CREDIT SUISSE

DLJ UK PROPERTIES LIMITED

Annual Report
For the year ended 31 December 2018

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Company Registration Number: 03530382

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Board of Directors

Per Skjoedstrup Hansen	Director
Martin Stuart Welstead	Director
Paul Edward Hare	Director

Company Secretary

Paul Edward Hare	Secretary

Strategic Report for the year ended 31 December 2018

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

Business profile

DLJ UK Properties Limited ("the Company") is incorporated in the United Kingdom. The Company is a wholly owned subsidiary of DLJ UK Investment Holdings Limited.

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 comprises holding and renting fixed assets to related companies.

Business review

The Company leases assets to Credit Suisse International ("CSi"). There has been no change in the Company's principal activities as 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

For the year ended 31 December 2018, the Company reported a loss after tax for the year of US$('000) (426) (profit after tax of 2017: US$('000) 97). The decrease in profits is due to interest expense.

Statement of Financial Position

As at 31 December 2018, the Company had total assets of US$('000) 7,606 (2017: US$('000) 11,263), the decrease is primarily due to decrease in group relief receivable during the year.

As at 31 December 2018, the Company had total negative equity of US$('000) (7,721) (2017: US$('000) 7,295).

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

Refer to Note 19 on the market risk, credit risk, liquidity risk and operational risk of the Company. The assets of the Company are mainly deferred tax assets, cash and short term money market deposits with related companies and group relief receivable. The principal risk of the Company relates mainly to the utilisation of its deferred tax assets.

The Company is not materially impacted by potential UK exit from the EU as the Company's principal activity comprises of holding and renting fixed assets to related companies only within the UK.

Modern Slavery and Human Trafficking

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

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

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

Approved by the Board of Directors on 3 September 2019 and signed on its behalf by

Per Skjoedstrup Hansen
Director

One Cabot Square
London E14 4QJ
3 September 2019

Directors' Report for the year ended 31 December 2018

International Financial Reporting Standards

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

The Financial Statements were approved and authorised for issue by the Directors on 3 September 2019.

Going concern basis

The Financial Statements have been prepared on a going concern basis, notwithstanding the deficiency in the net 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 were no movements in share capital during the year (2017: US$ Nil).

Dividends

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

Directors

The names of the Directors as at the date of this report are set out on page 3. Changes in the directorate since 31 December 2017 and up to the date of this report are as follows:

Resignation	Claire E. Shepherd	16 October 2018
Appointment	Hayley Joanna Marsh	16 October 2018
Resignation	Hayley Joanna Marsh	22 February 2019
Appointment	Per Skjoedstrup Hansen	22 February 2019
Resignation	Andrew D. Poole	18 April 2019
Appointment	Martin Stuart Welstead	14 May 2019

All Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

None of the Directors, who held office at the end of the financial year, were beneficially interested at any time during the year, in the shares of the Company.

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that 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.

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 3 September 2019 and signed on its behalf by:

Per Skjoedstrup Hansen
Director

One Cabot Square
London E14 4QJ
3 September 2019

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

Opinion

We have audited the financial statements of DLJ UK Properties Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

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

Statement of Income for the year ended 31 December 2018

	Note	2018 US$'000	2017 [1] US$'000
Revenue		106	74
Interest income		1	—
- of which Interest income from instruments at amortised cost		1	—
Interest expense		(454)	(224)
- of which Interest expense from instruments at amortised cost		(454)	(224)
Net interest expense		**(347)**	**(150)**
Other income	4	—	168
Operating and other income/ (expense)		**(347)**	**18**
Operating expenses	5	(81)	(61)
Total income/ (expense)		**(428)**	**(43)**
Loss before tax		**(428)**	**(43)**
Income tax benefit	6	2	140
(Loss)/ Profit for the year		**(426)**	**97**

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

All losses for 2018 and profit for 2017 are from continuing operations.

