

Citco London Limited and Subsidiaries

Annual Report 2017

Registered Number: 3818926

CITCO



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1. Officers and Professional Advisers

Directors

M Francombe

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. Strategic Report

The directors present their strategic report together with the audited consolidated financial statements of the "Group" for the year ended December 31, 2017.

Principal activities

The principal activity of the Company is the provision of company secretarial and trust administration services. The Group is also the representative office in the United Kingdom of the Citco Corporate & Trust Division. The Group also acts as a regulated operator of collective investment schemes through its subsidiary Citco REIF Services UK Limited. There are no known future developments or expected changes to occur.

Results and dividends

The Group's loss for the year is GBP 170,723 (2016: Profit GBP 224,229) and is shown in the Consolidated Statement of Comprehensive Income. There were no other recognized gains or losses in the year (2016: Nil). There are no proposed dividends.

Key performance indicators

The performance of the business has been analyzed at group level, in line with group policy. The directors have monitored performance indicators and are satisfied with the Group's performance. The principal performance indicators are income and profit levels, along with financial resources, all of which are monitored on a monthly basis against annual targets.

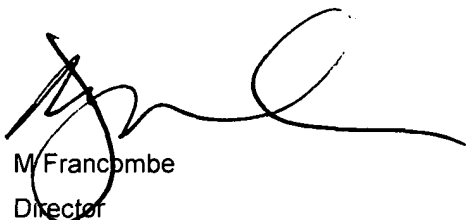
Principal risks and uncertainties

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

Future developments in the business

There are no future developments in the business.

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



M. Franccombe
Director

7 Albemarle Street, London, W1S 4HQ

September 26, 2018

2. Report of the Directors

The directors present their report together with the audited financial statements of Citco London Limited (the 'Company') and its subsidiaries (together, the 'Group') for the year ended December 31, 2017.

Principal activities

The principal activity of the Company is the provision of company secretarial and trust administration services. The Group is also the representative office in the United Kingdom of the Citco Corporate & Trust Division. The Group also acts as a regulated operator of collective investment schemes through its subsidiary Citco REIF Services UK Limited. There are no known future developments or expected changes to occur.

Results and dividends

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Going concern

The directors are satisfied with the performance of the Group. The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the for at least twelve months from the date of signing of these financial statements. 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

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 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 Group and of the profit or loss of the Group or 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 Group'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 Group'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 Group 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 Group auditor is unaware; and
- (b) the director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

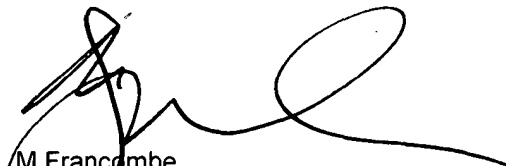
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP 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.

This directors' report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

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



M Francombe
Director

7 Albemarle Street, London, W1S 4HQ

September 26, 2018

3. Consolidated Financial Statements

Consolidated statement of comprehensive income for the year ended December 31

	Note	2017 GBP	2016 GBP
Revenue:			
Operating income		2,130,272	2,193,185
Operating expenses:			
Personnel expenses	4.4	1,042,494	987,921
Office rent		210,574	178,491
Office and administration expenses		26,766	27,283
Professional services	4.5	28,036	39,998
Depreciation, amortization and impairment	4.6	30,008	34,581
Movement in allowance for doubtful debts	4.13	108,993	(18,164)
Other operating expenses	4.7	892,245	729,587
		<u>2,339,116</u>	<u>1,979,697</u>
Net (loss)/profit from operations		(208,844)	213,488
Net finance income	4.8	<u>4,366</u>	<u>63,481</u>
Net (loss)/profit before tax		(204,478)	276,969
Income tax credit/(expense)	4.9	<u>33,755</u>	<u>(52,740)</u>
Net (loss)/profit after tax and total comprehensive income		<u>(170,723)</u>	<u>224,229</u>
Attributable to:			
Shareholder of the Company		<u>(170,723)</u>	<u>224,229</u>
Net (loss)/profit for the year		<u>(170,723)</u>	<u>224,229</u>

All results derive from continuing operations.

The notes on pages 11 to 32 form an integral part of these consolidated financial statements.

Consolidated statement of financial position as at December 31

	Note	2017	2016
		GBP	GBP
Assets			
Non-current assets			
Property, plant and equipment	4.10	503	1,256
Intangible assets	4.11	144,805	174,060
Deferred tax assets	4.12	55,891	12,470
		201,199	187,786
Current assets			
Trade receivables	4.13	711,309	787,064
Other receivables and accrued income	4.14	135,944	59,883
Current receivables from affiliated companies	4.18	72,482	76,451
Current tax assets		4,835	—
Cash and cash equivalents	4.15	776,698	2,275,562
		1,701,268	3,198,960
Total assets		1,902,467	3,386,746
Equity and liabilities			
Share capital	4.16	364,168	1,764,168
Retained earnings		690,442	861,165
Total equity attributable to shareholder of the Company		1,054,610	2,625,333
Current liabilities			
Other payables and accrued expenses	4.20	361,140	281,789
Current payables to affiliated companies	4.19	158,769	79,496
Deferred income	4.21	324,826	357,279
Current tax liabilities		3,122	42,849
		847,857	761,413
Total equity and liabilities		1,902,467	3,386,746

The notes on pages 11 to 32 form an integral part of these consolidated financial statements.

