

CITCO

Citco Fund Services (London)  
Limited and Subsidiaries

Annual Report 2013

Registered number:04620803

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## Director's report

The Directors are pleased to submit herewith the consolidated and separate financial statements of Citco Fund Services (London) Limited ("the Company") for the year ended December 31, 2013.

## Results

The consolidated income statement for the year ended December 31, 2013 together with the consolidated statement of financial position at that date, are set out on pages 9, 11 and 12. The loss for the year amounted to GBP 9,643m (2012: GBP 8,381m). Company only profit for the year amounted to GBP 115K (2012: GBP 88K). The total assets of the Group at December 31, 2013 were GBP 7,714m (2012: GBP 9,592m). The Directors declared no dividend in 2013. In 2012 an interim dividend was declared on May 25th, 2012 of £307,342 (\$500,000) to be paid to the ordinary shareholder appearing on the Register of Members at that date. The Company only results are set out on page 50. The Directors do not propose a final dividend (2012: £nil).

The year, 2013, proved to be a difficult period for hedge funds. This was evidenced by the volatility in the financial markets which was underpinned by the performance of hedge funds. Assets under Administration ("AUA") continues to be under pressure as a result of few existing clients being able to attract sizable capital injections.

Over the past few years we have worked hard on further developing our fund of hedge fund service offering, particularly in the middle office area. We believe that as our clients are trying to reduce their cost, they will seek to outsource more activities to the Company. We feel well placed to pick up these activities. It is difficult to assess how fast AUA and related revenues will increase but management is confident that the Company will grow both AUA and revenue in 2014.

## Principal activities

The Company operates within the Citco Fund Services Division ("CFS" Division). CFS is an independent global leader in the administration of hedge funds and fund of hedge funds for hundreds of contemporary fund managers of large pools of equities, bonds, money market, and derivative instruments. Companies within Citco offer a complete range of fund administration services including fund set up, independent accounting, and net asset value ("NAV") calculations, investor relations, and back-office services. CFS has built its capability and expertise over a period of more than 40 years.

In addition to the provision of fund administration services to both domestic and offshore hedge funds, companies within CFS offer a full front-to-back office service using a straight-through processing ("STP") capability. This service combines the offering of a trading and portfolio management platform which is installed on the trader's desktop, with full front, middle, and back-office support.

Experienced back-office staff members of the CFS Companies, using the latest software technology, provide responsive investor relations services to the financial services industry worldwide. These services include investor verification and record-keeping. Reports are available online or in hard copy. Investor relations services on behalf of a fund are designed to fully support clients' capital raising, distribution, and investor retention efforts.

The principal risks and uncertainties of the business relate to its revenue stream. Financial risks include, credit risk, currency risk, interest rate, liquidity risk and operational risk as set out in Note 3 to the financial statements. There are no areas of concern that carry significant risks of causing material adjustments to the carrying assets and liabilities. Revenue is dependent on the performance of funds under administration and the volume of services rendered to affiliated companies. Both activities are closely monitored by management on a regular basis.

## **Going concern**

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 preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found within the section of 'Principal accounting policies'.

## **Directors**

The directors of the company, who served throughout the year, were as follows:

N Braham

O Scully

## **Directors' responsibilities 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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **Post Statement of Financial Position Events**

There have been no significant events since the statement of financial position date.

## **Auditor**

Each of the persons who are directors at the time when the report is approved confirms that:


- (a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) he has taken all the steps that he ought to have taken as a 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.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed 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 entitled to the small companies exemption.

**Approved by the Board and signed on its behalf by:**



Oliver Scully

**Director**

30 September 2014

## Strategic Report of the directors for the year ended December 31, 2013

The directors present their strategic report together with the audited financial statements of Citco Fund Services (London) Limited ("the Company") for the year ended December 31, 2013.

### Principal activities

The principal activity of the Company is the provision of marketing services to promote other group companies. The directors are satisfied with the performance of the company and view the future with confidence.

### Business review

The Company's profit for the year is GBP 115,000 (2012: GBP 88,000) and is shown in the profit and loss account of the Company only financial statements. There were no other recognised gains or losses in the year.

