# Citco REIF Services UK Limited

## Annual Report 2017

Registered Number: 3552187

CITCO

# Table of Contents

# 1. Officers and Professional Advisers

**Directors**

M Francombe
A Kowalski

**Secretary and registered office**

Citco Management (UK) Limited
7 Albemarle Street
London
W1S 4HQ
United Kingdom

**Independent Auditor**

Deloitte LLP
2 New Street Square
London
EC4A 3BZ
United Kingdom

# 2. Report of the Directors

The directors present their report together with the audited financial statements of Citco REIF Services UK Limited (the 'Company') for the year ended December 31, 2017.

## Strategic Report

### Principal activities

The principal activity of the Company is to act as an operator of unregulated collective investment schemes.

### Results and dividends

The Company's loss for the year is GBP 179,912 (2016: Profit GBP 127,018) and is shown in the Statement of Comprehensive Income. There were no other recognized gains or losses in the year (2016: Nil). On June 6, 2017, the directors proposed a dividend of USD 700,000/GBP 542,215; this was paid on June 9, 2017. The directors did not declare a dividend in 2016.

### Principal risks and uncertainties

The Company's activities expose it to certain risks and further detail is provided in Note 4.3 to the financial statements.

### Key performance indicators

The performance of the business has been analyzed at Company level within its respective division of the Citco Group, in line with Citco Group policy. The directors have monitored performance indicators throughout the period and are satisfied with the Company's performance, which has remained in line with targets for the year. The principal performance indicators are income and profit levels, client numbers and ageing of arrears, all of which are monitored on a monthly basis against annual targets.

### Future developments in the business

There are no plans for any material changes to the activities of the Company in the future.

Approved by the board of directors and signed duly on its behalf by:

A. R Kowalski

A Kowalski

Director

7 Albemarle Street, London W1S 4HQ

April 24, 2018

# Directors' Report

## Going concern

The directors are satisfied with the performance of the Company. The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## Directors

The directors of the Company, who served throughout the year and up to the date of this report were as follows:

M Francombe
A Kowalski

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were in place throughout the period and remain in force at the date of this report.

## Directors' Responsibility Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Financial risk management objectives and policies

The Company's activities expose it to certain risks and further detail is provided in Note 4.3 to the financial statements.

## Subsequent events

There were no events that have occurred subsequent to December 31, 2017 through to the date that the financial statements were signed which would require further adjustment or disclosure.

## Disclosure of Information to Auditor

Each of the persons who is a director at the time when the report is approved confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
(b) the director has taken all the steps that he/she ought to have taken as director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Auditor

Deloitte have indicated their willingness to be appointed for another term, and appropriate arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

Approved by the board of directors and signed duly on its behalf by:

A. R. Kowalski

A Kowalski

Director

7 Albemarle Street, London W1S 4HQ

April 24, 2018

# 3. Financial Statements

## Statement of comprehensive income for the year ended December 31,

| | Note | | 2017 | | 2016 |
|---|---|---|---|---|---|
| | | | GBP | | GBP |
| Revenue: | | | | | |
| Operating income | | | 365,787 | | 393,572 |
| Operating expenses: | | | | | |
| Personnel expenses | 4.4 | 209,548 | | 117,314 | |
| Office rent | | 68,816 | | 42,919 | |
| Office and administration expenses | | 6,524 | | 5,411 | |
| Depreciation and amortization | 4.5 | 29,255 | | 30,349 | |
| Allowance for doubtful debts | 4.12.2 | 53,421 | | 1,001 | |
| Other operating expenses | 4.6 | 217,392 | 584,956 | 59,997 | 256,991 |
| Net (loss)/income from operations | | | (219,169) | | 136,581 |
| Net finance (expense)/income | 4.7 | | (7,338) | | 22,192 |
| Net (loss)/profit before tax | | | (226,507) | | 158,773 |
| Taxation credit/(expense) | 4.8 | | 46,595 | | (31,755) |
| Net (loss)/profit after tax and total comprehensive income | | | (179,912) | | 127,018 |
| Attributable to: | | | | | |
| Shareholder of the Company | | | (179,912) | | 127,018 |

All results derive from continuing operations.