The consolidated financial statements for Citco London Limited and Subsidiaries (Registered number 3818926) were approved by the Board of Directors and authorized for issuance on September 26, 2018 and are signed on its behalf by:



M Francombe
Director

Consolidated 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	1,764,168	861,165	2,625,333
Net loss for the year and total comprehensive income	—	(170,723)	(170,723)
Reduction of issued ordinary shares (Note 4.16)	(1,400,000)	—	(1,400,000)
Total transactions with shareholder	(1,400,000)	—	(1,400,000)
Total equity attributable to shareholder of the Company as at December 31, 2017	364,168	690,442	1,054,610

	Issued ordinary shares	Retained earnings	Total
	GBP	GBP	GBP
Balance as at January 1, 2016	1,764,168	636,936	2,401,104
Net profit for the year and total comprehensive income	—	224,229	224,229
Total equity attributable to shareholder of the Company as at December 31, 2016	1,764,168	861,165	2,625,333

The notes on pages 11 to 32 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows under indirect method for the year ended December 31

	Note	2017 GBP	2016 GBP
Cash flows from operating activities:			
Net (loss)/profit for the year		(170,723)	224,229
Adjusted for:			
• Income tax credit/(expense)	4.9	(33,755)	52,740
• Depreciation and amortization	4.6	30,008	34,581
• Net finance income	4.8	117	608
		(174,353)	312,158
Movement in working capital:			
• Decrease/(increase) in trade receivables		75,755	(236,881)
• Increase in other receivables and accrued income		(76,061)	(27,963)
• Decrease/(increase) in current receivables of affiliated companies		3,969	(65,920)
• Increase in other payables and accrued expenses		79,351	50,782
• Increase/(decrease) in current payables to affiliated companies		79,273	(608)
• Increase in current tax liabilities		(777)	–
• (Decrease)/Increase in deferred income		(32,453)	14,257
Cash (used in)/generated by operations		(45,296)	45,825
Interest paid		(117)	(708)
Interest received		–	100
Income taxes paid		(53,451)	(59,989)
Net cash flow used in operating activities		(98,864)	(14,772)
		(1,400,000)	
Reduction of issued ordinary shares	4.16)	–
Net cash flow used in financing activities		(1,400,000)	–
Net decrease in cash and cash equivalents		(1,498,864)	(14,772)
Cash and cash equivalents:			
Cash and cash equivalents as at January 1,	4.15	2,275,562	2,290,334
Cash and cash equivalents as at December 31,	4.15	776,698	2,275,562
Net decrease in cash and cash equivalents		(1,498,864)	(14,772)

The notes on pages 11 to 32 form an integral part of these consolidated financial statements.

4. Notes to the Consolidated Financial Statements

4.1. General

4.1.1. Ownership

Citco London Limited (hereafter referred to as 'the Company') was incorporated on July 29, 1999 as a private limited company in England in the United Kingdom. The Company is Limited by Shares. The Company is a wholly-owned subsidiary of CC&T Holdings Limited, which is a member of the group headed by Citco III Limited (the 'Citco Group'), incorporated in George Town, Grand Cayman, Cayman Islands. Citco III Limited is the ultimate controlling party of 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 CC&T Holdings Limited, a company incorporated in the Cyprus.

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

Citco Corporate and Trust ('CCT')

The Group acts as the United Kingdom office for the CCT division. CCT services are offered internationally throughout Citco's offices in Europe, the Americas, the Caribbean, the Indian Ocean, Australia, and Asia. Through these offices, CCT provides management, registered office services, legal, accounting, administration, and web-based services to clients seeking to protect their assets and gain access to worldwide financial markets.

Services offered include:

- *Real Estate Investment Fund Services*
REIF Services group offers a product program available to the Real Estate Investment Fund industry.
- *Multinational Clients*
Provides full corporate domiciliary and management services, fiduciary management, and accounts and legal support services regardless of jurisdiction.
- *Private Client and Family Advisory*
Tailors solutions for high net worth individuals looking for wealth management.
- *Global Subsidiary Governance Services*
Assists multinational companies in meeting the challenges presented in complying with today's global standards of good corporate governance.
- *Corporate Client Services*
Establishes, organizes, and manages corporations in a choice of jurisdictions.
- *Structured Finance*
Provides quality corporate management and administration services from the most important capital markets.

The Group also acts as a regulated operator of UK collective investment schemes, through its subsidiary Citco REIF Services UK Limited.

4.1.3. Group structure

The consolidated financial statements include the financial statements of the Company and its subsidiaries, which include the following companies. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect returns through its power over the investee.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition.