### Key performance indicators

The performance of the business has been analysed at group level within its respective division of the Citco Group, in line with group policy. The directors have monitored performance indicators and are satisfied with the Company'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 Company's activities expose it to certain risks and further detail is provided in Note 3 to the 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:



Oliver Scully

**Director**

30 September 2014

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## Consolidated income statement for the year ended December 31,

	Note	2013 GBP 000	2012 GBP 000
Revenue:			
Corporate and Trust services		195	165
Fund Administration and Investor Relation Services		15,594	16,047
Related party service fee and other revenue		<u>11,692</u>	<u>11,662</u>
		27,481	27,874
Operating expenses:			
Personnel expenses	4	14,310	15,397
Restructuring expenses		401	169
Office rent		856	967
Office and administration expenses		580	662
Travel expenses		499	325
Professional services		11,283	10,763
Depreciation	5	75	85
Allowance for doubtful debts		4	(11)
Other operating expenses	6	<u>8,733</u>	<u>7,951</u>
<b>Net loss from operations</b>		<b>(9,260)</b>	<b>(8,434)</b>
Net finance (expense) / income	7	<u>(310)</u>	<u>139</u>
<b>Net loss before tax</b>		<b>(9,570)</b>	<b>(8,295)</b>
Income tax (expense)/benefit	8	<u>(73)</u>	<u>(86)</u>
<b>Net loss for the year</b>		<b><u>(9,643)</u></b>	<b><u>(8,381)</u></b>
Attributable to :			
Shareholder of the Company		<b>(9,643)</b>	<b>(8,381)</b>

The notes on pages 16 to 46 form an integral part of the financial statements. All results derive from continuing operations

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## Consolidated statement of comprehensive income for the year ended December 31,

	Note	2013 GBP 000	2012 GBP 000
<b>Net loss for the year</b>		<b>(9,643)</b>	(8,381)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to consolidated income statement:</i>			
Foreign exchange gain		691	176
<i>Items that will not be reclassified subsequently to consolidated income statement:</i>			
Pension remeasurement loss	16.4	<u>(677)</u>	<u>(243)</u>
<b>Total other comprehensive income / (loss)</b>		<b>14</b>	(67)
<b>Total comprehensive loss for the year</b>		<b><u>(9,629)</u></b>	<b><u>(8,448)</u></b>

The notes on pages 16 to 46 form an integral part of the financial statements. All results derive from continuing operations



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## Consolidated statement of financial position as at December 31,

	Note	2013 GBP 000	2012 GBP 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	195	227
Deferred tax assets	10	28	37
		223	264
<b>Current assets</b>			
Trade receivables	11	631	1,186
Other receivables and accrued income	12	4,450	3,974
Cash and cash equivalents	13	2,410	4,168
<b>Total assets</b>		<b>7,491</b>	<b>9,328</b>
		<b>7,714</b>	<b>9,592</b>

The notes on pages 16 to 46 form an integral part of these financial statements. All results derive from continuing operations.

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## Consolidated statement of financial position as at December 31, (continued)

	Note	2013	2012
		GBP 000	GBP 000
<b>Equity and Liabilities</b>			
Share capital	14	-	-
Additional paid in capital		2,826	2,826
Merger reserve		(7,135)	(7,135)
Translation reserve		867	176
Retained earnings		(8,031)	2,289
<b>Total equity attributable to shareholder of the Company</b>		<b>(11,473)</b>	<b>(1,844)</b>
<b>Non-current liabilities</b>			
Lease incentives		312	356
Retirement benefit schemes	16	-	72
Loans from affiliated companies	17	11,936	6,433
		12,248	6,860
<b>Current liabilities</b>			
Trade payables		579	807
Other payables and accrued expenses	20	6,148	3,610
Provisions	15	157	133
Deferred income	21	55	26
<b>Total equity and liabilities</b>		<b>7,714</b>	<b>9,592</b>

The financial statements of Citco Fund Services (London) Limited (registered number 04620803) have been approved by the board of directors and authorised for issue on the 30th September 2014. They were signed on its behalf by:



Oliver Scully  
Director

The notes on pages 16 to 46 form an integral part of the financial statements. All results derive from continuing operations

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## Consolidated statement of changes in equity for the year ended December 31, 2013

