

Registered number: 03889608

## **CIT FINANCIAL SERVICES LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**



**CIT FINANCIAL SERVICES LIMITED  
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**CIT FINANCIAL SERVICES LIMITED**  
**COMPANY INFORMATION**

<b>DIRECTORS</b>	C Johnston J Barroll Brown
<b>SECRETARY</b>	C Johnston
<b>COMPANY NUMBER</b>	03889608
<b>REGISTERED OFFICE</b>	50 Jermyn Street London SW1Y 6LX
<b>AUDITOR</b>	Deloitte LLP Statutory Auditor London United Kingdom
<b>BANKERS</b>	Barclays Bank PLC Leicester L87 2BB
<b>SOLICITORS</b>	Jones Day 21 Tudor Street London EC4Y 0DJ

## **CIT FINANCIAL SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018**

The directors present their strategic report for the year ended 31 March 2018. In preparing this strategic report the Directors have complied with section 414C of the Companies Act 2006.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the company is the provision of property investment management services. The company is regulated by the Financial Conduct Authority in respect of the investment business activities that it conducts in the United Kingdom.

The immediate parent of the company is CIT Group Partners LLP, a partnership which is incorporated in the United Kingdom and registered in England and Wales.

The company's income is dependent upon the ability to fulfil the terms of the service agreements to which the company is a party. Management considers that appropriate monitoring controls are in place to mitigate the risk of non-performance of contractual terms.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

After making detailed enquiries, and based upon current information available to them, the directors believe that the company is well placed to manage its risk successfully.

#### **BUSINESS RISK**

The directors have considered the ability of the company to continue its operational activities for the foreseeable future, to generate positive cash flows and to settle liabilities as they fall due. These considerations have been made in light of the current recovery in the global economy and in the UK real estate sector from which the majority of income is derived.

The directors have concluded that the company is in a position to continue in operational existence for the foreseeable future, and to settle liabilities as they fall due.

#### **GOING CONCERN**

The directors have considered the current and projected future financial position of the company, including its ongoing financial requirements. Income predominantly arises from management of commercial real estate for which management fees are earned. The company is party to agreements under which income will continue to be earned at current levels for the foreseeable future despite economic uncertainty.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in the preparation of the annual accounts. Further details regarding the adoption of the going concern basis can be found in note 1.2 to the financial statements.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company does not have any financial instruments other than cash and short-term debtors and creditors. Cash balances are held within a major UK bank and earn competitive rates of interest.

The company has exposure to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are outlined below.

**CIT FINANCIAL SERVICES LIMITED**  
**STRATEGIC REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**Market Risk**

The company operates primarily in the UK property market which, following a substantial decline in value as a result of the global financial crisis, has entered into a period of recovery and growth over the recent years. This market presents the company with further opportunities to acquire real estate on behalf of investors, whilst strengthening the security of income streams derived from existing assets under management.

The risk that rental levels and the value of properties under CIT management may fall is mitigated by a rigorous investment appraisal process and the experience within the group's asset management team.

**Liquidity Risk**

The company is funded by equity and internal debt. Management considers that this provides the necessary resources to operate the business as desired. The company maintains sufficient cash and liquid resources to meet its obligations. The company's liquidity requirements are determined by regular forecasting. Where surplus funds arise, these are generally placed on fixed term deposit.

**Interest Rate Risk**

The company does not borrow in its own right. This risk is therefore considered low.

**Credit Rate Risk**

The company is dependent upon receiving the fees due to it. The company is able to substantially mitigate its credit risk as the fees are due from the Funds it manages and from CIT Group Partners LLP, its parent entity. This risk is therefore mitigated.

**Capital Risk Management**

Capital risk management is disclosed in further information within pillar 3 of the supplementary information on page 17.

**ANALYSIS OF DEVELOPMENT AND PERFORMANCE DURING THE YEAR**

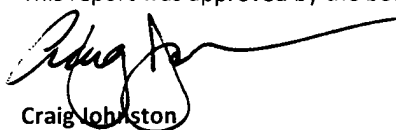
Management consider the profit for the year to be a key performance indicator. The profit for the year, after taxation, amounted to £19,799 (2017 - £24,865). Net assets as at 31<sup>st</sup> March 2018 were £301,341 (2017 - £281,542).

**FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE**

*The income in the company arises from property investment management services. The company will continue to undertake services for third party investors generating fee income.*

The directors are not aware, at the time of this report, of any important events occurring since the end of the financial year or of any likely major changes in the activities of the company in the forthcoming financial year.

This report was approved by the board on 28<sup>th</sup> June 2018 and signed on its behalf.



**Craig Johnston**  
Director  
50 Jermyn Street  
London  
SW1Y 6LX

## **CIT FINANCIAL SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018**

The directors present their annual report and the audited financial statements for the year ended 31 March 2018. The following items have been dealt with in the strategic report; financial risk management and objectives, events after the balance sheet date, future developments and principal activities.

#### **DIRECTORS**

The directors who served throughout the period until the date of signing the accounts were:

C Johnston  
J Barroll Brown

#### **DIVIDENDS**

No dividend was paid or proposed in the year (2017 - £Nil).

#### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **PROVISION OF INFORMATION TO AUDITOR**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information 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 Section 418 of the Companies Act 2006.

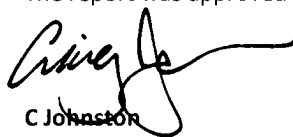
#### **AUDITOR**

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

#### **PILLAR 3 DISCLOSURE**

The company is categorised as a collective portfolio management investment firm and a BIPRU firm by its regulator, the Financial Conduct Authority (FCA). As such it is required to disclose certain information set out in BIPRU Chapter 11 of the FCA handbook of rules and guidance. The disclosure is included as supplementary information on pages 17 to 20. The disclosure does not form part of the financial statements and is not subject to audit.

The report was approved by the board on 28<sup>th</sup> June 2018 and signed on its behalf.



C Johnston  
Director  
50 Jermyn Street  
London  
SW1Y 6LX

**CIT FINANCIAL SERVICES LIMITED**

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2018**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 "the Financial Reporting Standard applicable in the UK and republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

## **CIT FINANCIAL SERVICES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIT FINANCIAL SERVICES LIMITED**

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CIT Financial Services Ltd (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **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



**CIT FINANCIAL SERVICES LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIT FINANCIAL SERVICES LIMITED**  
**(CONTINUED)**

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](http://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.

**CIT FINANCIAL SERVICES LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIT FINANCIAL SERVICES LIMITED  
(CONTINUED)**

**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.

**Philip Doherty FCA (Senior Statutory Auditor)**

For and on behalf of

Deloitte LLP

Statutory Auditor

London

United Kingdom

28<sup>th</sup> June 2018

**CIT FINANCIAL SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	Year ended 31 March 2018 £	Year ended 31 March 2017 £
<b>TURNOVER</b>	<b>3</b>	<b>146,664</b>	<b>170,182</b>
Administrative expenses		<u>(122,220)</u>	<u>(139,101)</u>
<b>OPERATING PROFIT</b>	<b>4,5</b>	<b>24,444</b>	<b>31,081</b>
Interest receivable and similar income		<u>-</u>	<u>-</u>
<b>PROFIT BEFORE TAXATION</b>		<b>24,444</b>	<b>31,081</b>
Tax on profit	<b>6</b>	<u>(4,644)</u>	<u>(6,216)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS</b>		<u><b>19,800</b></u>	<u><b>24,865</b></u>

All amounts relate to continuing operations.

There was no other income for 2018 or 2017 other than that included in the Profit and Loss Account, consequently, a statement of comprehensive Income has not been prepared.

The notes on pages 12 to 16 form part of these financial statements.

**CIT FINANCIAL SERVICES LIMITED**

Registered Number: 03889608

**BALANCE SHEET  
AS AT 31 MARCH 2018**

		31 March 2018		31 March 2017	
	Notes	£	£	£	£
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	7	62,428		16,473	
Cash at bank and in hand		<u>282,645</u>		<u>343,595</u>	
		345,073		360,068	
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(43,732)</u>		<u>(78,526)</u>	
<b>NET CURRENT ASSETS</b>			<u>301,341</u>		<u>281,542</u>
<b>NET ASSETS</b>			<u>301,341</u>		<u>281,542</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital			100,000		100,000
Profit and loss account	9		<u>201,341</u>		<u>181,542</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>301,341</u>		<u>281,542</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28<sup>th</sup> June 2018.