All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

Name	Activities	Principal place of business	Ownership
- Citco REIF Services UK Limited	The principal activity of the Company is to act as an operator of unregulated collective investment schemes	7 Albemarle Street, London, W1S 4HQ, UK	100%
- Citco Management (UK) Limited	The company has been dormant as defined in section 1169 of the Companies Act 2006 throughout the year and the preceding financial period. It is anticipated that the company will remain dormant for the foreseeable future.	7 Albemarle Street, London, W1S 4HQ, UK	100%
- Marle (UK) Limited	The company has been dormant as defined in section 1169 of the Companies Act 2006 throughout the year and the preceding financial period. It is anticipated that the company will remain dormant for the foreseeable future.	7 Albemarle Street, London, W1S 4HQ, UK	100%
- Marle Nominees Limited	The company has been dormant as defined in section 1169 of the Companies Act 2006 throughout the year and the preceding financial period. Company was dissolved on 20 February 2018.	7 Albemarle Street, London, W1S 4HQ, UK	100%

It should be noted that there are no financial statements prepared or filed for Citco Management (UK) Limited, Marle (UK) Limited or Marle Nominees Limited as these are dormant entities. The dormant subsidiaries of the Group have taken advantage under s394A of the Companies Act 2006 exemption from preparing individual accounts. These subsidiaries are exempt from the requirement to prepare individual accounts by virtue of this section.

4.1.4. Currency

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

4.1.5. Approval of the Board

These consolidated financial statements have been approved for issuance by the Board of Directors on September 26, 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.

Going Concern

The directors have, at the time of approving these financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements are prepared on the going concern basis of accounting.

Comparative Figures

In order to align with current year's presentation certain insignificant changes have been made to the comparative figures. These reclassifications have no effect on the total equity or the net result for the year.

4.2.1. New and amended standards adopted by the Group

- 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 judgement 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 (Note 4.2.21).

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 consolidated 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 Group's activities. The Group 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 consolidated 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 Group bases its estimates on historic results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is generated from contractual service agreements with the Group's clients.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable. Interest income is recognized as earned.

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 (excluding intangible assets with indefinite lives (i.e. goodwill)) 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. Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

4.2.8. Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 Group'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 consolidated 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.

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 Group 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 Other Comprehensive Income ('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.

4.2.9. Property, plant and equipment

Machinery and equipment and leasehold improvements are 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:

Machinery and equipment	3-10 years
Leasehold improvements	Term of the lease

These assets are reviewed at each reporting period for indications of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated based on its fair value. 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. In addition, the useful lives of these assets are also reviewed and adjusted, if appropriate, at each reporting period.

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 consolidated income statement.

4.2.10. Intangible assets

Goodwill and operator contracts

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
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4.2.11. Impairment

For intangible assets with indefinite lives (i.e. goodwill), the Group reviews the carrying amount at the end of the reporting period and earlier if such indication warrants impairment testing. For tangible and intangible assets with finite lives, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and wherever there is an indication that the asset may be impaired.

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. Subsequent reversals of impairment losses are not allowed for goodwill

impairments.

4.2.12. Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group 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.

4.2.13. Trade receivables

Trade receivables are measured at their amortized cost using the effective interest method, less any impairment.

4.2.14. 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.

4.2.15. Accrued income

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

4.2.16. Deferred income

Deferred income is stated at nominal value. Deferred income relates to income invoiced but not earned until a future reporting period.

4.2.17. 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.

4.2.18. Trade payables

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

4.2.19. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, the provision is determined by discounting the expected future cash flows. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.2.20. Consolidated 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.

4.2.21. 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 assets 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 was GBP 144,805 as at

December 31, 2017 (2016: GBP 174,060). The recoverable amounts were higher than the net carrying amount and it is not sensitive to any individual assumption.

In the eyes of the Directors there were no key sources of estimation uncertainty.

4.3. Financial risk management

4.3.1. Risk overview

In its operating environment and daily activities, the Group encounters various risks and constantly strives to mitigate related risks. In this process, the Group uses financial instruments including derivatives.

The main risks identified by the Group, 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;
- (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 Group's overall risk profile and strategy, and it therefore, holds an inappropriate level of capital against its minimum regulatory capital requirements.

Market risk

The Group'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 Group's exposure to market risks and the Board and Group 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.

The Group's income is generated primarily in GBP and does not give rise to significant currency risk. A proportion of the Group's overheads are invoiced in US Dollars by other entities within Citco group. The Company manages this currency risk by ensuring that such invoices are settled promptly to limit the exposure to outstanding amounts.

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 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 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 Group does not have significant exposure to interest rate movements.

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 Group 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 Group mitigates credit risk by choosing only reputable banks as counterparty for liquid funds and derivative financial instruments.

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

Liquidity risk management

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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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.

Liquidity risk table

The following table details the Group's remaining contractual maturity for its financial assets and liabilities. The table has been drawn up based on the cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay.

	Up to 1 month	1-3 months	3-12 months	Total
	GBP	GBP	GBP	GBP
As at December 31, 2017:				
<i>Current assets</i>				
Trade receivables	232,126	339,920	139,263	711,309
Other receivables and accrued income	–	106,272	3,000	109,272
Current receivables from affiliated companies	72,482	–	–	72,482
Cash and cash equivalents	776,698	–	–	776,698
Total assets	<u>1,081,306</u>	<u>446,192</u>	<u>142,263</u>	<u>1,669,761</u>
<i>Current liabilities</i>				
Other payables and accrued expenses	116,129	245,011	–	361,140
Current payables to affiliated companies	158,769	–	–	158,769
Deferred income	77,202	154,403	93,221	324,826
Total liabilities	<u>352,100</u>	<u>399,414</u>	<u>93,221</u>	<u>844,735</u>