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

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

Statement of Financial Position as at 31 December 2018

	Note	2018 US$'000	2017 [1] US$'000
ASSETS			
Current assets			
Other assets	7	1,337	4,933
Cash and cash equivalents	8	104	114
Total current assets		**1,441**	**5,047**
Non-current assets			
Property and equipment	9	1,151	1,222
Deferred tax asset	10	5,014	4,994
Total non-current assets		**6,165**	**6,216**
Total assets		**7,606**	**11,263**
LIABILITIES			
Current liabilities			
Short term borrowings	11	14,587	17,325
Other liabilities	12	29	36
Bank overdraft	8	1	–
Total current liabilities		**14,617**	**17,361**
Non-current liabilities			
Long term borrowings	11	710	1,197
Total non-current liabilities		**710**	**1,197**
Total liabilities		**15,327**	**18,558**
SHAREHOLDER'S EQUITY			
Share capital	13	80,000	80,000
Capital contribution reserve	14	8,800	8,800
Accumulated losses		(96,521)	(96,095)
Total shareholder's equity		**(7,721)**	**(7,295)**
Total liabilities and shareholder's equity		**7,606**	**11,263**

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

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

Approved by the Board of Directors on 3 September 2019 and signed on its behalf by

Per Skjoedstrup Hansen
Director

Company Registration Number: 03530382

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

	Share Capital	Capital contribution reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018	80,000	8,800	(96,095)	(7,295)
Loss for the year	—	—	(426)	(426)
Balance at 31 December 2018	**80,000**	**8,800**	**(96,521)**	**(7,721)**
Balance at 1 January 2017	80,000	8,800	(96,192)	(7,392)
Profit for the year	—	—	97	97
Balance at 31 December 2017	**80,000**	**8,800**	**(96,095)**	**(7,295)**

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 2018

	Note	2018 US$'000	2017 US$'000
Cash flow from operating activities			
Loss before tax		(428)	(43)
Adjustments to reconcile net income to net cash generated from operating activities:			
Non-cash items included in loss before tax and other adjustments			
Depreciation and amortisation		71	53
Interest income		(1)	—
Gain on sale of property & equipment		—	(165)
Foreign exchange loss		(2)	—
Provision for credit losses		—	—
Interest expense		454	224
Operating profit before working capital changes		**94**	**69**
Net movement in operating assets/liabilities:			
Other assets		(11)	(16)
Other liabilities		(9)	9
Cash used in operating activities:			
Group relief received		3,589	—
Net cash generated from operating activities		**3,663**	**62**
Investing activities			
Acquisition of property and equipment		—	(1,251)
Sale of property and equipment		—	545
Net cash used in investing activities		**—**	**(706)**
Financing activities			
Long term borrowings		(487)	710
Short term borrowings		(2,738)	125
Interest paid		(448)	(211)
Net cash (used in)/generated from financing activities		**(3,673)**	**624**
Net decrease in cash and cash equivalents		**(10)**	**(20)**
Cash and cash equivalents at the beginning of the year		114	134
Cash and cash equivalents at the end of the year	**8**	**104**	**114**

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 2018

1. General

DLJ UK Properties Limited ('the Company') is incorporated in the United Kingdom. The Company's principal activity is to hold and lease fixed assets to related companies. The Company has leased assets to CSi.

2. Going concern basis

The Financial Statements have been prepared on a going concern basis, notwithstanding the deficiency in the net 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.

3. 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 ("IFRS") on a going concern basis. The Financial Statements were approved and authorized for issue by the Board of Directors on 3 September 2019.

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 million, unless otherwise stated. They are prepared on historical cost basis.

The preparation of Financial Statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgements applied to these Financial Statements are set out in Note 3(o) - 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.

Standards and interpretations effective in the current period

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

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

The company did not have any material impact from the adoption of IFRS 9 on 1 January 2018.

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

Standards and Interpretations endorsed by the EU and not yet effective

The Company is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have 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 adoption of IFRIC 23 on 1 January 2019 did not have a material impact on the Company's financial position, results of operations or cash flows.