  
Craig Johnston  
Director

The notes on pages 12 to 16 form part of these financial statements.

**CIT FINANCIAL SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital £	Profit and loss account £	Total £
At 1 April 2016	100,000	156,677	256,677
Profit for the financial year	-	24,865	24,865
Total comprehensive income	-	24,865	24,865
At 1 April 2017	100,000	181,542	281,542
Profit for the financial year	-	19,800	19,800
Total comprehensive profit	-	19,800	19,800
<b>At 31 March 2018</b>	<b>100,000</b>	<b>201,342</b>	<b>301,342</b>

The notes on pages 12 to 16 form part of these financial statements.

## **CIT FINANCIAL SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

#### **1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

##### **1.1. General information and basis of preparation of financial statements**

CIT Financial Services Limited is a private company limited by shares and is both incorporated and registered in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, which has been consistently applied in the current and preceding year.

The functional currency of CIT Financial Services Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

##### **1.2. Going concern**

The company has sufficient resources to continue its operational activities. The company is party to agreements under which income will continue to be earned at current levels for the foreseeable future. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the annual accounts.

##### **1.3. Turnover**

Turnover comprises revenue recognised by the company in respect of services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recognised when earned.

##### **1.4. Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates enacted and laws that have been enacted or substantively enacted by the balance sheet date.

##### **1.5. Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in the profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

## **CIT FINANCIAL SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2018**

#### **1.6. Financial Instruments**

##### **Recognition**

Financial assets are recognised on the Company's financial position when the company becomes party to the contractual provisions of the instruments on a trade date basis.

##### **Financial assets**

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. It is included in current assets, except for maturities greater than 12 months after end of the reporting period. These are classified as non-current assets.

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments. The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through the profit or loss, transaction costs are included in the initial measurement of the instrument. Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

At each reporting date the Company assesses all financial assets, other than those at the fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. Any impairment is recognised in profit or loss.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks. These are initially and subsequently recorded at fair value.

##### **Financial liabilities**

##### **Trade and other payables**

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

#### **1.7. Cash flow Statement/related party transactions/key management personnel compensation/disclosure of financial instruments**

Under the provisions of Financial Reporting Standard No. 102, the company meets the definition of a qualifying entity and has taken advantage of exemptions available from the requirements to produce a cash flow statement, detail related party transactions, provide information in relation to key management personnel and disclose financial instruments on the grounds that it is a subsidiary of a parent undertaking which has included the requisite information in its own financial statements. Details of the parent undertaking are given in note 10 on page 16.

## **2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are

## CIT FINANCIAL SERVICES LIMITED

based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The directors do not consider there to be any critical accounting judgements or key sources of estimation uncertainty in the preparation of the financial statements.

### 3. TURNOVER

Geographical segmental analysis of turnover by destination:

	2018 £	2017 £
UK	80,750	109,878
Europe	65,914	60,304
	<u>146,664</u>	<u>170,182</u>

In the view of the directors, there is only one class of business, that of property management services.

### 4. OPERATING PROFIT

The operating profit is stated after:

	2018 £	2017 £
Fees payable to the company's auditor for the audit of the company's annual accounts	5,460	5,200
Non-audit fees - taxation services	3,080	1,823
Non-audit fees – audit related assurance services	6,300	6,000
<b>Total non-audit fees</b>	<u>9,380</u>	<u>7,823</u>
Foreign exchange loss	<u>3,144</u>	<u>1,930</u>

### 5. STAFF COSTS

During the year the company had no employees (2017 – none). The directors did not receive remuneration for their services to the company during the year (2017 – £Nil).