*The notes on pages 11 to 28 form an integral part of these financial statements.*

# Statement of financial position as at December 31,

| | Note | | 2017 | | 2016 |
|---|---|---|---|---|---|
| | | | GBP | | GBP |
| **Assets:** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4.9 | – | | – | |
| Intangible assets | 4.10 | 14,627 | | 43,882 | |
| Deferred tax assets | 4.11 | 46,701 | 61,328 | – | 43,882 |
| **Current assets** | | | | | |
| Trade receivables | 4.12 | 78,944 | | 155,391 | |
| Other receivables and accrued income | 4.13 | 56,472 | | 4,160 | |
| Current tax assets | | 4,835 | | – | |
| Cash and cash equivalents | 4.14 | 124,945 | 265,196 | 880,649 | 1,040,200 |
| **Total assets** | | | 326,524 | | 1,084,082 |
| **Equity and liabilities** | | | | | |
| Share capital | 4.15 | 385,000 | | 385,000 | |
| Retained earnings | | (250,551) | | 471,576 | |
| **Total equity attributable to shareholder of the Company** | | | 134,449 | | 856,576 |
| **Current liabilities** | | | | | |
| Current payables to affiliated companies | 4.16 | 115,394 | | 56,786 | |
| Other payables and accrued expenses | 4.17 | 33,000 | | 23,740 | |
| Deferred income | 4.18 | 36,542 | | 94,484 | |
| Current tax liabilities | | 7,139 | 192,075 | 52,496 | 227,506 |
| **Total equity and liabilities** | | | 326,524 | | 1,084,082 |

*The notes on pages 11 to 28 form an integral part of these financial statements.*

The financial statements for Citco REIF Services UK Limited (Registered number 3552187) were approved by the Board of Directors and authorized for issuance on April 24, 2018 and are signed on its behalf by:

A. R. Kowalski

A Kowalski

Director

# Statement of changes in equity for the year ended December 31,

| | Issued ordinary shares | Retained earnings | Total |
|---|---|---|---|
| | GBP | GBP | GBP |
| Balance as at January 1, 2017 | 385,000 | 471,576 | 856,576 |
| Net loss for the year and total comprehensive loss | – | (179,912) | (179,912) |
| Payment of dividend | – | (542,215) | (542,215) |
| Total transactions with shareholder | – | (542,215) | (542,215) |
| **Total equity attributable to shareholder of the Company as at December 31, 2017** | **385,000** | **(250,551)** | **134,449** |

On June 9, 2017, the Company paid a dividend of USD 700,000/GBP 542,215.This is an amount of USD 1.8/GBP 1.4 per share.

| | Issued ordinary shares | Retained earnings | Total |
|---|---|---|---|
| | GBP | GBP | GBP |
| Balance as at January 1, 2016 | 385,000 | 344,558 | 729,558 |
| Net profit for the year and total comprehensive income | – | 127,018 | 127,018 |
| Total equity attributable to shareholder of the Company as at December 31, 2016 | 385,000 | 471,576 | 856,576 |

*The notes on pages 11 to 28 form an integral part of these financial statements.*

# Statement of cash flows under indirect method for the year ended December 31,

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | GBP | GBP |
| Cash flows from operating activities: | | | |
| Net (loss)/profit for the year | | (179,912) | 127,018 |
| Adjusted for: | | | |
| • Income tax expense | 4.8 | (46,595) | 31,755 |
| • Depreciation and amortization | 4.5 | 29,255 | 30,349 |
| | | (197,252) | 189,122 |
| Movement in working capital: | | | |
| • Decrease/(increase) in trade receivables | | 76,447 | (34,188) |
| • (Increase) in other receivables and accrued income | | (52,312) | (3,755) |
| • Increase/(decrease) in other payables and accrued expenses | | 9,260 | (1,380) |
| • Increase/(decrease) in current payables of affiliated companies | | 58,608 | (9,175) |
| • (Decrease) in deferred income | | (57,942) | (2,728) |
| • (Decrease)/increase in current tax liabilities | | (13,635) | 6,186 |
| Cash (used)/generated by operations | | (176,826) | 144,082 |
| Income taxes paid | | (36,663) | (36,663) |
| **Net cash flow (used)/generated by operating activities** | | (213,489) | 107,419 |
| Dividend paid to the shareholder of the Company | | (542,215) | - |
| **Net cash flow (used)/generated by financing activities** | | (542,215) | - |
| **Net (decrease)/increase in cash and cash equivalents** | | (755,704) | 107,419 |
| Cash and cash equivalents: | | | |
| Cash and cash equivalents as at January 1, | 4.14 | 880,649 | 773,230 |
| Cash and cash equivalents as at December 31, | 4.14 | 124,945 | 880,649 |
| **Net (decrease)/increase in cash and cash equivalents** | | (755,704) | 107,419 |

*The notes on pages 11 to 28 form an integral part of these financial statements.*

# 4. Notes to the Financial Statements

## 4.1. General

### 4.1.1. Ownership

Citco REIF Services UK Limited (the 'Company') was incorporated on April 24, 1998 as a private limited company.