	Up to 1 month	1-3 months	3-12 months	Total
	GBP	GBP	GBP	GBP
As at December 31, 2016:				
Current assets				
Trade receivables	222,287	112,009	452,768	787,064
Other receivables and accrued income	–	54,020	1,500	55,520
Current receivables from affiliated companies	76,451	–	–	76,451
Cash and cash equivalents	2,275,562	–	–	2,275,562
Total assets	<u>2,574,300</u>	<u>166,029</u>	<u>454,268</u>	<u>3,194,597</u>
Current liabilities				
Other payables and accrued expenses	43,808	237,981	–	281,789
Current payables to affiliated companies	79,496	–	–	79,496
Deferred income	71,732	141,598	143,949	357,279
Total liabilities	<u>195,036</u>	<u>379,579</u>	<u>143,949</u>	<u>718,564</u>

Operational risk

To ensure the operational risk is adequately controlled, an extensive internal control framework has been set up. Also an extensive training program staff has been introduced in view of the growth of the Group. Operational Risk Management frameworks have been established in all divisions and an Enterprise Risk Management framework is currently being implemented across all Citco companies.

Reputational risk

The Group'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 Group 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 Group.

Capital adequacy

The Group's directors review the capital structure on a routine basis. As a part of this review the directors consider the cost of capital and the risks associated with each business line. The Group 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

	2017	2016
	GBP	GBP
Salaries and bonuses	626,230	686,852
Social charges and taxes	164,176	149,525
Pension expenses	45,765	47,271
Other personnel expenses	206,323	104,273
Personnel expenses	<u>1,042,494</u>	<u>987,921</u>

The average number of full-time employees for the year was 8 (2016: 8).

Personnel expenses include the expenses associated with the Board of Directors. See Note 4.25 for Directors' remuneration.

4.5. Professional services other than audit fees

	2017	2016
	GBP	GBP
Legal fees	(1,800)	828
Tax fees	10,024	13,000
Other	19,812	26,170
Professional services other than audit fees	<u>28,036</u>	<u>39,998</u>

4.6. Depreciation and amortization

	Note	2017	2016
		GBP	GBP
Machinery and equipment	4.10	753	5,141
Leasehold improvements	4.10	–	184
Depreciation		<u>753</u>	<u>5,325</u>
Other intangibles	4.11	29,255	29,256
Amortization		<u>29,255</u>	<u>29,256</u>
Depreciation and amortization		<u>30,008</u>	<u>34,581</u>

4.7. Other operating expenses

	2017	2016
	GBP	GBP
Infrastructure support fees	387,918	306,368
Group Management fees	221,754	170,560
Group IT Management fees	131,442	97,141
Fees payable to the Group' Auditor	57,000	45,375
Royalty fee	29,406	34,548
Travel	27,063	30,737
Training	4,898	3,090
Other	32,764	41,768
Other operating expenses	<u>892,245</u>	<u>729,587</u>

4.7.1. Auditor's remuneration

	2017	2016
	GBP	GBP
Fees payable to the Company's auditors for the audit of the Group's annual accounts	30,000	30,000
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries annual accounts	21,000	21,000
Total audit fee	<u>51,000</u>	<u>51,000</u>
Other services pursuant to legislation	6,000	6,000
Total non-audit fee	<u>6,000</u>	<u>6,000</u>
Auditor's remuneration	<u>57,000</u>	<u>57,000</u>

4.8. Net finance income

	2017	2016
	GBP	GBP
Interest income	—	100
Interest expense	(117)	(708)
Foreign exchange gain	4,483	64,089
Net finance income	<u>4,366</u>	<u>63,481</u>

All interest income and expenses are attributable to continuing operations.

4.9. Income tax credit/(expense)

	2017	2016
	GBP	GBP
Current tax expense:		
Current tax	(2,625)	(51,662)
Previous year tax	(5,463)	499
	(8,088)	(51,163)
Deferred tax expense:		
Current year	41,843	(1,577)
	41,843	(1,577)
Income tax credit/(expense) in the consolidated income statement	33,755	(52,740)

Reconciliation of the effective tax rate:

		2017		2016
	%	GBP	%	GBP
Net (loss)/profit before tax		(204,478)		276,969
Income tax using the domestic tax rate of	20.0	(40,896)	20.0	55,394
Other adjustments	(0.8)	1,678	(0.7)	(2,155)
Impact of prior year's adjustments	(2.7)	5,463	(0.2)	(499)
Income tax expense	16.5	(33,755)	19.1	52,740

The total amount of unrecognized deferred tax assets at December 31, 2017 amounted to GBP Nil (2016: GBP Nil).

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%.

4.10. Property, plant and equipment

	Machinery and equipment GBP	Leasehold improvements GBP	Total GBP
Cost:			
As at January 1, 2017	189,089	98,565	287,654
Disposals	(57,382)	–	(57,382)
As at December 31, 2017	131,707	98,565	230,272
Accumulated depreciation:			
As at January 1, 2017	187,833	98,565	286,398
Depreciation	753	–	753
Disposals	(57,382)	–	(57,382)
As at December 31, 2017	131,204	98,565	229,769
Net carrying amount:			
As at December 31, 2017	503	–	503

	Machinery and equipment GBP	Leasehold improvements GBP	Total GBP
Cost:			
As at January 1, 2016	189,089	98,565	287,654
Additions	–	–	–
As at December 31, 2016	189,089	98,565	287,654
Accumulated depreciation:			
As at January 1, 2016	182,692	98,381	281,073
Depreciation	5,141	184	5,325
As at December 31, 2016	187,833	98,565	286,398
Net carrying amount:			
As at December 31, 2016	1,256	–	1,256

The net carrying amount of the Group's equipment includes an amount of GBP Nil (2016: GBP Nil) in respect of assets held under finance leases.