### 6. TAX ON PROFIT

	2018 £	2017 £
<b>Analysis of tax charge in the year</b>		
UK corporation tax charge on profit for the year	<u>4,644</u>	<u>6,216</u>
<b>Tax charge on profit</b>	<u>4,644</u>	<u>6,216</u>



**CIT FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2018**

**Factors affecting tax charge for the year**

The tax assessed for the year is 19% (2017 - 20%), which is the standard rate of corporation tax in the UK.

<b>Profit before tax</b>	<u>24,444</u>	<u>31,081</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	<u>4,644</u>	<u>6,216</u>
<b>Total tax charge for the year</b> (see note above)	<u>4,644</u>	<u>6,216</u>

**7. DEBTORS: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade debtors	47,917	12,110
Amounts owed by group undertakings	-	-
Other debtors	-	-
Corporation tax	<u>14,511</u>	<u>4,363</u>
	<u>62,428</u>	<u>16,473</u>

**8. CREDITORS: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	13,411	64,568
Accruals and deferred income	<u>30,321</u>	<u>13,958</u>
	<u>43,732</u>	<u>78,526</u>

The amounts owed to group undertakings are repayable on demand. There is no interest charged on the balance.

**9. CALLED UP SHARE CAPITAL AND RESERVES**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Authorised, allotted, called up and fully paid</b>		
100,000 Ordinary share of £1	<u>100,000</u>	<u>100,000</u>

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

The profit and loss reserve represents cumulative profits or losses, net of dividends paid.

**CIT FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2018**

**10. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

In the opinion of the directors, the immediate parent undertaking is CIT Group Partners LLP, a partnership which is incorporated in the United Kingdom and registered in England and Wales (50 Jermyn Street, London, SW1Y 6LX), and the ultimate parent company and controlling entity is CIT Holdings Limited, a company incorporated in the Bahamas and registered in England and Wales (50 Jermyn Street, London, SW1Y 6LX).

CIT Group Limited is the parent company of the smallest group which includes the company and for which group accounts are prepared, the largest group which includes the company is CIT Holdings Limited. The consolidated accounts of CIT Group Limited are available to the public from the Company Secretary, CIT Group Limited, 50 Jermyn Street, London, SW1Y 6LX.

## CIT FINANCIAL SERVICES LIMITED

### SUPPLEMENTARY INFORMATION (Not subject to audit)

#### Pillar 3 disclosure

##### Background

The Capital Requirements Directive ("CRD") and the Alternative Investment Fund Managers Directive ("AIFMD") of the European Union establish a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the CRD and AIFMD have been implemented by the Financial Conduct Authority (the "FCA") in its regulations through the General Prudential sourcebook ("GENPRU") and the Prudential sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") and the Interim Prudential sourcebook for Investment Business ("IPRU-INV").

The FCA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet its Pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it might be exposed to. This involves preparation of an Internal Capital Adequacy Assessment Process (ICAAP) on at least an annual basis; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The AIFMD adds further capital requirements based on the alternative investment fund ("AIF") assets under management and professional liability risks.

The rules setting out the requirements for Pillar 3 disclosure are set out in BIPRU Chapter 11. This statement is designed to meet the Pillar 3 disclosure requirements for CIT Financial Services Limited (the "Firm"). GENPRU and BIPRU apply to the Firm but IPRU-INV does not.

This statement is verified by the Firm's board of directors. Unless otherwise stated, all figures are as at the 2018 financial year-end.

The Firm is permitted to omit required disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm.

In addition, the Firm may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In the Firm's view, proprietary information is that which, if it were shared, would undermine the Firm's competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with its customers, suppliers and counterparties.

The Firm has made no omissions on the grounds that they are immaterial, proprietary or confidential.

The Firm has omitted certain data on the grounds of materiality.

Where the Firm has chosen to omit information because it is proprietary or confidential it has explained the omission and provided its reason.

**SUPPLEMENTARY INFORMATION (Not subject to audit) continued**

**Scope of application of directive requirements**

The Firm is authorised and regulated by the Financial Conduct Authority to undertake certain types of designated investment business and is categorised as a collective portfolio management investment firm and a BIPRU firm for capital purposes. It is a full-scope UK AIFM (alternative investment fund manager) pursuant to the AIFMD and the adopting UK legislation. As a result, the Firm is required to meet AIFMD capital requirements and disclosure requirements. The Firm also undertakes other activities which result in it being a BIPRU firm. The Firm has no trading book exposure.