The Company is a wholly-owned subsidiary of Citco London Limited, which is a member of the Group headed by Citco III Limited (the 'Citco Group'). Other subsidiaries owned by Citco III Limited are referred to as affiliated companies.

The largest company in which the results of the Company are consolidated is that headed by Citco III Limited, whose accounts are not publicly available. The smallest company in which they are consolidated is that headed by Citco London Limited, a company incorporated in the United Kingdom. These consolidated accounts are available to the public and may be obtained from 7 Albemarle Street, London W1S 4HQ, United Kingdom.

The ultimate controlling party of the Company is Citco III Limited which is incorporated in the Cayman Islands.

The address of its registered office is:

7 Albemarle Street,
London W1S 4HQ,
United Kingdom

### 4.1.2. Activities

The principal activity of the Company is acting as operator of unregulated collective investment schemes in the UK.

### 4.1.3. Currency

The Company uses the Great Britain Pound ('GBP') as functional currency and presentation currency, since that is the currency of the primary economic environment in which the Company is operating.

### 4.1.4. Approval of the Board

These financial statements have been approved for issuance by the Board of Directors on April 24, 2018.

# 4.2. Principal accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the European Union. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below. These have been applied consistently during the year.

## 4.2.1. New and amended standards adopted by the Company

The following standards and amendments have been applied for the first time for the reporting period commencing January 1, 2017:

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses. Clarification of how to account for deferred tax assets related to debt instruments measured at fair value.

  The adoption of these amendments has had no impact on the disclosures or the amounts recognized in the consolidated financial statements.

- Amendments to IAS 7 Disclosure Initiative, requires companies to disclose information about changes in their financing liabilities.

  The adoption of this amendment has had no material impact on the disclosures or the amounts recognized in the consolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle, minor amendments to a number of standards.

  The adoption of the improvements made in the 2014-2016 Cycle has had no material impact on the disclosures or the amounts recognized in the consolidated financial statements.

## 4.2.2. New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been endorsed but are not yet effective. Management is currently evaluating the impact of these new standards and interpretations but does not expect a material impact to the consolidated financial statements. Below is a listing of the upcoming new standards and interpretations:

- IFRS 9 Financial Instruments, annual periods on or after January 1, 2018.

  The standard sets out the principles for the recognition, derecognition, classification and measurement of financial assets and financial liabilities together with the requirements relating to the impairment of financial assets and hedge accounting.

  The Company has undertaken a detailed assessment of the impact on the financial asset classifications and the requirements for financial liabilities. The new hedging rules do not apply as the Company does not apply hedge accounting. The new impairment model for financial assets is an expected credit loss model, which has no impact associated within the earlier recognition of credit losses on the company.

- IFRS 15 Revenue Contracts with Customers, annual periods on or after January 1, 2018.

  The standard establishes when revenue should be recognized, how it should be measured and what disclosures about contracts with customers are needed.

  The Company estimates that there will be no material impact on the amounts recognized in the consolidated financial statements.

- IFRS 16 Leases, annual periods on or after January 1, 2019.

  The standard establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.

  The Company is in the process of undertaking a detailed assessment of the impact on the financial asset and liability classifications.

### 4.2.3. Use of estimates in the preparation of financial statements

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results in the future could differ from such estimates and the differences may be material to the financial statements.

### 4.2.4. Foreign currency translation

Transactions in currencies other than GBP are initially recorded at the rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing at the end of the reporting period. Gains and losses arising on exchange are included in the income statement for the year.

### 4.2.5. Revenue recognition

Revenue comprises the value for the rendering of services in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the stage of completion of the transaction at the balance sheet date can be measured reliably. The amount of revenue is not considered to be reliably measured until all significant contingencies relating to the sale have been resolved. The Company bases its estimates on historic results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### 4.2.6. Operating expenses

Operating expenses are calculated at cost and are recognized in the period to which they relate. Amortization and depreciation charges on intangible and tangible assets are based on cost and are calculated by the straight-line method over the estimated lives of the assets concerned.

### 4.2.7. Taxation

Income tax expense represents the sum of current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 4.2.8. Property, plant and equipment

Equipment is stated at cost less accumulated depreciation and any accumulated impairment.

If an item of property and equipment is comprised of several major components with different useful lives, each component is accounted for separately.

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| **Equipment** | **3-10 years** |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset. This is recognized in the income statement.

### 4.2.9. Intangible assets

**Acquired intangible assets**

Intangible assets acquired through acquisitions such as client lists are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their costs). Subsequent to initial recognition, intangible assets acquired in an acquisition are reported at cost less accumulated amortization (straight line) and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

| | |
|---|---|
| **Client list** | **7 years** |

### 4.2.10. Impairment

For tangible and intangible assets with finite lives, the Company reviews the carrying amounts at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

### 4.2.11. Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company has become a party (at trade date) to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amounts are reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the net asset and settle the liability simultaneously. Please refer to note 4.19 for categorization of financial instruments.