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

- IFRS 16 Leases: In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) superseding IAS 17 'Leases', IFRIC 4 'Determining whether and Arrangement contains a Lease', SIC-15 'Operating Lease-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. IFRS 16 includes disclosure requirements to provide more information about the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting is substantially unchanged compared to the current accounting guidance. Under the current lessee accounting model the Company is required to distinguish between finance leases, which are recognised on balance sheet, and operating leases, which are not. IFRS 16 introduces a single, on-balance sheet lessee accounting model and requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet for most leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption was permitted for entities that apply IFRS 15 at or before the initial application of IFRS 16.

  The Company established a cross-functional implementation team and governance structure for the project. The Company adopted IFRS 16 on 1 January 2019 using the modified retrospective approach with the cumulative effect adjustment recognised in retained earnings without restating comparatives. The Company elected to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and practical expedient to use hindsight in determining the lease term.

The company did not have any material impact from the adoption of IFRS 16 on 1 January 2019.

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) Financial assets and liabilities (Accounting Policy for 2018)

Company's financial assets are classified on the basis of two criteria: 1) the business model which refers to how the group manages a financial asset in order to generate cash flows and 2) the contractual cash flow characteristics of the financial asset.
The business model assessments are performed by considering the way in which the financial assets are managed to achieve a particular business objective as determined by management. The assessment is made at the level at which the group of financial assets are managed. These assessments are based on reasonable expectations. All relevant and objective evidence are considered while performing the business model assessments, for example:

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

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

The 'Hold to Collect' business model is a model with the objective to hold a financial asset to collect contractual cash flows. Sales are incidental to the objective of this model. The 'Hold to Collect and Sell' business model is a model with the objective to both hold financial assets to collect contractual cash flows and to sell financial assets. This model has a greater frequency of sales than a 'Hold to Collect' business model. The Company does not have any financial assets which are under the 'Hold to Collect and Sell' business model.
The financial assets which are not classified under the 'Hold to Collect' and 'Hold to Collect and Sell' business models are measured at fair value. These include financial assets that meet the trading criteria; those that are managed on a fair value basis or designated at fair value as well as equity instruments where an irrevocable election is made on initial recognition to present changes in fair value in other comprehensive income (OCI). Refer to sections below for further guidance.
For 'Hold to Collect' and 'Hold to Collect and Sell' business model, the contractual cash flows of the financial assets are assessed to determine if they consist of solely payments of principal and interest. For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. These criteria determine how a financial asset is subsequently measured.

Amortised Cost

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

Financial instruments - Recognition and derecognition (Accounting Policy for 2017)

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. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle them on a net basis or to realize and settle the liabilities simultaneously.

e) Impairment of financial assets, loan commitments and financial guarantees

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

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

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

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

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

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

Measurement of ECLs

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

- Financial assets that are not credit-impaired at the reporting date (Stage 1 or Stage 2), apply the present value of all cash shortfalls - i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. The Company applies a PD/LGD approach under which term structures of point-in-time probability of defaults ("PDs"), point-in-time loss given defaults ("LGDs") and exposure at defaults ("EADs") are estimated;
- Financial assets that are credit-impaired at the reporting date (Stage 3), apply the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments apply the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- Financial guarantee contracts apply the present value of the expected payments to reimburse the holder less any amounts that the Company expects to recover.
- The Company applies the simplified approach to providing for expected credit losses 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. The fee receivables do not contain a significant financing component.