The company makes the Pillar 3 disclosure, as required by BIPRU Chapter 11, on an annual basis. The disclosure is made as at the accounting reference date and included in the Firm's annual report and accounts.

The Firm is a wholly-owned subsidiary undertaking of CIT Group Partners LLP and its results are included in the consolidated accounts prepared by CIT Group Partners LLP's parent undertaking, CIT Group Limited. The Firm is not part of a UK consolidation group for prudential purposes. Therefore, this disclosure is made on an individual basis under BIPRU 11.2.1.

**Risk management objectives and policies**

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitoring and manage risks arising in the business. The Firm is governed by its directors who determine its business strategy and risk appetite. The directors are also responsible for identification and mitigation of risk.

The directors meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The directors engage in the Firm's risks through a framework of policies and procedures having regard to the relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The directors use source and scenario-based analysis to identify risks the Firm may be exposed to. The following risk categories have been identified as applicable to the Firm:

- Business risk
- Operational risk
- Market (Currency) risk
- Credit risk
- Concentration risk

The directors implement systems and controls designed to reduce the exposure of the Firm to the risks identified. They seek to offset these risks where appropriate, for example, via insurance. The directors then consider the likelihood and financial impact of the risks identified, in light of the controls in place, in order to determine the amount of capital that the Firm should hold in Pillar 2 against each risk category.

An ICAAP is carried out on at least an annual basis. Based on the ICAAP dated 25 May 2018 (including financial information as at 31 March 2018, the directors do not consider it necessary for the Firm to hold capital in addition to that required by the capital resources requirement calculated under Pillar 1.

## CIT FINANCIAL SERVICES LIMITED

### SUPPLEMENTARY INFORMATION (Not subject to audit) continued

#### Capital resources

The Firm is a limited liability company and its capital arrangements are established in its articles of association.

The Firm monitors its compliance with capital adequacy requirements on an ongoing basis. The Firm held adequate capital resources to meet both its Pillar 1 and ICAAP (Pillar 2) capital requirements throughout the year to 31 March 2018.

As a full-scope UK AIFM, the Firm's capital requirement under Pillar 1 is the greater of:

- Its base capital requirement (€125,000 plus 0.02% of the amount by which the AIFs under management exceed €250m);
- The sum of its market and credit risk requirements; or
- Its fixed overhead requirement.

At 31 March 2018, the base capital requirement was £110,000 (€125,000) (using 31 March 2018 exchange rates), the sum of the market and credit risk requirements was £15,000 and the fixed overhead requirement was £34,000. Therefore the Firm was required to hold £110,000 capital under Pillar 1.

The capital held by the Firm at 31 March 2018 totalled £301,341 consisting of £100,000 ordinary share capital and £201,341 profit and loss reserves. The capital held by the Firm is all categorised as core tier 1 capital and there are no deductions from capital.

The Firm held a surplus of capital of £191,341 over the Pillar 1 capital resources requirement at the year end.

Historically, both the sum of the market and credit risk requirements and the fixed overheads requirement have been significantly less than the base capital requirement. Projections show that this is expected to be the case going forward. The directors therefore expect the Firm's Pillar 1 capital requirements to continue to be £110,000 (€125,000).

The Firm follows the standardised approach to market risk and to credit risk. As a BIPRU firm, the Firm is not required to calculate an operational risk capital requirement.

#### Remuneration code disclosure

The following remuneration policy disclosure complies with the 'Guidelines on sound remuneration policies under the AIFMD' issued by the European Securities and Markets Authority. The Firm is subject to the AIFM Remuneration Code and BIPRU Remuneration Code, both of which are included in the Senior Management Arrangements, Systems and Controls ("SYSC") part of the FCA's Handbook of rules and guidance (High Level Standards). The AIFM Remuneration Code is contained in SYSC 19B and the BIPRU Remuneration Code is contained in SYSC 19C. As a full-scope UK AIFM which complies with SYSC 19B and also therefore complies with SYSC 19C, the Firm is not required to demonstrate compliance with SYSC 19C. This policy covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

The Firm's business is to provide property investment management services.