### 4.2.12. Trade receivables

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts. The carrying value approximates fair market value.

### 4.2.13. Work in progress

Work in progress is valued at the estimated realizable value of services already performed, but that are not yet invoiced. Work in progress is included within other receivables and accrued income.

### 4.2.14. Accrued income

Accrued income is stated at its nominal value. Accrued income includes fees for services provided but that are not yet invoiced.

### 4.2.15. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits. Cash and cash equivalents are measured at amortized cost using the effective interest method, less any impairment.

### 4.2.16. Trade payables

Trade payables are measured at amortized cost using the effective interest method, less any impairment. The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

### 4.2.17. Statement of cash flows

Cash and cash equivalents for the purpose of the statement of cash flows include cash on hand, deposits available on demand with central banks and net credit balances on current accounts with other banks.

The statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year.

### 4.2.18. Critical accounting judgments and key sources of estimation uncertainty

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets have has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value. The carrying amount of intangible assets as at December 31, 2017 was GBP 14,627 (2016: GBP 43,882). The Company did not identify any indicators of impairment in the current or in prior year.

There were no other critical accounting judgements.

# 4.3. Financial risk management

## 4.3.1. Risk overview

*In its operating environment and daily activities, the Company encounters various risks and constantly strives to* mitigate related risks.

The main risks identified by the Company, related to its activities, are:

(a) Market risk, which includes three types of risk:

   (i) Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates;

   (ii) Interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and

   (iii) *Other price risk: other than those arising from interest rate risk or currency risk* this includes the risk that the value of a financial instrument will fluctuate because of factors related to the issuer of the financial instrument or by broad market movement.

(b) Credit risk: the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

(c) Liquidity risk: the risk that obligations cannot be met due to a mismatch between the maturity profiles of assets and liabilities.

(d) Operational risk: the risk that losses occur because of the failing in procedures and information systems and the inability of internal controls to detect these failings.

(e) *Capital adequacy risk:* the risk that the *capital position is not consistent with the Company's overall risk profile and* strategy, and it therefore, holds an inappropriate level of capital against its minimum regulatory capital requirements.

### Market risk

The Company's policy is to reduce market risk to an acceptable level. Market risk embodies not only the potential for loss but also the potential for gain. There has been no change to the Company's exposure to market risks and the Board and Company Risk Officer continuously reviews the manner in which it manages and measures the risk.

### Currency risk

Currency risk is the current or prospective risk to earnings and capital arising from adverse movements in foreign exchange rates.

It is the Company's policy not to actively enter into risk positions and it usually refinances in the same currency with the same maturity. Therefore, the risk position is limited. Management has used natural hedging techniques to protect the Company from sudden fluctuations in the currency markets in relation to operating income and expenses.

The table below summarizes the Group's exposure to currency translated to GBP:

| | USD | GBP | Total |
|---|---|---|---|
| | GBP | GBP | GBP |
| As at December 31, 2017 | | | |
| *Current assets* | | | |
| Trade receivables | – | 78,944 | 78,944 |
| Other receivables and accrued income | – | 56,472 | 56,472 |
| Current tax assets | – | 4,835 | 4,835 |
| Cash and cash equivalents | 8,747 | 116,198 | 124,945 |
| Total assets | 8,747 | 256,449 | 265,196 |
| *Current liabilities* | | | |
| Current payables to affiliated companies | 104,898 | 10,496 | 115,394 |
| Other payables and accrued expenses | – | 33,000 | 33,000 |
| Deferred income | – | 36,542 | 36,542 |
| Current tax liabilities | – | 7,139 | 7,139 |
| Total liabilities | 104,898 | 87,177 | 192,075 |
| Net balance sheet position | (96,151) | 169,272 | 73,121 |
| As at December 31, 2016 | | | |
| Total assets | 132,178 | 908,022 | 1,040,200 |
| Total liabilities | – | 227,506 | 227,506 |
| Net balance sheet position | 132,178 | 680,516 | 812,694 |

### Interest rate risk

Interest rate risk is the current or prospective risk to earnings and capital arising from adverse movements in interest rates. Interest rate risk is controlled through the monitoring of deposits and short-term investments with the use of the interest balance sheet and maturity profile. Funding is short term in nature and placements (exclusive of short-term investments) are also on overnight basis. The amounts available for short-term investments are calculated on this deposit base.

The Company does not have significant exposure to interest rate risk.

