

DLJ UK INVESTMENT HOLDINGS LIMITED

**Annual Report
For the year ended 31 December 2017**

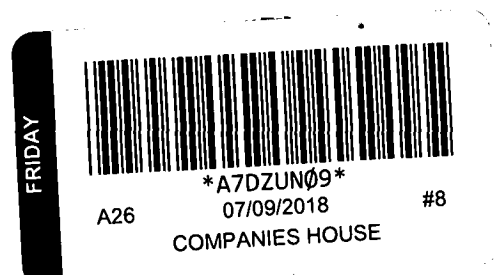


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BOARD OF DIRECTORS

Ahmed Bassam Kubba

Lawrence Fletcher

Paul E. Hare

COMPANY SECRETARY

Paul E. Hare

Strategic Report for the year ended 31 December 2017

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2017.

Business Profile

DLJ UK Investment Holdings Limited (the "Company") is an investment holding company domiciled in the United Kingdom. The Company is a wholly owned subsidiary of Credit Suisse AG, incorporated in Switzerland.

The ultimate parent of the Company is Credit Suisse Group AG (CS Group), which is incorporated in Switzerland.

Principal activities

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

The Company's interests include:

- DLJ UK Properties Limited, whose principal activity comprises the holding of fixed assets and the rental of those fixed assets to related companies;
- Glenstreet Property Management Limited, whose principal activity is property services management;
- Credit Suisse BG Strategy Investments (UK) which was engaged in financing activities, has been dormant since April 2015; and,
- DLJ International Group Limited, which is the holding company for:
 - DLJ UK Holding, whose principal activity is that of an investment holding company;
 - DLJ Group, whose activities comprise holding of investments and deriving interest on money market deposits;
 - DLJ Investment Partner II Limited, which is indirectly held through DLJ Group; and
 - Credit Suisse Shimada Investments (Gibraltar) which is indirectly held through DLJ UK Holding.

Business review

There has been no significant change in the Company's principal activities compared to previous years. The Directors are not aware of any significant developments or factors which will have a major impact on the continued success or operation of the business in the future.

Performance

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

Statement of Income

The Company reported a net profit after tax for the year of US\$ ('000) 50,514 (2016: US\$ ('000) 31,614). The variation is mainly on account of income tax benefit.

Statement of Financial Position

As at 31 December 2017, the Company had total assets of US\$ ('000) 4,484,864 (2016: US\$ ('000) 4,422,229).

As at 31 December 2017, the Company had positive equity of US\$ ('000) 129,788 (2016: positive equity of US\$ ('000) 79,274).

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 Company is a holding company and the main risk facing the Company is impairment of investment in subsidiaries. Apart from this, the assets of the Company mainly comprise of loans and receivables facing 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 15 to the Financial Statements.

Modern Slavery and Human Trafficking

In its role as an employer, and as a user and provider of services, CS group is committed to human rights and respects them as a key element of responsible business conduct. CS group voluntarily commits to uphold certain international agreements relating to human rights-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 the business. In addition CS Group Supplier Code of Conduct aims to ensure that the CS group's external business partners, including their employees, subsidiaries and subcontractors, respect human rights, labour rights, employment laws and environmental regulations. In 2016 CS group introduced a formal Third Party Risk Management ('TPRM') framework to scrutinise and monitor the operational, financial and reputational risk associated with third party relationships. The TPRM framework provides for structured due diligence assessments of all suppliers to identify where modern slavery and human trafficking risks may exist.

The complete statement, made pursuant to section 54, Part 6 of the Modern Slavery Act 2015, is publicly available and can be found at www.credit-suisse.com. In 2017, CS group in the UK became accredited as a accredited as a Living Wage Employer. Further information can be found at www.credit-suisse.com/corporate/en/responsibility/banking/human-rights.html

Approved by the Board of Directors on 30 August 2018 and signed on its behalf by:



Ahmed Bassam Kubba
Director

One Cabot Square
London E14 4QJ
30 August 2018

Directors' Report for the year ended 31 December 2017

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 30 August 2018.

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

During the year, no additional share capital was issued by the Company (2016: US\$ nil).

Dividends

No dividends were paid or were proposed for the year ended 31 December 2017 (2016: US\$ nil).