Definition of default

The definition of default is aligned with the regulatory definition of default which is based on 90 days past due and unlikely to pay on material obligation.
In assessing whether a borrower is in default, the Company considers indicators that are:

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

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

Forward looking information

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

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

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

Significant increases in credit risk ("SICR")

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.
The Company has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Company's internal credit risk management process. The criteria for determining whether credit risk has increased significantly vary by portfolio.
The assessment of significant increases in credit risk is generally based on two indicators:

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

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

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

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

A financial instrument is transferred from Stage 2 to Stage 1, if it no longer meets the stage transition criteria. The stage transition criteria implicitly reflect a probation period, either by the idiosyncratic nature of PDs or by the credit watch list process.
A financial instrument is transferred from Stage 3 to Stage 2 or 1 after a probation period in line with the Company's credit risk management practices. If the financial instrument has not met the criteria to be considered credit-impaired for a minimum number of months, it will be returned to either Stage 2 or Stage 1 depending on the characteristics of the financial instrument.
The low credit risk exemption has not been used in the context of determining significant increases in credit risk.
Reverse repurchase agreements and securities borrowing transactions are not impacted by the SICR process due to the risk management practices adopted, including regular margin calls. If margin calls are not satisfied, positions will be closed out immediately with any shortfall generally classified as a Stage 3 position.

Expected life

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

Grouping financial assets measured on a collective basis

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

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

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

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

Write-off of loans

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

f) Other assets and liabilities

Other assets and liabilities are receivables and payables which are non derivative financial instruments 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. They are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost on an effective yield basis.

g) Income tax

Income tax on the profit or loss 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 the 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 years. 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.

Information as to the calculation of income tax on the profit and loss for the periods presented is included in note 6 – Income tax charge.

h) Deferred tax

Deferred tax is provided using the liability method, providing 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 6 – Income tax charge.

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

i) 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 expense relates to the interest incurred on the borrowings from Credit Suisse AG, London branch. The interest income relates to short-term deposits placed with Credit Suisse AG, London branch during the year.

j) Revenue

Revenue represents the rental charges received for providing property and equipment.

k) Property and equipment

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying value or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the Statement of Income during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Property and equipment – 17.5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Income if they arise.

l) Financial instruments

- **Cash and cash equivalents**

For the purpose of preparation and presentation of the Cash Flow Statement, 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.

m) Non derivative financial liabilities

Financial liabilities comprise 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.

n) 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

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

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.

o) 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.

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.

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.

Allowance and impairment losses financial instruments subject to expected credit loss model (Applicable to 2018)

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's quantitative and qualitative criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis
- The segmentation of financial assets under the PD/LGD approach to estimate Stage 1 and Stage 2 ECLs
- The development of ECL models, including the various formulas and the choice of inputs
- The determination of the associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Company's policy to regularly review its models for actual loss experience and adjust when necessary.

p) Operating Lease

Lease arrangements where the risks and rewards incidental to the ownership of an asset substantially remain with the lessor are recognised as operating leases. Lease rentals incomes under operating leases are recognised in the Statement of Income on a straight line basis over the term of the lease.

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

4. Other income

	2018 US$'000	2017 US$'000
Gain on sale of fixed asset	–	165
Foreign exchange gain/ (loss)	–	3
Total	**–**	**168**

5. Operating expenses

	2018 US$'000	2017 US$'000
Auditor's remuneration in relation to statutory audit of these Financial Statements	(8)	(7)
Depreciation	(71)	(53)
Other expenses	(2)	(1)
Total	**(81)**	**(61)**

6. Income tax

a. Components of income tax

	2018 US$'000	2017 US$'000
Current tax		
Current tax on profits of the period	(1,297)	(1,302)
Adjustment in respect of previous period	1,315	–
Total current tax benefit/(charge)	**18**	**(1,302)**
Deferred tax		
Origination and reversal of temporary differences	1,132	1,162
Adjustment in respect of previous period	(1,152)	–
Total deferred tax (charge)/benefit	**(20)**	**1,162**
Income tax (benefit)	**(2)**	**(140)**

b. An explanation of the relationship between tax charge and the accounting profit

The income tax for the year can be reconciled to the standard rate of corporation tax in the UK of 19% (2017 : 19.25%) as follows:

	2018 US$'000	2017 US$'000
Loss before Tax	**(428)**	**(43)**
Loss before tax multiplied by the UK statutory rate of corporation tax of 19% (2017 : 19.25%)	(81)	(8)
Non-deductible expenses	49	21
Adjustments to current tax in respect of previous periods	1,315	–
Adjustments to deferred tax in respect of previous periods	(1,152)	–
Differential in movement in deferred taxes to that at statutory tax rate	(133)	(153)
Total income tax (benefit)	**(2)**	**(140)**

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

c. Deferred taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 17% (2017: 17%). Further information about deferred income tax is presented in Note 10 – Deferred tax assets.