**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast to actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarizes the Group's exposure to liquidity risk translated to GBP:

| | Up to 1 month | 1-3months | 3-12 months | Total |
|---|---|---|---|---|
| | GBP | GBP | GBP | GBP |
| As at December 31, 2017 | | | | |
| *Current assets* | | | | |
| Trade receivables | 20,285 | 10,331 | 48,328 | 78,944 |
| Other receivables and accrued income | – | 52,988 | 3,484 | 56,472 |
| Current tax assets | – | – | 4,835 | 4,835 |
| Cash and cash equivalents | 124,945 | – | – | 124,945 |
| Total assets | 145,230 | 63,319 | 56,647 | 265,196 |
| *Current liabilities* | | | | |
| Current payables to affiliated companies | 10,496 | – | 104,898 | 115,394 |
| Other payables and accrued expenses | – | 13,500 | 19,500 | 33,000 |
| Deferred income | 10,792 | 21,583 | 4,167 | 36,542 |
| Current tax liabilities | – | – | 7,139 | 7,139 |
| Total liabilities | 21,288 | 35,083 | 135,704 | 192,075 |
| As at December 31, 2016 | | | | |
| *Current assets* | | | | |
| Trade receivables | 93,410 | 9,940 | 52,041 | 155,391 |
| Other receivables and accrued income | – | – | 4,160 | 4,160 |
| Current tax assets | – | – | – | – |
| Cash and cash equivalents | 880,649 | – | – | 880,649 |
| Total assets | 974,059 | 9,940 | 56,201 | 1,040,200 |
| *Current liabilities* | | | | |
| Current payables to affiliated companies | – | 56,786 | – | 56,786 |
| Other payables and accrued expenses | – | – | 23,740 | 23,740 |
| Deferred income | 29,982 | 60,313 | 4,189 | 94,484 |
| Current tax liabilities | – | – | 52,496 | 52,496 |
| Total liabilities | 29,982 | 117,099 | 80,425 | 227,506 |

### Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from a debtor's failure to meet the terms of any contract with the Company or if a debtor otherwise fails to perform. Credit risk is monitored continuously by reviewing outstanding loans, temporary overdrafts and trade receivables by the account managers. There has been an increase in credit risk in the current year due to payments not being made by our debtors. We have considered this risk and have mitigated it in the financial statements by increasing our allowance for doubtful debts.

New extensions of credit are subject to written credit memoranda that must be appropriate to the established criteria of the loan policy approved by the appropriate level of management. The Company mitigates credit risk by choosing only reputable banks as counterparty for liquid funds and derivative financial instruments.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

### Operational risk

The Company has to process many complex transactions daily. To ensure the operational risk is adequately controlled, an extensive internal control framework has been set up, which includes an extensive training program for staff. Operational Risk Management frameworks have been established in all divisions and an Enterprise Risk Management framework is currently being implemented across the entire Citco Group.

### Reputational risk

The Company's reputation is critical in maintaining its relationship with clients and the general public. This reputation can be damaged, for instance, by misconduct by its employees, by activities of clients or business partners over which the Company has limited or no control, by severe or prolonged financial losses or by uncertainty about its financial soundness and its reliability. This could result in client attrition which could negatively impact its financial performance. The Company and the Citco Group acknowledge the importance of reputation and continuously seek measures to maintain or improve the high quality standard of services delivered while managing risks that could negatively affect the reputation of the Company.

The Company is authorized by the Financial Conduct Authority ('FCA') and must comply with its rules. Failure to do so could result in the FCA using its enforcement powers which include fines, prosecution and prohibition of individuals.

### Capital adequacy

The Company's Board reviews the capital structure on a routine basis. As a part of this review the Board considers the cost of capital and the risks associated with each business line. Based on the recommendations of the committee, the Company will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Company's overall strategy remains unchanged from 2016.

# 4.4. Personnel expenses

The Company had no employees during the current or prior year (reference is made to Directors' remuneration Note 4.22).

The personnel expenses relate to recharged expenses of staff employed by Citco London Limited, the Company's parent.

# 4.5. Depreciation and amortization

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | GBP | GBP |
| Equipment | 4.9 | – | 1,094 |
| Depreciation | | – | 1,094 |
| Operator contracts | 4.10 | 29,255 | 29,255 |
| Amortization | | 29,255 | 29,255 |
| Depreciation and amortization | | 29,255 | 30,349 |

# 4.6. Other operating expenses

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Auditor's remuneration | 27,000 | 27,000 |
| Other expenses | 190,392 | 32,997 |
| Other operating expenses | 217,392 | 59,997 |

## 4.6.1. Auditor's remuneration

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 24,000 | 21,000 |
| Other assurance services pursuant to legislation | 3,000 | 6,000 |
| Auditor's remuneration | 27,000 | 27,000 |

There were no other non-audit services provided by the auditor to the Company in the year or in the previous year.