Directors

The names of the Directors as at the date of this report are set out on page 3. Change in the Directorate since 31 December 2016, and up to the date of this report is as follows:

Resignation	David Long	06 January 2017
Appointment	Ahmed Bassam 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

Disclosure of information to 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 ought to have taken as a Director to make himself 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 CS group, incorporated in Switzerland, which prepares consolidated Financial Statements.

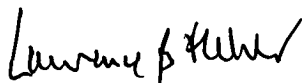
Subsequent events

In June 2018, the board of DLJ Investment Partner II Limited, which is an indirect subsidiary of the Company through DLJ International Group Limited and DLJ Group, has resolved to apply to strike off of the DLJ Investment Partner II Limited from the register of the companies and it is expected that DLJ Investment Partner II Limited will be dissolved in 2018.

On 6 February 2018, the CFO memo was signed with intention to dissolve the direct subsidiary, Credit Suisse BG Strategy Investments (UK).

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

Approved by the Board of Directors on 30 August 2018 and signed on its behalf by:



Lawrence Fletcher
Director

One Cabot Square
London E14 4QJ
30 August 2018

Company Registration Number: 03424583

Independent Auditor's Report to the Members of DLJ UK Investment Holdings Limited

We have audited the Financial Statements of DLJ UK Investment Holdings Limited for the year ended 31 December 2017 which comprises the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes.

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 profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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


Auditor's responsibilities

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

A fuller description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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

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



Alexander Snook
(Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
United Kingdom
E14 5GL
30 August 2018

	Note	2017 US\$'000	2016 US\$'000
Interest income		90,628	79,677
Interest expense		(59,207)	(36,931)
Net interest income		31,421	42,746
Administrative expenses	3	(118)	(47)
Other (expense)/income	4	(8)	15
Impairment of investment in subsidiary	8	-	(453)
Reversal of impairment of investment in subsidiary	8	191	-
Profit before tax		31,486	42,261
Income tax benefit/(charge)	5	19,028	(10,647)
Profit after tax		50,514	31,614

Results for 2017 and 2016 are from continuing operations.

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

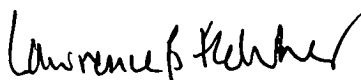
The notes on pages 14 to 30 form an integral part of these Financial Statements.

Statement of Financial Position as at 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	131,243	88,370
Other assets	7	22,712	3,050
Total current assets		153,955	91,420
Non-current assets			
Investment in subsidiaries	8	2,321,233	2,321,042
Loans and receivables	9	2,000,000	2,000,000
Deferred tax asset	5	9,676	9,767
Total non-current assets		4,330,909	4,330,809
Total assets		4,484,864	4,422,229
LIABILITIES			
Current liabilities			
Short term borrowings	10	2,367,836	2,360,273
Other liabilities	11	2,269	1,484
Total current liabilities		2,370,105	2,361,757
Non-current liabilities			
Long term borrowings	10	1,984,971	1,981,198
Total non-current liabilities		1,984,971	1,981,198
Total liabilities		4,355,076	4,342,955
SHAREHOLDER'S EQUITY			
Share capital	12	115,978	115,978
Capital contribution reserve	12	5,426	5,426
Accumulated profit/(losses)		8,384	(42,130)
Total shareholder's equity		129,788	79,274
Total liabilities and shareholder's equity		4,484,864	4,422,229

The notes on pages 14 to 30 form an integral part of these Financial Statements.

Approved by the Board of Directors on 30 August 2018 and signed on its behalf by:



Lawrence Fletcher
Director

Statement of Changes in Equity for the year ended 31 December 2017

	Share capital	Capital contribution reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2017	115,978	5,426	(42,130)	79,274
Profit for the year	-	-	50,514	50,514
Balance at 31 December 2017	115,978	5,426	8,384	129,788

	Share capital	Capital contribution reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2016	115,978	5,426	(73,744)	47,660
Profit for the year	-	-	31,614	31,614
Balance at 31 December 2016	115,978	5,426	(42,130)	79,274

The notes on pages 14 to 30 form an integral part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2017

