	23,140
Intercompany receivable	1	1
<b>Total</b>	<b>26,604</b>	<b>23,141</b>

Intercompany receivable represents tax to be collected by the Company from unit holders on behalf of the Trust.

### 10. Tax receivable

	2016 US\$'000	2015 US\$'000
Tax receivable	104	125
<b>Total</b>	<b>104</b>	<b>125</b>

### 11. Investments

The Company had the following investments as at 31 December 2016

2016 % of equity	2015 % of equity	Company name	Type	Domicile	2016 Investment in US\$'000	2015 Investment in US\$'000
90.10	90.10	Credit Suisse Shimada Investments (Gibraltar)	Subsidiary	Gibraltar	353,664	353,664
80.04	80.04	DLJ Group	Associate	UK	2,023,447	2,023,447
					<b>2,377,111</b>	<b>2,377,111</b>

There was no movement in the investment in subsidiaries as well as associates during the previous year and current year.

In light of the International Financial Reporting Standard 10, "Consolidated Financial Statements" (IFRS 10) effective from 1 January 2014, the consolidating shareholder of the Company's subsidiary Credit Suisse Shimada Investments (Gibraltar) changed from Credit Suisse KK Holding (Nederland) B.V. to DLJ UK Holding. Whilst the Company holds 90.10% in Credit Suisse Shimada Investments (Gibraltar), it has 30% voting interest in Credit Suisse Shimada Investments (Gibraltar) and hence it is exposed to variable returns from the entity through non-voting shareholding.

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

The Company holds 80.04% in DLJ Group. However, these shares do not carry any voting rights.

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

Refer note 22 for Disclosure of Interests in other entities.

### 12. Loans and receivables

	2016 US\$'000	2015 US\$'000
Loans to group companies	3,033,113	3,033,072
<b>Total</b>	<b>3,033,113</b>	<b>3,033,072</b>

Loans to group companies include:

- Subordinated loan of US\$ ('000) 1,500,000 to Credit Suisse Investments (UK) which is repayable in April 2026 with first optional redemption on 15 April 2019 and effective interest rate thereon as at 31 December 2016 of 4.30% (2015: 3.74%) with an average interest reset period of 91 days (2015: 91 days).
- Loan of US\$ ('000) 1,524,750 to Credit Suisse International which is repayable in April 2023 with prepayment option on or after 5 April 2018 and the effective interest rate thereon as at 31 December 2016 is 3.48% (2015: 2.94%) with an average interest reset period of 90 days (2015: 90 days).
- Deposit of US\$ ('000) 8,363 (2015: US\$ ('000) 8,322) with Credit Suisse International which is repayable on 27 February 2019. The interest rate, which is linked to LIBOR rate, is reset every month. The effective interest rate as at 31 December 2016 on the deposit is 0.76% (2015: 0.42%) with an average interest reset period of 31 days (2015: 31 days).

### 13. Short term borrowing

	2016 US\$'000	2015 US\$'000
Short term borrowing	1,500,000	1,500,000
<b>Total</b>	<b>1,500,000</b>	<b>1,500,000</b>

The short term borrowing of US\$ ('000) 1,500,000 from Credit Suisse AG, London Branch has been used to extend a loan to Credit Suisse Investments (UK). The effective interest rate as at 31 December 2016 is 1.31% (2015: 0.69%) with a maturity of 3 months or less (2015: 3 months or less).

### 14. Other liabilities

	2016 US\$'000	2015 US\$'000
Interest accrued on borrowings	9,136	6,959
Group relief payable	35,203	36,876
Audit fees payable	7	18
Payable to fellow group company	6	2
Other accruals	2	6
<b>Total</b>	<b>44,354</b>	<b>43,861</b>

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

### 15. Long term borrowing

	2016 US\$'000	2015 US\$'000
Long term borrowing	1,524,750	1,524,750
<b>Total</b>	<b>1,524,750</b>	<b>1,524,750</b>

The Company has borrowed US\$ ('000) 1,524,750 from Credit Suisse AG, London Branch which is payable on 5 April 2018. The effective interest rate is 2.38% as at 31 December 2016 (2015: 1.84%) with an average interest reset period of 90 days (2015: 90 days).