4.11. Intangible assets

	Goodwill	Operator contracts	Total
	GBP	GBP	GBP
Cost:			
As at January 1, 2017	130,178	209,661	339,839
Additions	-	-	-
As at December 31, 2017	130,178	209,661	339,839
Accumulated amortization:			
As at January 1, 2017	-	165,779	165,779
Amortization	-	29,255	29,255
As at December 31, 2017	-	195,034	195,034
Net carrying amount:			
As at December 31, 2017	130,178	14,627	144,805

	Goodwill	Operator contracts	Total
	GBP	GBP	GBP
Cost:			
As at January 1, 2016	130,178	209,661	339,839
Additions	-	-	-
As at December 31, 2016	130,178	209,661	339,839
Accumulated amortization:			
As at January 1, 2016	-	136,523	136,523
Amortization	-	29,256	29,256
As at December 31, 2016	-	165,779	165,779
Net carrying amount:			
As at December 31, 2016	130,178	43,882	174,060

The goodwill arose on the acquisition of Equity Partnerships Fund Management Limited (subsequently renamed Citco REIF Services UK Limited) and represents a single cash generating unit. The other intangible asset arose from the purchase of a series of operator contracts. The useful life of this 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 impairment test was undertaken using a value in use calculation and the results showed that the recoverable amounts were higher than the net carrying amount and it is not sensitive to any individual assumption.

4.12. Deferred tax assets and deferred tax liabilities

	2017	2016
	GBP	GBP
Deferred tax assets	<u>55,891</u>	<u>12,470</u>

The following deferred tax assets were recognized by the Group:

	Deferred tax assets	Total
	GBP	GBP
As at January 1, 2017	12,470	–
Increase	<u>43,421</u>	<u>–</u>
As at December 31, 2017	<u>55,891</u>	<u>–</u>

	Deferred tax assets	Total
	GBP	GBP
As at January 1, 2016	14,047	14,047
Decrease	<u>(1,577)</u>	<u>(1,577)</u>
As at December 31, 2016	<u>12,470</u>	<u>12,470</u>

4.13. Trade receivables

	2017	2016
	GBP	GBP
Trade receivables	841,900	808,662
Allowance for doubtful debts	(130,591)	(21,598)
As at December 31,	<u>711,309</u>	<u>787,064</u>

An allowance has been made for estimated irrecoverable amounts from the services provided of GBP 130,591 (2016: GBP 21,598). This allowance has been determined based on a client specific methodology.

The Group does not hold any collateral over these balances.

The average age of these receivables is 190 days (2016: 187 days). No interest is charged on trade receivables which are past due.

4.13.1. Age of trade receivables past due but not impaired

	2017	2016
	GBP	GBP
30-60 days	656	31,397
60-90 days	32,159	195,975
> 120 days	49,051	25,198
As at December 31	<u>81,866</u>	<u>252,570</u>

4.13.2. Movement in the allowance for doubtful debts

	2017	2016
	GBP	GBP
As at January 1	21,598	43,814
Amounts recovered during the year	–	(4,052)
Increase/(decrease) in allowance recognized in consolidated income statement	108,993	(18,164)
As at December 31	<u>130,591</u>	<u>21,598</u>

In determining the recoverability of the trade receivables, the Group 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.

4.14. Other receivables and accrued income

	2017	2016
	GBP	GBP
Accrued income, work in progress	99,268	34,735
Prepaid expenses	26,672	4,363
Security deposits	3,000	1,500
Other receivables	7,004	19,285
As at December 31	<u>135,944</u>	<u>59,883</u>

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.

4.15. Cash and cash equivalents

	2017	2016
	GBP	GBP
Bank balance with affiliated companies	474,875	1,055,050
Current accounts with other banks	301,823	1,220,512
As at December 31	<u>776,698</u>	<u>2,275,562</u>

4.16. Share capital

Authorized shares:

	2017	2016
	Number of shares	Number of shares
Ordinary shares at a par value of GBP 1 each	<u>364,168</u>	<u>1,764,168</u>

Ordinary shares issued and fully paid:

	Number of shares	GBP
As at January 1, 2016	<u>1,764,168</u>	<u>1,764,168</u>
As at December 31, 2016	1,764,168	1,764,168
Movement	<u>(1,400,000)</u>	<u>-</u>
As at December 31, 2017	<u>364,168</u>	<u>1,764,168</u>

On July 3, 2017 the share capital of the Company has been reduced from GBP 1,764,168 to GBP 364,168 by cancelling and extinguishing 1,400,000 of the ordinary shares of GBP 1 each, which was fully paid.

4.17. Retirement benefit schemes

Defined contribution schemes

The Group pays premiums to defined contribution retirement schemes for qualifying employees except for employees that are defined as Citco Group employees. The assets of the schemes are held separately from those of the Group in funds under the control of trusts, foundations and the like. Where there are employees who leave the scheme prior to vesting fully in the contributions, contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to the consolidated income statement of GBP 45,765 (2016: GBP 47,271) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. This amount is relating to Citco London Limited.