	Note	2017	2016
		US\$'000	US\$'000
Operating activities			
Profit before tax		31,486	42,261
Adjustments to reconcile net profit to net cash (used in)/ generated from operating activities			
Interest income		(90,628)	(79,677)
Interest expense		59,207	36,931
Reversal of impairment of investment in subsidiary		(191)	-
Impairment of investment in subsidiary		-	453
Foreign exchange (gain)		-	(3)
Operating loss before working capital changes		(126)	(35)
Net movement in operating assets/ liabilities:			
Other accruals		124	15
Interest received		90,085	78,949
Group relief received		-	4,450
Net cash flow generated from operating activities		90,083	83,379
Financing activities			
Increase in long term borrowings		3,773	-
Increase/(decrease) in short term borrowings		7,563	(604)
Interest paid		(58,546)	(26,746)
Net cash generated from financing activities		(47,210)	(27,350)
Net increase in cash and cash equivalents		42,873	56,029
Cash and cash equivalents at beginning of the year		88,370	32,338
Effects of movements in exchange rates on cash held		-	3
Cash and cash equivalents at end of the year	6	131,243	88,370

The notes on pages 14 to 30 form an integral part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2017

1. General

DLJ UK Investment Holdings Limited (the "Company") is a company incorporated and domiciled in the United Kingdom. The Company's registered office is at One Cabot Square, London, E14 4QJ. The Company's activities comprise the holding of investments in CS group companies.

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 EU ("adopted IFRS") and are in compliance with Companies Act 2006.

The Financial Statements were approved and authorised for issue by the Directors on 30 August 2018.

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 CS group, incorporated in Switzerland, which prepares consolidated Financial Statements.

b) Basis of preparation

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

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

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

Prior period comparatives have been reclassified to achieve better comparability.

Standards and interpretations effective in the current year

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

- 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 did 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 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 2017

- 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 adoption of the Improvements to IFRSs 2014-2016 on 1 January 2017, did not have an impact to the Company's financial position, results of operation or cash flows.

Standards and interpretations endorsed by the EU but not yet effective

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

- IFRS 9 Financial Instruments: In July 2014, the IASB issued IFRS 9 as a complete standard which replaces IAS 39. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The amendments to IFRS 7 resulting from IFRS 9 also require new disclosures as well as the revision of current disclosure requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Under IFRS 9, financial assets will be classified on the basis of two criteria: 1) the business model of why financial assets are held and how they 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 (FVOCI) or Fair value through Profit & Loss (FVTPL). For equity investments that are not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI). The accounting for financial liabilities remains largely unchanged except for those financial liabilities designated at fair value through profit or loss, where the gains and losses arising from changes in credit risk will be presented in OCI rather than profit or loss.

Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortized cost as well as certain loan commitments and financial guarantee contracts. The impairment requirements will change from an incurred loss model to an expected credit loss ("ECL") model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. In terms of short-term cash and interest bearing deposit balances, the Company will measure expected credit losses by applying a probability to default/loss-given default approach ("PD/LGD approach"). Under the PD/LGD approach, term structures of point-in-time, forward-looking PDs, LGDs and exposure at defaults will be estimated. These PD, LGD and EAD (exposure at defaults) parameters will form the basis to estimate expected credit losses for the short remaining life of the cash and interest bearing deposit balances.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all fee receivables. To measure the expected credit losses, the Company will apply a provision matrix in the form of aging analysis, including relevant forward looking information.

Under the new impairment guidance there will be no change to the write-off policy compared to IAS 39.

The Company does not have any classification changes to financial assets or financial liabilities nor were there any impacts due to modifications of financial assets or financial liabilities.

The assessment of the impact of IFRS 9 on the opening reserves balance at 1 January 2018 is ongoing.

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:

- IFRIC 23: In June 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments" (IFRIC 23). IFRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. The

Notes to the Financial Statements for the year ended 31 December 2017

Company is currently evaluating the impact of adopting IFRIC 23 on the Company's financial position, results of operations and cash flows.

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 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.

The interest income mainly relates to the interest earned on the deposit with Credit Suisse AG, London Branch and on the loan given to Credit Suisse Investments (UK). Interest expense mainly relates to interest incurred on the borrowings from Credit Suisse AG, London Branch and Credit Suisse International.

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 the 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 Statement of Financial Position liability 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.

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.

Notes to the Financial Statements for the year ended 31 December 2017

Information as to the calculation of income tax on the profit and loss for the periods presented is included in note 5 – 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:

- 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) 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.

Notes to the Financial Statements for the year ended 31 December 2017

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.

- **Financial assets**

Loans and receivables

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

Cash and cash equivalents

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

- **Financial liability**

Financial liabilities comprise borrowings and interest accrued thereon. 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.

h) Critical accounting estimates and judgements in applying accounting policies

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

Impairment of investment in subsidiaries

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

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

Notes to the Financial Statements for the year ended 31 December 2017

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.