### 16. Share capital

	2016 US\$'000	2015 US\$'000
<b>Authorised:</b>	Unlimited	Unlimited
<b>Allotted, called up and fully paid:</b>		
2,603,910,227 ordinary voting shares of US\$ 0.17 each fully paid up (No par value shares)	434,057	434,057
2,377,110,938 ordinary voting shares of US\$ 1 each fully paid up (Par value US\$1)	2,377,111	2,377,111
<b>Total</b>	<b>2,811,168</b>	<b>2,811,168</b>

The holders of ordinary shares carry voting rights and the right to receive dividends.

### 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 less accumulated losses.

The Company funds its operations and growth through equity and debt. This include 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.

### 17. Capital contribution reserve

This reserve reflects the excess cash received over the value of investment transferred under common control.

### 18. Related party transactions

The consolidating parent of the Company is DLJ International Group Limited incorporated in the United Kingdom. The ultimate holding company is Credit Suisse Group AG, which is incorporated in Switzerland.

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



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

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

### a) Related party assets and liabilities

Assets (US\$'000)	2016				2015			
	Subsidiary	Associates	Fellow group companies	Total	Subsidiary	Associates	Fellow group companies	Total
<b>Current assets</b>								
Cash and cash equivalents	-	-	187,436	<b>187,436</b>	-	-	140,522	<b>140,522</b>
Other assets	-	-	26,604	<b>26,604</b>	-	-	23,141	<b>23,141</b>
<b>Total current assets</b>	-	-	<b>214,040</b>	<b>214,040</b>	-	-	<b>163,663</b>	<b>163,663</b>
<b>Non-current assets</b>								
Investments	353,664	2,023,447	-	<b>2,377,111</b>	353,664	2,023,447	-	<b>2,377,111</b>
Loans and receivables	-	-	3,033,113	<b>3,033,113</b>	-	-	3,033,072	<b>3,033,072</b>
<b>Total non-current assets</b>	<b>353,664</b>	<b>2,023,447</b>	<b>3,033,113</b>	<b>5,410,224</b>	<b>353,664</b>	<b>2,023,447</b>	<b>3,033,072</b>	<b>5,410,183</b>
<b>Liabilities (US\$'000)</b>								
<b>Current liabilities</b>								
Short term borrowing	-	-	1,500,000	<b>1,500,000</b>	-	-	1,500,000	<b>1,500,000</b>
Bank overdraft	-	-	900	<b>900</b>	-	-	1	<b>1</b>
Interest accrued on borrowings	-	-	9,136	<b>9,136</b>	-	-	6,959	<b>6,959</b>
Other accruals	-	-	6	<b>6</b>	-	-	2	<b>2</b>
<b>Total current liabilities</b>	-	-	<b>1,510,042</b>	<b>1,510,042</b>	-	-	<b>1,506,962</b>	<b>1,506,962</b>
<b>Non-current liabilities</b>								
Long term borrowing	-	-	1,524,750	<b>1,524,750</b>	-	-	1,524,750	<b>1,524,750</b>
<b>Total non-current liabilities</b>	-	-	<b>1,524,750</b>	<b>1,524,750</b>	-	-	<b>1,524,750</b>	<b>1,524,750</b>

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

### b) Related party income/ (expense)

	2016	2015
	Fellow Group Companies	Fellow Group Companies
	US\$'000	US\$'000
Interest income	114,362	101,410
Interest expense	(47,176)	(34,093)
<b>Total</b>	<b>67,186</b>	<b>67,317</b>

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 2016 is US\$ ('000) 35,203 (2015: US\$ ('000) 36,876).

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

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

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

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

### e) Liabilities due to pension funds

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

## 19. Employees remuneration

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

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

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

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

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

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

The table below analyses financial instruments by valuation method. The different levels in the fair value hierarchy in which fair value measurements are categorised for financial assets and liabilities have been defined 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).