4.18. Current receivables from affiliated companies

	Note	2017 GBP	2016 GBP
Citco (UK) Limited		56,947	–
Citco C&T Holdings (Luxembourg) S.à r.l.		14,831	71,365
Citco REIF Services (Luxembourg) S.A.		704	3,022
The Citco Group Limited		–	2,064
As at December 31	4.24	<u>72,482</u>	<u>76,451</u>

Repayment terms on the above affiliated company balances are within one month. No interest is due on these balances.

4.19. Current payables to affiliated companies

	Note	2017 GBP	2016 GBP
Citco (UK) Limited		104,898	14,346
Citco Fund Services (London) Limited		42,730	42,730
7 Albemarle Street Limited		7,665	20,955
Citco Vilnius, UAB		3,470	1,465
Citco Bank Nederland N.V.		6	–
As at December 31	4.24	<u>158,769</u>	<u>79,496</u>

Repayment terms on the above affiliated company balances are within one month. No interest is due on these balances.

4.20. Other payables and accrued expenses

	2017	2016
	GBP	GBP
Accrued expenses	121,512	95,753
VAT/sales tax payable	80,099	77,013
Pension payable	60,262	4,605
Taxes and social security contributions payable	22,979	20,850
Other payables	76,288	83,568
As at December 31	<u>361,140</u>	<u>281,789</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the permitted credit terms.

4.21. Deferred income

	2017	2016
	GBP	GBP
Administrative services still to be performed	<u>324,826</u>	<u>357,279</u>

Deferred income is payable within one year.

4.22. Categories of financial assets and financial liabilities

Financial Assets

	2017	2016
	GBP	GBP
Cash and cash equivalents	776,698	2,275,562
Loans and receivables	924,570	923,397
As at December 31	<u>1,701,268</u>	<u>3,198,959</u>

Financial Liabilities

	2017	2016
	GBP	GBP
Current payables affiliated companies	158,769	79,496
Current tax liabilities	3,122	42,849
As at December 31	<u>161,889</u>	<u>122,345</u>

4.23. Operating lease arrangements

Lease payments under operating leases recognized in the consolidated income statement for the year ended December 31, 2017 amount to GBP 138,445 thousand (2016: GBP 120,141 thousand).

As at the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	GBP	GBP
Within one year	128,768	138,445
In the second to fifth year inclusive	408,866	552,636
After five years	–	34,355
As at December 31	<u>537,634</u>	<u>725,436</u>

Operating lease payments includes rentals payable by the Group for its office and residential properties under non-cancellable leases expiring within 7 years. On renewal the term of the lease are negotiated.

4.24. Related party transactions

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

The Group has intercompany current account balances with affiliated companies as follows, on an arm's length basis:

	Note	2017	2016
		GBP	GBP
Receivables	4.18	72,482	76,451
Payables	4.19	(158,769)	(79,496)
Net balance (payable) as at December 31		<u>(86,287)</u>	<u>(3,045)</u>

The following services were provided by the Group to affiliated companies:

	2017	2016
	GBP	GBP
Operational services	<u>758,720</u>	<u>706,886</u>

The following services were provided by affiliated companies to the Group:

	2017	2016
	GBP	GBP
Operational services	601,982	485,872
Management fees	221,754	170,560
Information technology services expense	131,442	97,141
Royalty fee	29,406	34,548
Interest expense	117	24
As at December 31	<u>984,701</u>	<u>788,145</u>

4.25. Directors' remuneration

Remuneration paid to the directors during the year was as follows:

	2017	2016
	GBP	GBP
Salary and fringe benefits	455,466	389,256
Pension premiums	32,070	26,100
Directors' remuneration	<u>487,536</u>	<u>415,356</u>

The remuneration of the directors is decided by the shareholder.

Remuneration of the highest paid director:

	2017	2016
	GBP	GBP
Salary and fringe benefits	285,976	278,116
Pension premiums	16,520	16,200
Remuneration of highest paid director	<u>302,496</u>	<u>294,316</u>

4.26. 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. Citco London Limited Financial Statements

Citco London Limited statement of financial position as at December 31

	Note	2017	2016
		GBP	GBP
Assets			
Non-current assets			
Property, plant and equipment	6.5	503	1,256
Investment in subsidiaries	6.6	562,499	562,499
Deferred tax assets		<u>9,191</u>	<u>12,470</u>
		572,193	576,225
Current assets			
Trade receivables	6.7	632,365	631,672
Other receivables and accrued income	6.8	79,472	55,724
Cash and cash equivalents	6.9	651,753	1,394,913
Current receivables from affiliated companies	6.10	<u>82,977</u>	<u>133,237</u>
		1,446,567	2,215,546
Total assets		<u>2,018,760</u>	<u>2,791,771</u>
Equity and liabilities			
Share capital	4.16	364,168	1,764,168
Retained earnings		<u>988,314</u>	<u>437,246</u>
Total equity attributable to shareholder of the Company		1,352,482	2,201,414
Current liabilities			
Other payables and accrued expenses	6.12	321,001	237,309
Current payables to affiliated companies	6.11	53,871	79,496
Deferred income	6.13	288,284	262,794
Current tax liabilities		<u>3,122</u>	<u>10,758</u>
		666,278	590,357
Total equity and liabilities		<u>2,018,760</u>	<u>2,791,771</u>

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 11 to 32. The notes identified on page 36 to 42 are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the notes (identified numerically) on pages 11 to 32.