3. Administrative expenses

	2017 US\$'000	2016 US\$'000
Auditor's remuneration in relation to statutory audit of these financial statements	(12)	(10)
Other administrative expenses	(107)	(37)
Total	(119)	(47)

4. Other income

	2017 US\$'000	2016 US\$'000
Foreign exchange (loss)/gain	(8)	15
Total	(8)	15

5. Income tax benefit/(charge)

a. Components of tax benefit/(charge)

	2017 US\$'000	2016 US\$'000
Current tax		
Current tax on profits of the period	(312)	-
Adjustments in respect of previous periods	19,431	-
Current tax benefit	19,119	-
Deferred tax		
Utilisation of tax losses brought forward	(91)	(11,192)
Effect of change in tax rate	-	545
Total Deferred tax charge	(91)	(10,647)
Total income tax benefit/(charge)	19,028	(10,647)

Notes to the Financial Statements for the year ended 31 December 2017

b. An explanation of the relationship between tax benefit/(charge) and the accounting profit

The income tax for the year can be reconciled to the standard rate of corporation tax in the UK of 19.25% (2016: 20%) as follows:

	2017 US\$'000	2016 US\$'000
Profit before tax	31,486	42,261
Profit before tax multiplied by the UK statutory rate of corporation tax of 19.25% (2016: 20%)	(6,060)	(8,452)
Non-taxable reversal / (Non-deductible) of impairment of investment in subsidiary	37	(91)
Other permanent differences	(21)	(2,649)
Effects of change in tax rate	-	545
Adjustments to current tax in respect of previous periods	19,431	-
Adjustment in respect of Amount payable to group companies	5,630	-
Differential in movement in deferred taxes to that at statutory tax rate	11	-
Total income tax benefit/(charge)	19,028	(10,647)

c. Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 17% (2016:17%).

	2017 US\$'000	2016 US\$'000
Deferred tax assets		
The movement for the year on the deferred tax position was as follows:		
As at 1 January	9,767	20,414
Debit to statement of income for the year	(91)	(11,192)
Effect of change in tax rate	-	545
As at 31 December	9,676	9,767
Deferred tax assets are attributable to the following items:		
	2017 US\$'000	2016 US\$'000
Tax losses	9,676	9,767
Total	9,676	9,767

Deferred tax assets are recognised on deductible temporary differences and tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. Tax losses carried forward on which no deferred tax assets have been recognised is \$338,590,318 (2016: \$403,358,828). The deferred tax asset not recognised on these losses carried forward is \$57,560,354 (2016: \$68,571,001). The losses carried forward have no expiry date.

Legislation has been enacted which reduces the UK corporation tax rate to 19% with effect from 1 April 2017 and then 17% with effect from 1 April 2020. There are restrictions on the use of tax losses carried forward.

Notes to the Financial Statements for the year ended 31 December 2017

6. Cash and cash equivalents

	2017 US\$'000	2016 US\$'000
Cash at bank	43	70
Short-term money market deposit	131,200	88,300
Total	131,243	88,370

Cash and cash equivalents relate to bank accounts held with Credit Suisse AG, Zurich and short-term money market deposit held with Credit Suisse AG, London Branch. The effective interest rate on money market deposits as at 31 December 2017 was 1.92% (2016: 0.00%) with maturity of 3 months or less (2016: 3 months or less).

7. Other assets

	2017 US\$'000	2016 US\$'000
Interest accrued on loans and deposits	3,593	3,050
Group relief receivable	19,119	-
Total	22,712	3,050

8. Investment in subsidiaries

	2017 US\$'000	2016 US\$'000
As at 1 January	2,321,042	2,321,495
Impairment of investment in Glenstreet Property Management Limited	-	(453)
Reversal of impairment of investment in Glenstreet Property Management Limited	191	-
As at 31 December	2,321,233	2,321,042

The Company holds 100% equity of DLJ International Group Limited. Investment in subsidiaries is carried at cost less impairment. The recoverable amount of the investment is estimated based on its fair value less costs of disposal. The investment was impaired to the extent of US\$ ('000) 76,404 in the year 2013. Due to improvement in its business prospects and reduction in accumulated losses, the impairment on the investment in DLJ International Group Limited was reversed in its entirety in the year 2014 and 2015 by US\$ ('000) 41,574 and US\$ ('000) 34,830 respectively. The Company holds 100% equity shares of Glenstreet Property Management Limited. There is reversal of impairment in investment US\$ ('000)191 during the year (2016: impairment US\$ ('000) 453).