Note	Issued ordinary shares	Additional paid in capital	Translation reserve	Merger reserve	Retained earnings	Total
	GBP 000	GBP 000	GBP 000	GBP 000	GBP 000	GBP 000
<b>Balance as at January 1, 2013</b>	-	2,826	176	(7,135)	2,289	(1,844)
Net loss for the year	-	-	-	-	(9,643)	(9,643)
Other comprehensive income:						
- Foreign exchange gain	-	-	691	-	-	691
- Pension remeasurement (loss)	16	-	-	-	(677)	(677)
Total other comprehensive loss	-	-	691	-	(677)	14
<b>Total comprehensive loss</b>	-	-	691	-	(10,320)	(9,629)
<b>Total equity attributable to shareholder of the Company as at December 31, 2013</b>		<b>2,826</b>	<b>867</b>	<b>(7,135)</b>	<b>(8,031)</b>	<b>(11,473)</b>

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## Consolidated statement of changes in equity for the year ended December 31, 2012 (continued)

Note	Issued ordinary shares GBP 000	Additional paid in capital GBP 000	Translation reserve GBP 000	Merger reserve GBP 000	Retained earnings GBP 000	Total GBP 000
<b>Balance as at January 1, 2012</b>	-	-	-	473	11,220	11,693
Net loss for the year	-	-	-	-	(8,381)	(8,381)
Other comprehensive income:	-	-	-	-	-	-
- Foreign Exchange gain	-	-	176	-	-	176
- Pension remeasurement gain	-	-	-	-	(243)	(243)
Total other comprehensive income	-	-	176	-	(243)	(67)
<b>Total comprehensive loss</b>	-	-	176	-	(8,624)	(8,448)
- Additional paid in capital	-	2,826	-	-	-	2,826
Movement in merger reserve	-	-	-	-	-	-
Dividends paid	-	-	-	(7,608)	-	(7,608)
	-	-	-	-	(307)	(307)
<b>Total equity attributable to shareholder of the Company as at December 31, 2012</b>	<b>-</b>	<b>2,826</b>	<b>176</b>	<b>(7,135)</b>	<b>2,289</b>	<b>(1,844)</b>

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## Consolidated statement of cash flows under indirect method for the year ended December 31, 2013

	2013 GBP 000	2012 GBP 000
Cash flows from operating activities:		
Net loss for the year	(9,643)	(8,381)
Adjusted for:		
• Income tax expense	73	86
• Pension curtailment gain	(677)	(172)
• Depreciation	75	85
(Decrease) / Increase in lease incentives	(44)	187
(Decrease) in retirement benefit schemes	(72)	-
• Foreign Exchange losses / (gains)	75	(216)
• Net interest expense	235	77
	<u>(9,978)</u>	<u>(8,334)</u>
Movement in working capital:		
• Decrease in trade receivables	555	393
• (Increase) / decrease in other receivables and accrued income	(476)	3,593
• (Decrease) in trade payables	(228)	(203)
• Increase / (decrease) in other payables and accrued expenses	2,538	269
• Increase / (decrease) in deferred income	29	(89)
Increase in provisions	24	133
Interest paid	(235)	(77)
Income taxes refunded / (paid)	(133)	(147)
Increase in translation reserve	691	
<b>Net cash flow used in operating activities</b>	<u>(7,213)</u>	<u>(4,462)</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(48)	-
<b>Net cash flow used in investing activities</b>	<u>(48)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from long-term loans	5,503	6,433
Additional paid in capital	-	2,826
Cash paid to former shareholders	-	(6,916)
Dividend paid	-	(307)
<b>Net cash flow generated by financing activities</b>	<u>5,503</u>	<u>2,036</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(1,758)</u>	<u>(2,426)</u>
Cash and cash equivalents:		
Cash and cash equivalents as at January 1	4,168	6,782
Effects of foreign exchange rate changes	-	(188)
Cash and cash equivalents as at December 31	<u>2,410</u>	<u>4,168</u>
<b>Movement in cash and cash equivalents</b>	<u>(1,758)</u>	<u>(2,426)</u>

The notes on pages 16 to 46 form an integral part of the financial statements. All results derive from continuing operations