**SUPPLEMENTARY INFORMATION (Not subject to audit) continued**

The Firm's remuneration policy is designed to ensure that it complies with the AIFM Remuneration Code and that its compensation arrangements:

1. are consistent with and promote sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest such as those covered in the Firm's policies and procedures i.e. investment conflicts, valuation conflicts, information distribution and disclosure conflicts, personnel conflicts and relationship conflicts; and
4. are in line with the Firm's business strategy, objectives, values and long-term interests.

**Proportionality**

European Union legislation and guidelines on remuneration include the principle of proportionality. The FCA has sought to apply proportionality by instituting two tests. Firstly, a firm that is significant in terms of its size must disclose quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel. Secondly, a firm must make a disclosure that is appropriate to the size, internal organisation and the nature, scope and complexity of its activities.

The Firm is not 'significant' (that is to say it has relevant total assets of under £50 bn\*) and so makes this disclosure in accordance with the second test (BIPRU 11.5.20 R (2)).

\*average total assets on the last 3 accounting dates)

**Application of the requirements**

The Firm is required to disclose certain information on at least an annual basis regarding its remuneration policy and practices for those staff members whose professional activities have a material impact on the risk profile of the Firm or of any AIF the Firm manages. This disclosure is made in accordance with the Firm's size, internal organization and nature, scope and complexity of its activities. The Firm's full Remuneration Policy is available at the request of investors.

1. Summary of information on the decision-making process used for determining the Firm's remuneration policy including use of external benchmarking consultants where relevant:
  - The Firm's policy has been agreed by the senior management in line with the AIFM Remuneration Code principles laid down by the FCA.
  - Due to the size, internal organisation of the Firm and the nature, scope and complexity of its activities, the Firm is not required to appoint an independent remuneration committee.
  - The Firm monitors its remuneration policy annually and this is reviewed as part of the Firm's annual processes and procedures, or following a significant change to the business requiring an update to its ICAAP.
  - All remuneration decisions made by senior management are made with careful consideration of:
    - the current cash position and profitability of the business
    - the future sustainability of the company, its ability to compete going forward and the capital required for the business to continue profitably to the satisfaction of its internal and external stakeholders (thus ensuring the growth of its capital base and safeguarding the sustainability and development the business).

## CIT FINANCIAL SERVICES LIMITED

### SUPPLEMENTARY INFORMATION (Not subject to audit) continued

#### 2. Summary of how the Firm links between pay and performance:

The governance of remuneration within the Firm is managed by the Firm's senior management (the equity partners in CIT Group Partners LLP). Remuneration of each staff member is considered annually at senior management level based on a number of factors:

- Performance of the business
- Outlook and risks for the business in the future
- Performance of the relevant department within the business
- Performance of the individual within their department
- The value of the staff member to the Firm and their contribution to its strategy and overall objectives.

All remuneration decisions are made in the full consideration the risks outlined in the ICAAP report.

All decisions are made considering the outlook, performance and the interests of both the internal and external stakeholders.

#### 3. Aggregate quantitative information on remuneration for staff members whose professional activities have a material impact on the risk profile of the Firm.

Code Staff	Aggregate compensation expense in the year to end March 2017
Senior management:	£nil
Others (If applicable)	£nil

Partnership profits allocated to members of CIT Group Partners LLP are normally disclosed in aggregate in its report and accounts.

The Firm may omit required disclosures where it believes that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data. The Firm has made no omissions on the grounds of data protection.

#### A note on materiality

A firm must regard information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions.

A firm must regard information as proprietary information if the sharing of that information with the public would undermine its competitive position.

Proprietary information may include information on products or systems which, if shared with competitors, would render the firm's investment in them less valuable.

A firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the firm to confidentiality.

The Committee of European Banking Supervisors (CEBS) has stated that it is unlikely that the disclosure of information relating to remuneration would be confidential or proprietary for firms that have been allowed to aggregate the information due to proportionality. Where there is a limited number of AIFM Remuneration Code staff members then the Firm may consider such omissions.