The level of the fair value hierarchy applied to the investment in subsidiaries is level 3. The Directors consider net asset value to be an appropriate basis in determining the fair value of the investment in subsidiaries for impairment purposes as the investment doesn't trade in the active market and the inputs for the assets and liabilities that the investment holds are not based on observable market data. The assumptions that are used are those that the market participants would consider when determining the fair value of the investment.

Details of the investment are as follows:

2017	2016			2017	2016
% of equity		Company name	Domicile	US\$'000	US\$'000
100	100	DLJ International Group Limited	UK	2,318,948	2,318,948
100	100	Credit Suisse BG Strategy Investments (UK)	UK	-*	-*
100	100	DLJ UK Properties Limited	UK	-*	-*
100	100	Glenstreet Property Management Limited	UK	2,285	2,094
99.99	99.99	DLJ UK Holding	UK	Indirect	Indirect
3.28	3.28	DLJ Group	UK	Indirect	Indirect
100	100	DLJ Investment Partner II Limited	UK	Indirect	Indirect
90.10	90.10	Credit Suisse Shimada Investments (Gibraltar)	Gibraltar	Indirect	Indirect

Notes to the Financial Statements for the year ended 31 December 2017

* The small investment in Credit Suisse BG Strategy Investments (UK) has been rounded off to US\$ nil while the investment in DLJ UK Properties Limited has been fully impaired.

9. Loans and receivables

	2017 US\$'000	2016 US\$'000
Non-current		
Money market loan	2,000,000	2,000,000
Total	2,000,000	2,000,000

The loan represents amount lent to Credit Suisse Investments (UK) due to mature on 19 September, 2022. The interest rate, which is linked to USD LIBOR rate, is reset every 3 months and a spread above USD LIBOR is applied. The effective interest rate on the money market loan as at 31 December 2017 was 4.66% (2016: 4.22%) with an average interest reset period of 90 days (2016: 90 days).

10. Borrowings

	2017 US\$'000	2016 US\$'000
Current		
Short term borrowings	2,367,836	2,360,273
Total	2,367,836	2,360,273
Non-current		
Long term borrowings	1,984,971	1,981,198
Total	1,984,971	1,981,198

The short term borrowings relate to amounts payable to Credit Suisse AG, London Branch. The effective interest rate on these borrowings as at 31 December 2017 was 1.88% (2016: 1.24%) with an average interest reset period of 90 days (2016: 90 days).

The long-term borrowings relate to amounts payable to Credit Suisse International. The effective interest rate and contractual repricing period for the US\$ loans are as follows:

	Balances (US\$'000)	Effective interest rates	Contractual repricing period (if applicable)	Maturity date
2017				
US\$ loans	1,984,971	1.55%	Every month	27 February 2019
2016				
US\$ loans	1,981,198	0.78%	Every month	27 February 2019

The interest rate for the long term borrowings, which is linked to LIBOR rate, is reset as mentioned above.

11. Other liabilities

	2017 US\$'000	2016 US\$'000
Audit fees payable	24	11
Accrued interest on borrowings	2,103	1,442
Inter-company payables	120	5
Bank levy	22	26
Total	2,269	1,484

Notes to the Financial Statements for the year ended 31 December 2017

12. Share capital and capital contribution reserve

	2017 US\$'000	2016 US\$'000
Authorised:		
Equity		
500,000,000 Ordinary Shares of US\$1 each	500,000	500,000
Allotted, called up and fully paid:		
115,978,421 Ordinary Shares of US\$1 each	115,978	115,978

The holders of ordinary shares have voting rights and the right to receive dividends. During the year, no additional share capital was issued (2016: US\$ nil). No dividends were paid or are proposed for the year ended 31 December 2017 (2016: US\$ nil).

Capital management

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

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

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

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

Capital contribution reserve

Capital contribution reserve represents contributions made by the parent company to the Company's reserves. This reserve is distributable by way of dividends.

13. Related party transactions

The Company is wholly owned by Credit Suisse AG, incorporated in Switzerland. The ultimate parent of the Company is CS group, which is incorporated in Switzerland.