# 4.7. Net finance income/(expense)

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Foreign exchange (loss)/gain | (7,338) | 22,192 |
| Net finance (expense)/income | (7,338) | 22,192 |

# 4.8. Income tax credit/(expense)

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Current tax expense: | | |
| Current tax | 46,595 | (31,755) |
| Income tax credit/(expense) | 46,595 | (31,755) |

**Reconciliation of the effective tax rate:**

| | | 2017 | | 2016 |
|---|---|---|---|---|
| | % | GBP | % | GBP |
| Net (loss)/profit before tax | | (226,507) | | 158,773 |
| Income tax at the corporation tax rate | | 46,595 | | (31,755) |
| Income tax credit/(expense) | 20 | 46,595 | 20 | (31,755) |

The UK corporation tax rate was 20% decreasing to 19% from April 2017 (2016: 20%). The setting of the corporate tax main rate to 19% from 20% was announced by the government at the 2015 Summer Budget.. For the purpose of the financial statements, we have used a group wide average rate of 20%.

# 4.9. Property, plant and equipment

| | Equipment 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Cost: | | |
| As at January 1, | 10,122 | 10,122 |
| As at December 31, | 10,122 | 10,122 |
| Accumulated depreciation and impairment: | | |
| As at January 1, | 10,122 | 9,028 |
| Depreciation | – | 1,094 |
| As at December 31, | 10,122 | 10,122 |
| Net carrying amount: | | |
| As at December 31, | – | – |

# 4.10. Intangible assets

| | Operator contracts 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Cost: | | |
| As at January 1, | 209,661 | 209,661 |
| As at December 31, | 209,661 | 209,661 |
| Accumulated amortization and impairment: | | |
| As at January 1, | 165,779 | 136,524 |
| Amortization charge | 29,255 | 29,255 |
| As at December 31, | 195,034 | 165,779 |
| Net carrying amount: | | |
| As at December 31, | 14,627 | 43,882 |

The intangibles arose from the purchase of a series of operator contracts. The useful life of the asset has been determined as finite and it is being amortized over a period of seven years on a straight-line basis. Under this method, the intangible asset is amortized in proportion to the aggregate income receivable over the lives of the contracts.

The Company reviews the carrying amounts at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

# 4.11. Deferred tax assets and deferred tax liabilities

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Deferred tax assets | 46,701 | – |

The following deferred tax assets and deferred tax liabilities were recognized by the Company:

| | Deferred tax assets | Deferred tax liabilities | Total |
|---|---|---|---|
| | GBP | GBP | GBP |
| As at January 1, 2017 | – | – | – |
| Increase | 46,701 | – | 46,701 |
| As at December 31, 2017 | 46,701 | – | 46,701 |

# 4.12. Trade receivables

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Trade receivables | 138,333 | 161,359 |
| Allowance for doubtful debts | (59,389) | (5,968) |
| As at December 31, | 78,944 | 155,391 |

An allowance has been made for estimated irrecoverable amounts from the services provided of GBP 59,389 (2016: GBP 5,968). This allowance has been determined based on a client specific methodology.

The Company does not hold any collateral over these balances.

The average age of the trade receivables is 138 days (2016: 96 days). No interest is charged on trade receivables which are past due.

## 4.12.1. Age of trade receivables past due but not impaired

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| 60-90 days | 1,200 | 25,053 |
| > 120 days | 33,178 | 15,858 |
| As at December 31, | 34,378 | 40,911 |

## 4.12.2. Movement in the allowance for doubtful debts

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| As at January 1, | 5,968 | 4,967 |
| Charge recognized in the income statement | 53,421 | 1,001 |
| As at December 31, | 59,389 | 5,968 |

In determining the recoverability of the trade receivables, the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debt.

# 4.13. Other receivables and accrued income

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Accrued income and work in progress | 58,808 | 4,160 |
| Accrued income | (2,336) | – |
| As at December 31, | 56,472 | 4,160 |

Work in progress is based on the hours recorded by staff on clients multiplied by the hourly rate, which have not been invoiced to clients at year-end. A provision is made for time recorded where it is doubtful that this will be invoiced to the client.