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## Section 3

### Notes to the Consolidated Financial Statements

## Notes to the consolidated financial statements

### 1. General

#### 1.1 Ownership

The Company is a wholly-owned subsidiary undertaking of CFA Holdings Limited, a company incorporated in the Cayman Islands. On May 31 2012, ownership of the company was transferred from Citco Fund Services (Nederland) B.V., a company incorporated in the Netherlands, to CFA Holdings Limited. Citco III Limited, a company incorporated in the Cayman Islands, is the ultimate parent company and the ultimate controlling party

The consolidated financial statements for the year ended December 31, 2013 comprise of the Company and its subsidiaries (together referred as the "Group"). The address of its registered office is as follows:

7 Albemarle Street  
London W1S 4HQ  
United Kingdom

#### 1.2 Activities

##### Citco Corporate and Trust ('CCT')

CCT services are offered internationally throughout its 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.
- *Corporate Client Services*  
Establishes, organizes, and manage corporations in a choice of jurisdictions.
- *Structured Finance*  
Provides quality corporate management and administration services from the most important capital markets.
- *Hedge Fund Secretarial*  
Provides on all matters related to corporate governance.

## **Fund administration and Investor Relations Services ("CFS")**

CFS is an independent global leader in the administration of hedge funds and hedge fund of funds for hundreds of contemporary fund managers of large pools of equities, bonds, money market, and derivative instruments. Companies within Citco offer a complete range of fund administration services including fund set up, independent accounting, and net asset value ("NAV") calculations, investor relations, and back-office services. CFS has built its capability and expertise over a period of more than 40 years.

In addition to the provision of fund administration services to both domestic and offshore hedge funds, companies within CFS offer a full front-to-back office service using a straight-through processing ("STP") capability. This service combines the offering of a trading and portfolio management platform which is installed on the trader's desktop, with full front, middle, and back-office support.

Experienced back-office staff members of the CFS Companies, using the latest software technology, provide responsive investor relations services to the financial services industry worldwide. These services include investor verification and record-keeping. Reports are available online or in hard copy. Investor relations services on behalf of a fund are designed to fully support clients' capital raising, distribution, and investor retention efforts.

### **1.3 Group structure**

An overview of the Company and its subsidiaries as per December 31, 2013 is included in Note 29 to this report.

### **1.4 Currency**

The Company uses the 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.

### **1.5 Approval of the Board**

These consolidated financial statements have been approved for issuance by the Board of Directors on the 30th September, 2014.



## 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.

### Comparative figures

The accounting policies have been consistently applied in the current year and prior year. 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 income for the year.

#### 2.1 New and amended standards adopted by the Group

- Amendments to IFRS 7 *Financial instruments: Disclosures, on offsetting financial assets and financial liabilities*, endorsed by the EU in December 2012.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posing requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The Group has applied the amendments to IFRS 7. As the Group does not have any offsetting arrangements in place, the application of the amendments has no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

- IFRS 13 *Fair value measurement*, endorsed by the EU in December 2012.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes). IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether the price is directly observable or estimated using another valuation technique. IFRS includes extensive disclosure requirements.

Other than additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

- IAS 19 Employee Benefits (revised), endorsed by the EU in June 2012.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations ('DBO') and plan assets. The amendments require the recognition of changes in DBO's and in the fair value of plan assets when they occur and accelerate the recognition of past service costs. The amendments require that all actuarial gains and losses be recognized immediately through Other Comprehensive Income ('OCI') in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

This is the second year of application as the Group early adopted the amendments to IAS 19 in the Group's consolidated financial for the year beginning January 1, 2012. The amendments of IAS 19 do not have a material effect on the accounts of the Group.

- IAS 1 Presentation of items of Other Comprehensive Income, endorsed by the EU in March 2013.

The main change resulting from these amendments is a requirement for entities to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Other than the presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, OCI and total comprehensive income.

## **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 10 - Consolidated financial statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 was issued in May 2011 and applies to annual reporting periods beginning on or after January 1, 2014.

IFRS 11 - Joint arrangements, outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractual agreed sharing of control. Arrangements that are subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). IFRS 11 was issued in May 2011 and applies to annual reporting periods beginning on or after January 1, 2014.

IFRS 12 - Disclosures of interests in other entities, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 was issued in May 2011 and applies to annual reporting periods beginning on or after January 1, 2014.

IAS 27 (revised) – Separate financial statements, outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements. IAS 27 (revised) was issued in May 2011 and applies to annual reporting periods beginning on or after January 1, 2014.