7. Other assets

	2018 US$'000	2017 US$'000
Group relief receivable	1,283	4,890
Rent receivable	54	43
Total	**1,337**	**4,933**

8. Cash and cash equivalents

	2018 US$'000	2017 US$'000
Cash at bank	53	60
Short term money market deposits	51	54
Total	**104**	**114**

Cash at bank represent balances in bank accounts held with Credit Suisse AG, Zurich and short term money market deposits held with Credit Suisse AG, London Branch.

Bank overdraft is US$ 1,065 balance with Credit Suisse AG, Zurich (2017: Nil)

The interest rate as at 31 December 2018 on the GBP denominated deposit was 0.79% (2017: 0.79%), with an average maturity of 32 days (2017: 32 days). Refer note 18 for fair value disclosures.

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

9. Property and equipment

	2018 Plant and Equipment US$'000	2017 Plant and Equipment US$'000
Cost		
Balance at beginning of the year	1,837	1,073
Retirements during the year	—	(487)
Acquired during the year	—	1,251
Balance at end of the year	**1,837**	**1,837**
Depreciation		
Balance at beginning of the year	615	669
Charge for the year	71	53
Retirements during the year	—	(107)
Balance at end of the year	686	**615**
Net book value		
Balance at beginning of the year	1,222	404
Depreciation during the year	(71)	(53)
Acquired during the year	—	1,251
Retirements during the year	—	(380)
Balance at end of the year	**1,151**	**1,222**

In August 2017, the Comany sold one of its leased assets (generator), to Credit Suisse International for a profit of US$('000) 165.

10. Deferred tax assets

	2018 US$'000	2017 US$'000
Deferred tax asset	5,014	4,994

The movement for the year on the deferred tax position was as follows:

At 1 January	4,994	6,156
Charge to income for the year	(1,132)	(1,162)
Adjustment in respect of previous period	1,152	—
At 31 December	**5,014**	**4,994**

Deferred tax assets are attributable to the following items:

Decelerated tax depreciation	5,014	4,994
At end of year	**5,014**	**4,994**

Legislation has been enacted which reduced the UK corporation tax rate to 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 2018

11. Borrowings

	2018 US$'000	2017 US$'000
Long term money market borrowings	710	1,197
Short term money market borrowings	14,587	17,325
Total	**15,297**	**18,522**

The interest rate as at the 31 December 2018 on the long term money market borrowing of US$ ('000) 710 from Credit Suisse AG, London Branch was 2.51% (2017: 2.51%) with maturity on 9 August 2022. Refer note 18 for fair value disclosures.

The interest rate as at the 31 December 2018, on the US$ short term money market borrowing from Credit Suisse AG, London Branch was 2.80% (2017: US$ 1.92%) with an average maturity of 31 days (2017: 32 days).

12. Other liabilities

	2018 US$'000	2017 US$'000
Interest accrued on borrowings	22	20
Audit fees payable	7	16
Total	**29**	**36**

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

13. Share capital

	2018	2017
	US$'000	US$'000
Authorised:		
400,000,000 Ordinary shares of US$1.00 each	400,000	400,000
Allotted, called up and paid up:		
80,000,001 Ordinary shares of US$1.00 each	80,000	80,000
Total	**80,000**	**80,000**

The holders of ordinary shares have voting rights and the right to receive dividends. There were no movements in share capital during the year (2017: US$ Nil) and no dividends were paid or are proposed (2017: US$ Nil).