# 4.14. Cash and cash equivalents

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | GBP | GBP |
| Bank balances with affiliated companies | 4.21 | 123,880 | 422,752 |
| Current accounts with other banks | | 1,065 | 457,897 |
| As at December 31, | | 124,945 | 880,649 |

# 4.15. Share capital

Authorized shares:

| | 2017 | 2016 |
|---|---|---|
| | Number of shares | Number of shares |
| Ordinary shares at a par value of GBP 1 each | 385,000 | 385,000 |

Ordinary shares issued and fully paid:

| | Number of shares | GBP |
|---|---|---|
| As at January 1, 2016 | 385,000 | 385,000 |
| As at December 31, 2016, December 31, 2017 | 385,000 | 385,000 |

The Company has one class of ordinary shares which carry no right to fixed income.

# 4.16. Current payables to affiliated companies

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | GBP | GBP |
| Citco (UK) Limited | | 104,898 | – |
| Citco London Limited | | 10,496 | 56,786 |
| As at December 31, | 4.21 | 115,394 | 56,786 |

# 4.17. Other payables and accrued expenses

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Interest payable | – | 240 |
| Other payables | 33,000 | 23,500 |
| As at December 31, | 33,000 | 23,740 |

At a Group level financial risk management policies are in place to ensure that all payables are paid within the credit time frame.

# 4.18. Deferred income

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Administrative services still to be performed | 36,542 | 94,484 |
| Current | 36,542 | 94,484 |
| As at December 31, | 36,542 | 94,484 |

## 4.19. Categories of financial assets and financial liabilities

### Financial Assets

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Cash and cash equivalents | 124,945 | 880,649 |
| Loans and receivables | 135,416 | 159,551 |
| As at December 31, | 260,361 | 1,040,200 |

### Financial Liabilities

| | 2017 | 2016 |
|---|---|---|
| | GBP | GBP |
| Financial liabilities measured at amortized cost | 148,394 | 80,526 |
| As at December 31, | 148,394 | 80,526 |

## 4.20. Financial assets and liabilities not carried at fair value

The fair value of assets and liabilities maturing within 12 months is assumed to approximate their carrying amount.

## 4.21. Related party transactions

Cash balance held with affiliate of GBP 123,880 (2016: GBP 422,752) relate to funds with Citco Bank Nederland NV and does not earn interest (Note 4.14).

Related party transactions are recognized on an arm's length basis. A summary of the transactions between the Company and its affiliated companies for the year ended December 31, are as follows:

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | GBP | GBP |
| Amounts due to: | | | |
| Citco (UK) Limited | | 104,898 | – |
| Citco London Limited | | 10,496 | 56,786 |
| Balance payable at December 31, | | 115,394 | 56,786 |

Throughout the year the Company received charges of GBP 217,425 from affiliated Citco Group entities for indirect overheads and use of shared services in the course of its business (2016: GBP 182,990).

# 4.22. Directors' remuneration

The directors had employment contracts with other companies within the Citco Group throughout the year. It is not practical to allocate the total remuneration for their services between the Company and other companies of the respective Citco Group serviced.

# 4.23. Events after the reporting date

There were no events that have occurred subsequent to December 31, 2017 through to the date that the financial statements were signed which would require further adjustment or disclosure.

# 5. Independent Auditor's Report to the Members of Citco REIF Services UK Limited

**Independent auditor's report to the members of Citco REIF Services UK Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements:

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

We have audited the financial statements of Citco REIF Services UK Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 4.1 to 4.23.

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

**Basis for opinion**

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

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

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

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

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

We have nothing to report in respect of these matters.

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

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

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:

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

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

**Matters on which we are required to report by exception**
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

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

We have nothing to report in respect of these matters.

J Hodge

Jessica Hodges (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
24 April 2018

# 6. Unaudited Financial Instruments and Pillar 3 Disclosures

### Introduction

Because of the nature of the Company's business, it falls within the scope of the Base II Accord ('Base II'), implemented through the EU Capital Adequacy and Banking Consolidation Directives. Together these require the Company to make certain disclosures under 'Pillar 3' of the capital framework implemented by Basel II. Pillar 3 complements the existing pillars: minimum capital requirement (Pillar 1) and the supervisory review process (Pillar 2). Its aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess the key pieces of information on Company's capital, risk exposures, and risk assessment procedures.

The Company intends to make the disclosures annually in its annual report. All the disclosures made herein are of the position at December 31, 2017, and are disclosed on an individual, stand-alone basis for the Company. The Company will not disclose items judged by the directors to be immaterial. Information is considered to be material if its omission or misstatement could change or influence the assessment or decision of a user relying on it to make economic decisions. None of the statements made is subject to audit.

### Financial risk management objectives and policies

The objective of financial risk management is to plan, organize and perform sufficient actions to provide reasonable assurance that the Company's overall objectives and goals will be met; and to limit the risk of adverse events occurring to a level that is acceptable to the directors.