IAS 28 (revised) – Associates and joint ventures, outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies). IAS 28 (revised) was issued in May 2011 and applies to annual reporting periods beginning on or after January 1, 2014.

Amendments to IAS 32 – Financial instruments: presentation, on offsetting financial assets and financial liabilities, provides clarification on the application of the offsetting rules. The amendments to IAS 32 were issued in December 2011 and apply to annual reporting periods beginning on or after January 1, 2014.

## **2.3 Use of estimates in the preparation of financial statements**

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

## **2.4 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to December 31, each year. Control is achieved where the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

## **2.5 Foreign currency translation**

Transactions in currencies other than GBP are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing at the end of the reporting period. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's non-GBP operations are translated at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and transferred to the Group's translation reserve. On disposal of an operation, such cumulative translation differences are recognized as income or as expenses in the period in which the disposal takes place.

Goodwill and fair value adjustments arising on the acquisition of a non-GBP entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2.6 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 historical 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. Fund administration income is accrued on a time basis by reference to the Assets under Administration at the contractual basis points or minimum fees.

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.

Fees and commissions are generally recognized on an accrual basis when the service has been provided.

Fees and commissions arising from negotiating of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of business which are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis.

## 2.7 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.

## 2.8 Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement scheme.

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Past-service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the amended benefits become vested. The Group did not use a corridor approach in previous years.

In 2012, the Group had applied IAS 19 (revised) Employee Benefits and the related consequential amendments in advance of their effective dates.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in DBO's and plan assets. The amendments require the recognition of changes in DBO's and in fair value of plan assets when they occur, and hence eliminate the corridor approach permitted under the previous version of IAS 19 and accelerate the recognition of the past service costs. All actuarial gains and losses are recognized immediately through OCI in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets that were used in the previous version of IAS 19 are replaced with a net interest amount under IAS 19 (revised), which is calculated by applying the discount rate to the net defined liability or asset. IAS 19 (revised) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The Group policy is to only recognize actuarial losses that are associated with the remeasurement of plan assets and liabilities of the defined benefit retirement scheme. The retirement benefit obligation recognized in the statement of financial position represents the present value of the DBO and reduced by the fair value of plan assets. Any surplus resulting from this calculation is limited to unrecognized actuarial losses and past-service cost, plus the present value of available refunds and reductions in future contributions to the scheme. Any deficit resulting from this calculation is directly recorded in the OCI.

An asset, which arises where a defined benefit plan has been overfunded or in certain cases where actuarial gains are recognized, is recognized only if:

- a) the enterprise controls a resource, which is the ability to use the surplus to generate future benefits;
- b) that control is a result of past events (contributions paid by the enterprise and service rendered by the employee); and
- c) future economic benefits are available to the Group in the form of a reduction in future contributions.

## 2.9 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.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income 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.

## 2.10 Property, plant and equipment

Land held for use in the supply of services, or for administrative purposes, is stated in the statement of financial position at historical cost less any accumulated impairment. Land is not depreciated. Buildings held for use in the supply of services, or for administrative purposes, are stated in the statement of financial position at historical cost less any subsequent accumulated depreciation and any accumulated impairment. Machinery and equipment, leasehold improvements and other tangible fixed assets 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
Other tangible fixed assets	3-10 years

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 sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

## 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 (if any). 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 (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 (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 (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.

## **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 (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.

## **2.13 Trade receivables**

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

## **2.14 Accrued income**

Accrued income is stated at its nominal value. Accrued income includes fees for services provided which are in the process of being invoiced to clients.

## **2.15 Investments in financial assets**

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## **2.16 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.

## **2.17 Trade payables**

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

## **2.18 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.

## **2.19 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## **2.20 Consolidated statement of cash flows**

Cash and cash equivalents for the purpose of the statement of cash flows include cash in 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.

## **2.21 Critical accounting judgments and key sources of estimation uncertainty**

The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

## **2.22 Going Concern**

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 preparing the financial statements.