Capital Management

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

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

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

14. Capital Contribution reserve

	2018	2017
	US$'000	US$'000
Capital contribution reserve	8,800	8,800
Total	**8,800**	**8,800**

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

15. Operating Lease

The Company has leased assets to CSi and rent of US$('000) 106 (2017: US$('000) 74) was earned.

The leasing agreement has been executed for 5 years and is non-cancellable. The title to ownership of the asset remains with the Company.

2018	Not later than 1 year	Between 1 -5 years	Later than 5 years	Total
	US$'000	US$'000	US$'000	US$'000
Minimum Lease Payments Receivable	106	277	–	383
Total	**106**	**277**	**–**	**383**

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

2017	Not later than 1 year	Between 1 -5 years	Later than 5 years	Total
	US$'000	US$'000	US$'000	US$'000
Minimum Lease Payments Receivable	106	383	—	489
Total	**106**	**383**	**—**	**489**

16. Related party transactions

The Company is a wholly owned subsidiary of DLJ UK Investment Holdings Limited. The ultimate holding company is Credit Suisse Group AG, which is incorporated in Switzerland.

Copies of group Financial Statements of Credit Suisse Group 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 Zurich, Switzerland.

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 these transactions are on market terms that could be obtained from unrelated parties.

a) Related party assets and liabilities

	2018 Fellow group companies	2017 Fellow group companies
	US$'000	US$'000
ASSETS		
Non-Current assets		
Property and equipment	1,151	1,222
Total non-current assets	**1,151**	**1,222**
Current assets		
Other assets*	54	43
Cash and cash equivalents	104	114
Total current assets	**158**	**157**
Total assets	**1,309**	**1,379**
LIABILITIES		
Non-current liabilities		
Long term borrowings	710	1,197
Total non-current liabilities	**710**	**1,197**
Current liabilities		
Short term borrowings	14,587	17,325
Other liabilities	22	20
Bank overdraft	1	—
Total current liabilities	**14,610**	**17,345**
Total liabilities	**15,320**	**18,542**

* For UK corporation tax purposes, the Company may surrender or claim certain losses from another UK group Company. The Group relief receivable as of 31 December 2018 is US$('000) 1,283 (2017: US$('000) 4,890).

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

b) Related party revenues and expenses

	2018 Fellow group companies US$'000	2017 Fellow group companies US$'000
Related party revenues		
Revenue	106	74
Interest income	1	—
Gain on sale of fixed asset	—	165
Total	**107**	**239**
Related party expenses		
Interest expense	(454)	(224)
Total	**(454)**	**(224)**

c) Remuneration of Directors and Key Management Personnel

The Directors and Key Management Personnel did not receive any remuneration in respect of their services as Directors of the Company (2017: US$ Nil). The Directors and Key Management Personnel are employees of its related companies and the Company does not reimburse its related companies for the services rendered by these Directors and Key Management Personnel.

All Directors benefited from qualifying third party indemnity provisions.

d) Loans and advances to Directors and Key Management Personnel

There were no loans or advances made to Directors or Key Management Personnel during the year (2017: US$ Nil).

e) Liabilities due to pension funds

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

17. Employees' remuneration

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

18. 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);
- 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 2018

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 and short term borrowings and other liabilities the fair value is assumed to approximate book value, given the short term nature of these instruments. For long term instruments (borrowings), 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 is not based on observable market data (unobservable inputs).