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

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

Notes to the Financial Statements for the year ended 31 December 2017

a) Related party assets and liabilities

	2017 (US\$'000)			Total	2016 (US\$'000)			Total
	Parent	Fellow Group companies	Subsidiaries		Parent	Fellow Group companies	Subsidiaries	
ASSETS								
Current assets								
Cash and cash equivalents	131,243	-	-	131,243	88,370	-	-	88,370
Other assets	91	3,498	-	3,589	-	3,050	-	3,050
Total current assets	131,334	3,498	-	134,832	88,370	3,050	-	91,420
Non-current assets								
Investment in subsidiaries	-	-	2,321,233	2,321,233	-	-	2,321,042	2,321,042
Loans and receivables	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000
Total non-current assets	-	2,000,000	2,321,233	4,321,233	-	2,000,000	2,321,042	4,321,042
Total related party assets	131,334	2,003,498	2,321,233	4,456,065	88,370	2,003,050	2,321,042	4,412,462
LIABILITIES								
Current liabilities								
Short term borrowings	2,367,836	-	-	2,367,836	2,360,273	-	-	2,360,273
Other liabilities	1,675	547	-	2,222	1,276	171	-	1,447
Total current liabilities	2,369,511	547	-	2,370,058	2,361,549	171	-	2,361,720
Non-current liabilities								
Long term borrowings	-	1,984,971	-	1,984,971	-	1,981,198	-	1,981,198
Total non-current liabilities	-	1,984,971	-	1,984,971	-	1,981,198	-	1,981,198
Total related party liabilities	2,369,511	1,985,518	-	4,355,029	2,361,549	1,981,369	-	4,342,918

For UK corporation tax purposes the Company may surrender or claim certain losses from another UK group company. The group relief receivable as at 31 December 2017 is US\$ ('000)19,431 (2016: nil.)

Notes to the Financial Statements for the year ended 31 December 2017

b) Related party income and expenses

	2017 (US\$'000)				2016 (US\$'000)			
	Parent	Fellow Group companies	Subsidiaries	Total	Parent	Fellow Group companies	Subsidiaries	Total
Interest income	663	89,960	-	90,623	-	79,677	-	79,677
Reversal of impairment of investment in subsidiary	-	-	191	191	-	-	-	-
Total related party income	663	89,960	191	90,814	-	79,677	-	79,677
Interest expense	(37,480)	(21,728)	-	(59,208)	(27,250)	(9,681)	-	(36,931)
Impairment of investment in subsidiary	-	-	-	-	-	-	(453)	(453)
Total related party expenses	(37,480)	(21,728)	-	(59,208)	(27,250)	(9,681)	(453)	(37,384)

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 (2016: 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 (2016: US\$ nil).

e) Liabilities due to pension funds

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

Notes to the Financial Statements for the year ended 31 December 2017

14. Fair values of financial assets and liabilities

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; transfers between levels; qualitative and quantitative disclosures of valuation techniques;
- 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.

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. 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 is not based on observable market data (unobservable inputs).

There have been no transfers between level 2 and level 1 in the year (2016: No Transfers).

Notes to the Financial Statements for the year ended 31 December 2017

	Carrying amount		Fair value			
	Loans and receivables	Other amortised cost	Level 1	Level 2	Level 3	Total
2017 (US\$'000)						
Financial assets						
Cash and cash equivalents	-	131,243	131,243	-	-	131,243
Other assets	22,712	-	-	22,712	-	22,712
Loans and receivables	2,000,000	-	-	2,013,927	-	2,013,927
Total	2,022,712	131,243	131,243	2,036,639	-	2,167,882
Financial liabilities						
Short term borrowings	-	2,367,836	-	2,367,836	-	2,367,836
Other liabilities	-	2,247	-	2,247	-	2,247
Long term borrowings	-	1,984,971	-	1,985,142	-	1,985,142
Total	-	4,355,054	-	4,355,225	-	4,355,225
2016 (US\$'000)						
Financial assets						
Cash and cash equivalents	-	88,370	88,370	-	-	88,370
Other assets	3,050	-	-	3,050	-	3,050
Loans and receivables	2,000,000	-	-	1,996,625	-	1,996,625
Total	2,003,050	88,370	88,370	1,999,675	-	2,088,045
Financial liabilities						
Short term borrowings	-	2,360,273	-	2,360,273	-	2,360,273
Other liabilities	-	1,484	-	1,484	-	1,484
Long term borrowings	-	1,981,198	-	1,976,730	-	1,976,730
Total	-	4,342,955	-	4,338,487	-	4,338,487

15. Financial risk management

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

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

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

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

a) Market risk

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

Notes to the Financial Statements for the year ended 31 December 2017

(i) Interest rate risk

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

The Company holds no other significant interest-bearing assets and liabilities and the remaining Company expenses and operating cash flows are substantially independent of changes in interest rates.