The Company identifies and manages its key financial risks by means of a risk management approach that is appropriate to its size while preserving its effectiveness. Key parts of the policy to manage financial risk, including operational risks, are:

- regular management meetings;
- regular management information;
- regular compliance monitoring; and
- annual risk assessment as part of the Company's ICAAP process.

The Company does not hedge any of its financial risks.

### Exposure to credit risk

The Company assesses its exposure to liquidity risk as part of its ICAAP process and the implementation of its Liquidity Risk Management Framework and maintains regulatory capital to cover the assessed risk of adverse changes in the value of the Company's assets, including its illiquid assets.

### Exposure to cash flow risk

The Company seeks to maintain at all times sufficient funds in readily accessible accounts with its bankers to meet its liabilities when they fall due. Details of the balances are given in the statement of financial position on page 8.

In accordance with the FCA rules the Company maintains capital equivalent to one quarter of its fixed overheads (its 'fixed overhead requirement'). The relevant figure to the maintained is kept under regular review.

## Capital resources

The Company's capital resources comprise only core tier capital, specifically permanent equity share capital and audited retained earnings.

The Company's tier one capital and deductions made there from in accordance with FCA's rules at December 31, 2017 are summarized as follows:

| | 2017 | 2016 |
|---|---|---|
| | GBP 000 | GBP 000 |
| Permanent equity capital | 385 | 385 |
| Audited retained earnings | (251) | 472 |
| Deductions (intangible assets) | (15) | (44) |
| Tier one capital | 119 | 813 |
| Capital requirement | (87) | (54) |
| Surplus of own funds | 32 | 759 |

## Compliance with BIPRU 3,4,6,7 and 10

As a limited license firm, the Company is required to hold minimum capital being the higher of:

(i) its base capital requirement (being EUR 50,000); or

(ii) its fixed overhead requirement; and

(iii) the sum of its credit risk and market risk requirements.

There is no requirement for the Company to hold any capital in respect of operational risk. However, the Company reviews the adequacy of its internal capital, taking into accounts its capital resources requirements and its current and future activities, at least annually and determines whether it is prudent to hold capital in excess of its capital resources requirements in respect of certain risks.

The Company has no trading book. It therefore has no minimum capital requirements in respect of trading book business.

The Company has no material foreign currency exposure. It therefore has no minimum capital requirements in respect of foreign currency exposure.

The Company has no positions in commodities and therefore no commodity position risk requirement.

As a limited license firm there is no requirement for the Company to maintain an operational risk capital requirement.

The Company has neither retail nor equity exposures that require any allocation of capital.

The Company does not engage in any derivative trading or otherwise take positions in derivative instruments. It therefore has no counterparty risk in relation to such transactions.

The Company does not engage in securitization.

The Company has no non-trading book exposures in equities.

## Credit risk and dilution risk

The directors consider, for accounting purposes, an exposure to be 'past due' when a counterparty has failed to make a payment when contractually due. The directors consider an exposure to be 'impaired' when it becomes likely that the exposure will realize less than its book value. The directors review all receivables for impairment on a regular basis and make provisions where they consider it appropriate.

At December 31, 2017 the directors considered GBP 61,725 to be impaired and accordingly a provision for this amount is included in the financial statements.

**Risk weighted exposure amounts in accordance with the standardized approach**

The Company employs the simplified method of assessing weighted exposure amounts and does not employ ratings agencies in connection with this exercise. The Company's only exposure is in respect of its current account which is held with a subsidiary of the Company's parent group. The relevant, risk weighted exposure as at December 31, 2017 is GBP 9,910.

**Exposures to interest rate risk in the non-trading book**

The Company is exposed to interest-rate risk only in relation to monies held on interest-bearing deposit with the Company's bankers, although the risk involved is considered negligible and accordingly a detailed measurement of interest rate risk has not been undertaken.

**Remuneration**

The Company ensures that its remuneration of Code Staff is in line with its business strategy, objectives, values and long-term interests, promotes sound and effective risk management, and does not encourage risk-taking that exceeds the Company's level of tolerated risk.

The Remuneration Committee is made up of at least three members of Senior Management drawn from the Company's parent entities, including at least one representative from the risk or internal audit functions. No change in the remuneration of the Code Staff, including the payment of discretionary bonuses or the agreement of guaranteed bonuses, will be made by the Board without having first received a recommendation from the Remuneration Committee.

Various members of the Company's Code Staff also perform functions within other subsidiaries of the Company's parent group. The following disclosures are therefore in respect of the Company and the Company's group:

| | The Company | The Group (excluding the Company) | Number of Code Staff |
|---|---|---|---|
| | GBP | GBP | |
| Remuneration for the period | 33,193 | 347,375 | 2 |