As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the parent Company. The profit and loss account for the Company reflects a £551,068 profit for the year (2016: £95,865 profit).

ANNUAL REPORT 2017

The consolidated financial statements were approved by the Board of Directors and authorized for issuance on September 26, 2018 and are signed on its behalf by:

A handwritten signature in black ink, appearing to be 'M. Fracombe', written over a horizontal line.

M. Fracombe
Director

Citco London Limited 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	1,764,168	437,246	2,201,414
Net profit for the year and total comprehensive income	–	551,068	551,068
Reduction of issued ordinary shares (Note 4.16)	(1,400,000)	–	(1,400,000)
Total transactions with shareholder	(1,400,000)	–	(1,400,000)
Total equity attributable to shareholder of the Company as at December 31, 2017	364,168	988,314	1,352,482

	Issued ordinary shares	Retained earnings	Total
	GBP	GBP	GBP
Balance as at January 1, 2016	1,764,168	341,381	2,105,549
Net profit for the year and total comprehensive income	–	95,865	95,865
Total equity attributable to shareholder of the Company as at December 31, 2016	1,764,168	437,246	2,201,414

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 11 to 32. The notes identified on page 36 to 42 are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the notes (identified numerically) on pages 11 to 32.

6. Notes to the Citco London Limited Financial Statements

6.1. Accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those in Note 4.2 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

6.2. Financial risk management

Liquidity risk management

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.

Liquidity risk table

The following table details the Company's remaining contractual maturity for its financial assets and liabilities. The table has been drawn up based on the cash flows of financial assets and liabilities based on the earliest date on which the Company can be required to pay.

	Up to 1 month	1-3 months	3-12 months	Total
	GBP	GBP	GBP	GBP
Current assets				
Trade receivables	211,842	264,805	155,718	632,365
Other receivables and accrued income	–	76,472	3,000	79,472
Current receivables affiliated companies	82,977	–	–	82,977
Cash and cash equivalents	651,753	–	–	651,753
Total assets	946,572	341,277	158,718	1,446,567
Current liabilities				
Other payables and accrued expenses	115,368	205,632	–	321,000
Current payables affiliated companies	53,871	–	–	53,871
Deferred income	48,749	97,498	142,038	288,285
Current tax liabilities	–	3,122	–	3,122
Total liabilities	217,988	306,252	142,038	666,278

6.3. Personnel expenses

	2017	2016
	GBP	GBP
Salaries and bonuses	626,230	686,852
Social charges and taxes	164,176	149,525
Pension expenses	45,765	47,271
Other personnel expenses	104,765	104,273
Personnel expenses	<u>940,936</u>	<u>987,921</u>

The average number of full-time employees for the year was 7 (2016: 8).

6.4. Income tax credit/(expense)

	2017	2016
	GBP	GBP
Current tax expense:		
Current year	6,218	19,570
Prior year	3,678	(499)
	<u>9,896</u>	<u>19,071</u>
Deferred tax expenses:		
Current year	2,088	3,881
Prior year	1,191	(2,303)
Total income tax expense	<u>13,175</u>	<u>20,649</u>

Reconciliation of the effective tax rate:

		2017		2016
	%	GBP	%	GBP
Net profit/(loss) before tax		<u>564,244</u>		<u>116,514</u>
Income tax using the domestic corporate income tax rate of	20.0	112,849	20.3	23,594
Exempt income (Dividend)	(19.2)	(108,443)	—	—
Non-deductible items and other	—	3,901	—	(143)
Impact of prior years adjustments	0.9	4,869	(2.4)	(2,802)
Income tax expense	<u>2.3</u>	<u>13,176</u>	<u>17.7</u>	<u>20,649</u>

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%.

6.5. Property, plant and equipment

	Machinery and equipment	Leasehold improvements	Total
	GBP	GBP	GBP
Cost:			
As at January 1, 2017	178,966	98,565	277,531
Disposals	(57,382)	–	(57,382)
As at December 31, 2017	<u>121,584</u>	<u>98,565</u>	<u>220,149</u>
Accumulated depreciation:			
As at January 1, 2017	177,710	98,565	276,275
Depreciation	753	–	753
Disposals	(57,382)	–	(57,382)
As at December 31, 2017	<u>121,081</u>	<u>98,565</u>	<u>219,646</u>
Net carrying amount:			
As at December 31, 2017	<u>503</u>	<u>–</u>	<u>503</u>

	Machinery and equipment	Leasehold improvements	Total
	GBP	GBP	GBP
Cost:			
As at January 1, 2016	178,966	98,565	277,531
As at December 31, 2016	<u>178,966</u>	<u>98,565</u>	<u>277,531</u>
Accumulated depreciation:			
As at January 1, 2016	173,663	98,381	272,044
Depreciation	4,047	184	4,231
As at December 31, 2016	<u>177,710</u>	<u>98,565</u>	<u>276,275</u>
Net carrying amount:			
As at December 31, 2016	<u>1,256</u>	<u>–</u>	<u>1,256</u>

6.6. Investment in subsidiaries

	2017	2016
	GBP	GBP
As at December 31,	<u>562,499</u>	<u>562,499</u>

There were no movements in investment in subsidiaries in either year.