## 3. Financial risk management

### 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; and
  - (iii) other price risk: other than those arising from interest rate risk or currency risk this includes the risk that the value of a financial instrument will fluctuate because of factors related to the issuer of the financial instrument or by broad market movement.
- (b) Credit risk: the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
- (c) Liquidity risk: the risk that obligations cannot be met due to a mismatch between the maturity profiles of assets and liabilities.
- (d) Operational risk: the risk that losses occur because of the failing in procedures and information systems and the inability of internal controls to detect these failings.
- (e) Legal and regulatory risk: the risk that losses occur or reputation is damaged which is caused by executing activities and/or procedures which are not in compliance with the law and regulations.

#### 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.

The Group's business model has a strong correlation to the performance of the hedge fund industry. Depending on the investment strategy of the client the correlation differs. Increased performance by its clients has (in general) a similar effect on the performance of the Group. As a result the Group's market risk is correlated with general market developments; a higher potential for higher gains in an upward market and lower gains in a declining market.

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## Currency risk

Currency risk is the current or prospective risk to earnings and capital arising from adverse movements in foreign exchange rates. The Group has and manages currency risk as follows:

- Operations: the Group is exposed to foreign exchange risk in respect of funding day-to-day activities and capital expenditure. In managing this risk management utilizes natural hedges which exist within the current trading activities and will consider placing forward exchange contracts for any imbalances or firm commitments for planned capital expenditure.

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

	USD GBP 000	EUR GBP 000	CAD GBP 000	GBP GBP 000	Total GBP 000
As at December 31,					
<i>Non-current assets</i>					
Property, plant and equipment	24	171			195
Deferred tax assets	21			7	28
<i>Current assets</i>					
Trade receivables	39	581	11		631
Other receivables and accrued income	1,457	2,678	21	294	4,450
Cash and cash equivalents	1,231	698	80	401	2,410
<b>Total assets</b>	<b>2,772</b>	<b>4,128</b>	<b>112</b>	<b>702</b>	<b>7,714</b>
<i>Non-current liabilities</i>					
Lease incentives	312				312
Long-term loans	11,936				11,936
<i>Current liabilities</i>					
Trade payables	459	113		7	579
Other payables and accrued expenses	4,467	1,301	23	357	6,148
Provisions	148	9			157
Deferred income	55				55
<b>Total liabilities</b>	<b>17,377</b>	<b>1,423</b>	<b>23</b>	<b>364</b>	<b>19,187</b>
Net currency exposure	(14,605)	2,705	89	338	(11,473)
As at December 31, 2012:					
Total assets	5,056	3,770	92	674	9,592
Total liabilities	(9,400)	(1,573)	-	(463)	(11,436)
Net balance sheet position	(4,344)	2,197	92	211	(1,844)

## **Interest rate risk**

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's profit for the year ended December 31, 2013 would increase by GBP 0 million (2012: increase by GBP 0 million) and the Group's equity as at December 31, 2013 would increase by GBP 0 million (2012: increase by GBP 0 million).

If interest rates had been 50 basis points lower or at minimal zero and all other variables were held constant, the Group's profit for the year ended December 31, 2013 would decrease by GBP 0.01 million (2012: decrease by GBP 0 million) and the Group's equity as at December 31, 2013 would decrease by GBP 0.01 million (2012: decrease by GBP 0 million).

## **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.

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## Liquidity risk table

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

	Up to 1 month GBP 000	1-3 months GBP 000	3-12 months GBP 000	1-5 years GBP 000	Over 5 years GBP 000	Illiquid GBP 000	Total GBP 000
As at December 31, 2013:							
<i>Non-current assets</i>							
Property, plant and equipment						195	195
Deferred tax assets				28			28
<i>Current assets</i>							
Trade receivables	489	142					631
Other receivables and accrued income		4,450					4,450
Cash and cash equivalents	2,410						2,410
<b>Total assets</b>	<b>2,899</b>	<b>4,592</b>		<b>28</b>		<b>195</b>	<b>7,714</b>
<i>Non-current liabilities</i>							
Lease incentives				312			312
Long-term loans				11,936			11,936
<i>Current liabilities</i>							
Trade payables	579						579
Other payables and accrued expenses		6,148					6,148
Provisions						157	157
Deferred income			55				55
<b>Total liabilities</b>	<b>579</b>	<b>6,148</b>	<b>55</b>	<b>12,248</b>		<b>157</b>	<b>19,187</b>
On-balance sheet surplus/(deficit)	2,320	(1,556)	(55)	(12,220)		38	(11,473)
As at December 31, 2012:							
Total assets	5,154	4,152	-	59		227	9,592
Total liabilities	(807)	(3,610)	-	(6,860)		(159)	(11,436)
On-balance sheet surplus/(deficit)	4,347	542	-	(6,801)		68	(1,844)