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

2016 (US\$'000)	Carrying Amount		Level 1	Fair Value		Total
	Loans and receivables	Other amortised cost		Level 2	Level 3	
<b>Financial assets</b>						
Cash and cash equivalents	-	187,436	187,436	-	-	<b>187,436</b>
Other assets	1	26,603	-	26,604	-	<b>26,604</b>
Loans and receivables	3,033,113	-	-	3,295,083	-	<b>3,295,083</b>
<b>Total</b>	<b>3,033,114</b>	<b>214,039</b>	<b>187,436</b>	<b>3,321,687</b>	-	<b>3,509,123</b>
<b>Financial liabilities</b>						
Bank overdraft	-	900	900	-	-	<b>900</b>
Other liabilities	-	9,151	-	9,151	-	<b>9,151</b>
Short term borrowing	-	1,500,000	-	1,500,000	-	<b>1,500,000</b>
Long term borrowing	-	1,524,750	-	1,541,721	-	<b>1,541,721</b>
<b>Total</b>	-	<b>3,034,801</b>	<b>900</b>	<b>3,050,872</b>	-	<b>3,051,772</b>
<b>2015 (US\$'000)</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	140,522	140,522	-	-	<b>140,522</b>
Other assets	1	23,140	-	23,131	-	<b>23,131</b>
Loans and receivables	3,033,072	-	-	3,141,547	-	<b>3,141,547</b>
<b>Total</b>	<b>3,033,073</b>	<b>163,662</b>	<b>140,522</b>	<b>3,164,678</b>	-	<b>3,305,200</b>
<b>Financial liabilities</b>						
Bank overdraft	-	1	1	-	-	<b>1</b>
Other liabilities	-	6,985	-	6,985	-	<b>6,985</b>
Short term borrowing	-	1,500,000	-	1,500,000	-	<b>1,500,000</b>
Long term borrowing	-	1,524,750	-	1,534,621	-	<b>1,534,621</b>
<b>Total</b>	-	<b>3,031,736</b>	<b>1</b>	<b>3,041,606</b>	-	<b>3,041,607</b>

**21. Financial risk management**

**Risk management policy**

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

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

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

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

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

### 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 financial assets and liabilities, which are mainly in the form of loans and receivables, cash and cash equivalents and short and long term borrowings. 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 variable interest rates, which is given below, assume an instantaneous increase or decrease by 25% as at the reporting date, with all other variables remaining constant:

2016	US\$'000	
	25%	-25%
Change in equity and income or (loss) with interest rate fluctuation in loans and receivables	29,398	(29,398)
Change in equity and income or (loss) with interest rate fluctuation in cash and cash equivalents	410	(410)
Change in equity and income or (loss) with interest rate fluctuation in long term borrowing	(9,064)	9,064
<b>Total</b>	<b>20,744</b>	<b>(20,744)</b>

2015	US\$'000	
	25%	-25%
Change in equity and income or (loss) with interest rate fluctuation in loans and receivables	25,249	(25,249)
Change in equity and income or (loss) with interest rate fluctuation in cash and cash equivalents	107	(107)
Change in equity and income or (loss) with interest rate fluctuation in long term borrowing	(7,029)	7,029
<b>Total</b>	<b>18,327</b>	<b>(18,327)</b>

#### (ii) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to JPY and GBP. Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities.

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

Foreign exchange risk related to expenses and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Any currency risk that materialises will be managed centrally by the Credit Suisse Group through the Foreign Currency Exposure Management ('FCEM') process, utilising currency hedges at the Credit Suisse Group level.

2016	GBP'000	JPY'000
<b>Non US\$ denominated assets</b>		
Cash and cash equivalents	103	-
<b>Total monetary assets</b>	<b>103</b>	<b>-</b>
<b>Non US\$ denominated liabilities</b>		
Bank overdraft	-	53
Other liabilities	6	-
<b>Total monetary liabilities</b>	<b>6</b>	<b>53</b>
<b>Net exposure</b>	<b>97</b>	<b>(53)</b>
<b>2015</b>	<b>GBP'000</b>	<b>JPY'000</b>
<b>Non US\$ denominated assets</b>		
Cash and cash equivalents	115	-
<b>Total monetary assets</b>	<b>115</b>	<b>-</b>
<b>Non US\$ denominated liabilities</b>		
Bank overdraft	-	52
Other liabilities	12	-
<b>Total monetary liabilities</b>	<b>12</b>	<b>52</b>
<b>Net exposure</b>	<b>103</b>	<b>(52)</b>

Sensitivity analysis for changes in exchange rates assume an instantaneous increase or decrease of 25% for foreign currency to USD rates at the reporting date, with all other variables remaining constant.