See note 4.1.3 for further detail of each subsidiary, including principal activities and place of business.

6.7. Trade receivables

	2017	2016
	GBP	GBP
Trade receivables	703,568	647,303
Allowance for doubtful debts	<u>(71,203)</u>	<u>(15,631)</u>
As at December 31,	<u>632,365</u>	<u>631,672</u>

An allowance has been made for estimated irrecoverable amounts from the services provided of GBP 71,203 (2016: GBP 15,631). This allowance has been determined based on a specific identification methodology.

The Company does not hold any collateral over these balances.

The average age of these receivables is 130 days (2016: 119 days). No interest is charged on trade receivables which are past due.

6.7.1. Ageing of trade receivables past due but not impaired

	2017	2016
	GBP	GBP
30-60 days	656	31,397
60-90 days	30,959	170,923
> 120 days	<u>15,873</u>	<u>9,340</u>
Total	<u>47,487</u>	<u>211,660</u>

6.7.2. Movement in the allowance for doubtful debts

	2017	2016
	GBP	GBP
As at January 1,	15,631	38,846
Amounts written off during the year	—	(4,050)
Increase/(decrease) in allowance recognized in the income statement	<u>55,572</u>	<u>(19,165)</u>
As at December 31,	<u>71,203</u>	<u>15,631</u>

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

debts.

6.8. Other receivables and accrued income

	2017	2016
	GBP	GBP
Accrued income, work in progress	42,796	30,575
Prepaid expenses	26,672	4,363
Security deposits	3,000	1,500
Other receivables	7,004	19,286
As at December 31,	<u>79,472</u>	<u>55,724</u>

Accrued income 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.

6.9. Cash and cash equivalents

	2017	2016
	GBP	GBP
Bank balance with affiliated companies	349,930	632,298
Current accounts with other banks	301,823	762,615
As at December 31,	<u>651,753</u>	<u>1,394,913</u>

6.10. Current receivables from affiliated companies

	Note	2017	2016
		GBP	GBP
Citco Management (UK) Limited		56,947	–
Citco C&T Holdings (Luxembourg) S.à r.l.		14,831	71,365
Citco REIF Services UK Limited		10,495	56,786
Citco REIF Services (Luxembourg) S.A.		704	3,022
The Citco Group Limited		–	2,064
As at December 31,	6	<u>82,977</u>	<u>133,237</u>

6.11. Current payables to affiliated companies

	Note	2017	2016
		GBP	GBP
Citco Fund Services (London) Limited		42,730	42,730
7 Albemarle Street Limited		7,665	20,955
Citco Vilnius, UAB		–	14,346
Citco REIF Services (Luxembourg) S.A.		3,470	1,465
Citco Bank Nederland N.V.		6	–
As at December 31,	6	<u>53,871</u>	<u>79,496</u>

6.12. Other payables and accrued expenses

	2017	2016
	GBP	GBP
Accrued expenses	88,511	72,253
VAT/sales tax payable	73,722	57,116
Pension fund premium payable	60,262	4,605
Taxes and social security contributions payable	22,979	20,850
Other payables	75,527	82,485
As at December 31,	<u>321,001</u>	<u>237,309</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the permitted credit terms.

6.13. Deferred income

	2017	2016
	GBP	GBP
Administrative services still to be performed	<u>288,284</u>	<u>262,794</u>

Deferred income is payable within one year.

6.14. Related party transactions

A summary of the transactions between the Company and its related parties are as follows:

	Note	2017 GBP	2016 GBP
Receivables	6.7	82,977	133,237
Payables	6.8	(53,871)	(79,496)
Net receivable/(payable) as at December 31,		<u>29,106</u>	<u>53,741</u>

The following services were provided by the Company to affiliated companies:

	2017 GBP	2016 GBP
Operational services	<u>976,145</u>	<u>889,876</u>

The following services were provided by the affiliated companies to the Company:

	2017 GBP	2016 GBP
Operational services	349,373	306,827
Intercompany expense recharge	210,724	179,504
Management fees	158,025	170,560
Information technology services expense	94,255	97,141
Royalty fee	21,101	26,238
Interest expense	117	15
As at December 31,	<u>833,595</u>	<u>780,285</u>

6.15. Directors' remuneration

Details of the Company's directors' remuneration are given in the Group Consolidated Financial Statements Note 4.25.

6.16. Events after the reporting date

Details of the Company's subsequent events are given in the Group Consolidated Annual Statement, Note 4.26.

7. Independent Auditor's Report

Independent auditor's report to the members of Citco London Limited

Report on the audit of the financial statements

Opinion

In our opinion:

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

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the related notes on consolidated statements from 4.1 to 4.26
- the related notes on parent company statements from 6.2 to 6.16

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions 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 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 group's or the parent 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 group's and the parent 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 group or the parent 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 group and of the parent company and their 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

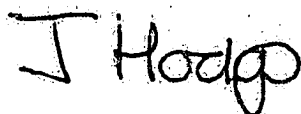
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

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.



Jessica Hodges (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

26 September 2018