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

2018 (US$'000)	Carrying Amount		Fair Value			
	Loans and receivables	Other amortised cost	Level 1	Level 2	Level 3	Total
Financial assets						
Other assets	54	–	–	54	–	**54**
Cash and cash equivalents	–	104	104	–	–	**104**
Total	**54**	**104**	**104**	**54**	**–**	**158**
Financial liabilities						
Short term borrowings	–	14,587	–	14,587	–	**14,587**
Long term borrowings	–	710	–	710	–	**710**
Other liabilities	–	29	–	29	–	**29**
Total	**–**	**15,326**	**–**	**15,326**	**–**	**15,326**
2017 (US$'000)						
Financial assets						
Other assets	43	–	–	43	–	**43**
Cash and cash equivalents	–	114	114	–	–	**114**
Total	**43**	**114**	**114**	**43**	**–**	**157**
Financial liabilities						
Short term borrowings	–	17,325	–	17,325	–	**17,325**
Long term borrowings	–	1,197	–	1,183	–	**1,183**
Other liabilities	–	36	–	36	–	**36**
Total	**–**	**18,558**	**–**	**18,544**	**–**	**18,544**

19. Financial risk management

The Company's activities expose it to the following financial risks.

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

The overall risk management program 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, commodity prices and other relevant market parameters, such as market volatilities.

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

(i) Interest rate risk

The Company has interest bearing financial assets and liabilities in the form of other assets and short and long term borrowings. Interest rates on amounts due from related companies and short term borrowings typically resets within 1 month which minimises the risk to changes in interest rates.

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 turn out due to the inherent uncertainties in global financial markets. In practice, market risks rarely change in isolation and are likely to be interdependent. The methods and assumptions used are the same for both periods to period and comparative period.

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

2018 (US$'000)	+25%	-25%
Change in equity and income or (loss) with interest rate fluctuation in short term borrowings	(100)	100
Total	**(100)**	**100**

2017 (US$'000)	+25%	-25%
Change in equity and income or (loss) with interest rate fluctuation in short term borrowings	(83)	83
Total	**(83)**	**83**

(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 arising from GBP exposure. 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.

2018 (US$'000)	+25%	-25%
Change in equity and income or (loss) with foreign exchange fluctuation	11	(11)
Total	**11**	**(11)**

2017 (US$'000)	+25%	-25%
Change in equity and income or (loss) with foreign exchange fluctuation	11	(11)
Total	**11**	**(11)**

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

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 CS Group companies and third parties. The carrying value of the intercompany receivables 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. Transactions are limited to fellow group companies and high credit quality financial institutions.
Counterparty Exposure by Rating:

Cash and Due from Bank	**12-month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Purchase d credit impaired**	**Total**
2018	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
A+ to A-	104	—	—	—	104
Gross Carrying Amount	**104**	**—**	**—**	**—**	**104**
Loss allowance	—	—	—	—	—
Net Carrying amount	**104**	**—**	**—**	**—**	**104**

Other Assets	**12-month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Purchase d credit impaired**	**Total**
2018	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
A+ to A-	54	—	—	—	54
Gross Carrying Amount	**54**	**—**	**—**	**—**	**54**
Loss allowance	—	—	—	—	—
Net Carrying amount	**54**	**—**	**—**	**—**	**54**

Counterparty Exposure by Rating:

	2017
	US$'000
A+ to A-	157
Total	**157**

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

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 meet all obligations in times of stress, whether caused by market events and/ or issues specific to CS. This approach enhances CS' ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet any stress situation.

2018 (US$'000)	**Carrying amount**	**Gross nominal outflow**	**On demand**	**Due within 3 months**	**Due between 1 to 5 years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Long term borrowings	710	781	—	—	781	**781**
Short term borrowings	14,587	14,609	—	14,609	—	**14,609**
Other liabilities	29	29	7	22	—	**29**
Bank Overdraft	1	1	—	1	—	**1**
Total financial liabilities	**15,327**	**15,420**	**7**	**14,632**	**781**	**15,420**
2017 (US$'000)						
Long term borrowings	1,197	1,304	—	—	1,304	**1,304**
Short term borrowings	17,325	17,340	—	17,340	—	**17,340**
Other liabilities	36	36	16	20	—	**36**
Total financial liabilities	**18,558**	**18,680**	**16**	**17,360**	**1,304**	**18,680**

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.

20. 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.