	GBP/JPY Impact	
	25%	-25%
	US\$'000	US\$'000
2016		
Change in equity and income or (loss) with foreign currency fluctuation	30	(30)
<b>Total</b>	<b>30</b>	<b>(30)</b>
	GBP/JPY Impact	
	25%	-25%
	US\$'000	US\$'000
2015		
Change in equity and income or (loss) with foreign currency fluctuation	38	(38)
<b>Total</b>	<b>38</b>	<b>(38)</b>

### Credit risk

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

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

Company to counterparties. The Company has policies that limit the amount of credit exposure to any financial institution.

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

Counterparty exposure by rating

	<b>2016</b> <b>US\$'000</b>	<b>2015</b> <b>US\$'000</b>
A+ to A-	3,247,153	3,196,735
<b>Total</b>	<b>3,247,153</b>	<b>3,196,735</b>

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

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

<b>2016 (US\$'000)</b>	<b>Carrying Amount</b>	<b>Gross Nominal Outflow</b>	<b>On demand</b>	<b>Due within 3 months</b>	<b>Due between 3 and 12 months</b>	<b>Due between 1 and 5 years</b>	<b>Total</b>
Bank	900	900	900	-	-	-	900
Overdraft							
Short term	1,500,000	1,500,382	-	1,500,382	-	-	1,500,382
borrowing							
Other liabilities	9,151	9,151	15	9,136	-	-	9,151
Long term	1,524,750	1,570,070	-	9,064	27,192	1,533,814	1,570,070
borrowing							
<b>Total</b>	<b>3,034,801</b>	<b>3,080,503</b>	<b>915</b>	<b>1,518,582</b>	<b>27,192</b>	<b>1,533,814</b>	<b>3,080,503</b>

<b>2015 (US\$'000)</b>	<b>Carrying Amount</b>	<b>Gross Nominal Outflow</b>	<b>On demand</b>	<b>Due within 3 months</b>	<b>Due between 3 and 12 months</b>	<b>Due between 1 and 5 years</b>	<b>Total</b>
Bank	1	1	1	-	-	-	1
Overdraft							
Short term	1,500,000	1,500,201	-	1,500,201	-	-	1,500,201
borrowing							
Other liabilities	6,985	6,985	26	6,959	-	-	6,985
Long term	1,524,750	1,588,011	-	7,029	21,087	1,559,895	1,588,011
borrowing							
<b>Total</b>	<b>3,031,736</b>	<b>3,095,198</b>	<b>27</b>	<b>1,514,189</b>	<b>21,087</b>	<b>1,559,895</b>	<b>3,095,198</b>

**Operational risk**

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

**22. Disclosure of Interests in other entities**

**Unconsolidated structured entities**

The Company has investments in its subsidiary Credit Suisse Shimada Investments (Gibraltar) which has been assessed as a structured entity.

Credit Suisse Shimada Investments (Gibraltar) is an investment holding company and derives interest income on money market deposits. The Company holds voting Class B shares of Credit Suisse Shimada Investments (Gibraltar) which are entitled to 30% of voting rights and represents 90.10% of the equity. Credit Suisse Shimada Investments (Gibraltar) has total assets of JPY 44.2bn (2015: JPY 44.2bn) which is majorly financed through issuance of shares.

The following table provides the carrying amounts and classifications of the assets and liabilities of interests recorded in the Company's Balance Sheet, maximum exposure to loss and total assets of the unconsolidated structured entity.



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

**Interest in unconsolidated structured entities as at 31 December 2016**

	2016	2015
	Financial intermediaries	Financial intermediaries
	US\$'000	US\$'000
Investment	353,664	353,664
<b>Total</b>	<b>353,664</b>	<b>353,664</b>
Maximum exposure to loss	<b>353,664</b>	<b>353,664</b>
Unconsolidated structured entity assets	<b>377,608</b>	<b>367,444</b>

The maximum exposure to loss that the Company has for its investment in the structured entities has been determined on the basis of the carrying value of the investment.

The unconsolidated structured entity assets relate to where the Group has an interest in the unconsolidated structured entity. These amounts typically represent the assets of the entities themselves and are typically unrelated to the exposures the Group has with the entity and thus are not amounts that are considered for risk management purposes.

**23. Subsequent events**

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