The sensitivity analysis is prepared based on financial instruments that are recognised at the reporting dates. The sensitivity assumes changes in certain market conditions. These assumptions may differ materially from the actual events due to the inherent uncertainties in global financial markets. In practice, market risks rarely change in isolation and are likely to be interdependent. There is no change in the methods and assumptions used for both the reporting period and the comparative period.

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

2017 (US\$'000)	+25%	-25%
Change in equity and income/(loss) with interest rate fluctuation in money market deposits and loans	24,846	(24,846)
Change in equity and (loss)/income with interest rate fluctuation in borrowings	(18,839)	18,839
Total	6,007	(6,007)
 2016 (US\$'000)	 +25%	 -25%
Change in equity and income/(loss) with interest rate fluctuation in money market deposits and loans	21,116	(21,116)
Change in equity and (loss)/income with interest rate fluctuation in borrowings	(12,271)	12,271
Total	8,845	(8,845)

(ii) Foreign exchange risk

Foreign currency risk is the risk that the value of monetary assets/liabilities will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk, primarily with respect to GBP, EUR and JPY exposures.

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 CS group through the Foreign Currency Exposure Management ('FCEM') process, utilising currency hedges at the CS group level.

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

Notes to the Financial Statements for the year ended 31 December 2017

2017	GBP'000	JPY'000	EUR'000
Monetary assets			
Cash and cash equivalents	2	2,369	11
Other assets	69	-	-
Total monetary assets	71	2,369	11
Monetary liabilities			
Short term borrowings	51	-	-
Other liabilities	104	-	-
Total monetary liabilities	155	-	-
Net exposure	(84)	2,369	11

2016	GBP'000	JPY'000	EUR'000
Monetary assets			
Cash and cash equivalents	2	2,369	11
Total monetary assets	2	2,369	11
Monetary liabilities			
Short term borrowings	51	-	-
Other liabilities	30	-	-
Total monetary liabilities	81	-	-
Net exposure	(79)	2,369	11

Since the Company has a limited exposure to foreign exchange risk, sensitivity analysis has not been performed by the Company.

b) Credit risk

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

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

Counterparty Exposure by Rating:

	Banks	
	2017	2016
	US\$'000	US\$'000
A+ to A-	2,154,266	2,091,420
Total	2,154,266	2,091,420

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

c) 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 all legal entities within CS to meet all obligations in times of stress, whether caused by market events and/ or issues specific to CS. This

Notes to the Financial Statements for the year ended 31 December 2017

approach enhances CS' ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels in response to stressed conditions.

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

2017 (US\$'000)	Carrying amount	Gross nominal outflow	On demand	Due within 3 months	Due between 3 to 12 months	Due between 1 and 5 years
Short term borrowings	2,367,836	2,377,981	-	2,377,981	-	-
Other liabilities	2,269	2,269	-	2,269	-	-
Long term borrowings	1,984,971	2,051,724	-	7,702	23,107	2,020,915
Total	4,355,076	4,431,974	-	2,387,952	23,107	2,020,915
2016 (US\$'000)						
Short term borrowings	2,360,273	2,368,063	-	2,368,063	-	-
Other liabilities	1,458	1,458	11	1,447	-	-
Long term borrowings	1,981,198	2,014,535	-	3,847	11,540	1,999,148
Total	4,342,929	4,384,056	11	2,373,357	11,540	1,999,148

Interest amount till the fixed maturity date is calculated by considering the LIBOR rate as per existing interest reset arrangement.

d) 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.

16. Employees

The Company had no employees during the year (2016: nil).

17. Subsequent events

In June 2018, the board of DLJ Investment Partner II Limited, which is an indirect subsidiary of the Company through DLJ International Group Limited and DLJ Group, has resolved to apply to strike off of the DLJ Investment Partner II Limited from the register of the companies and it is expected that DLJ Investment Partner II Limited will be dissolved in 2018.

On 6 February 2018, the CFO memo was signed with intention to dissolve the direct subsidiary, Credit Suisse BG Strategy Investments (UK).

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