## 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. 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.

## Operational risk

Citco has to process many complex transactions daily. To ensure the operational risk is adequately controlled, an extensive internal control framework has been set up. Also an extensive training program for staff has been introduced in view of the growth of the Group. In addition, the operational processes of CFS are certified under International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organization. Operational Risk Management frameworks have been established in all divisions and an Enterprise Risk Management framework is currently being implemented across the entire Group.

## 3.2 Capital adequacy

The Group's risk management committee reviews the capital structure on a routine basis. As a part of this review the committee considers the cost of capital and the risks associated with each business line. Based on the recommendations of the committee, the Company will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2012.

## 4. Personnel expenses

	<b>2013</b>	2012
	<b>GBP 000</b>	GBP 000
Salaries and bonuses	<b>11,165</b>	11,718
Social charges and taxes	<b>1,580</b>	1,187
Pension expenses	<b>151</b>	820
Other personnel expenses	<b>1,414</b>	1,672
<b>Total personnel expenses</b>	<b>14,310</b>	15,397

The average number of full-time employees ("FTE") for the year was 161 (2012: 161).

Personnel expenses include the expenses associated with the Board of Directors. See Note 27 for Directors' remuneration.

## 5. Depreciation

	<b>2013</b>	2012
	<b>GBP 000</b>	GBP 000
Machinery and equipment	<b>22</b>	32
Leasehold improvements	<b>53</b>	53
<b>Total depreciation</b>	<b>75</b>	85

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## 6. Other operating expenses

	2013	2012
	GBP 000	GBP 000
Public relation costs	150	178
Fees payable to the Company's auditor for the audit of the Company's annual accounts	20	14
Fees payable to the Company's auditor and their associates for the other services to the Group – The audit of the Company's subsidiaries pursuant to legislation.	65	66
Other related party expenses	7,948	7,312
Other expenses	550	381
<b>Total other operating expenses</b>	<b>8,733</b>	<b>7,951</b>

## 7. Net finance (expense) / income

	2013	2012
	GBP 000	GBP 000
Interest expense	(235)	(77)
Foreign exchange (loss) / gain	(75)	216
<b>Total Net finance (expense) / income</b>	<b>(310)</b>	<b>139</b>

All interest income and expenses are attributable to continuing operations.

## 8. Income tax expense

	2013	2012
	GBP 000	GBP 000
Current tax expense:		
Current year	73	45
Deferred tax expense:		
Current year	-	41
<b>Total income tax expense in the income statement</b>	<b>73</b>	<b>86</b>

### Reconciliation of effective tax rate

		2013			2012
	%	GBP 000		%	GBP 000
Net loss before tax		(9,643)			(8,295)
Income tax using the domestic corporation tax rate	23.25%	(2,242)		24.25%	(2,012)
Effect of tax rates in foreign jurisdictions	1.06%	(103)		1.06%	(88)
Non-deductible expenses	-0.53%	51		-0.53%	44
Tax exempt revenues					
Effect of tax losses	-24.55%	2,367		-25.82%	2,142
Under (over) provided in prior years					
Income tax expense	0.76%	73		1.04%	86

As a group involved in worldwide operations, the Group is subject to several factors which affect its tax charge. This is principally due to the levels and mix of profitability in different jurisdictions, transfer pricing policies and tax rates imposed.

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## 9. Property, plant and equipment

	Machinery and equipment GBP 000	Leasehold improvements and other GBP 000	Total GBP 000
Cost:			
As at January 1, 2013	3,608	728	4,336
Additions	19	29	48
Disposals			
As at December 31, 2013	<u>3,622</u>	<u>757</u>	<u>4,379</u>
Accumulated depreciation and impairment:			
As at January 1, 2013	3,381	728	4,109
Depreciation	72	3	75
Disposals	-	-	-
As at December 31, 2013	<u>3,453</u>	<u>731</u>	<u>4,184</u>
Net Carrying amount:			
As at December 31, 2013	<u>169</u>	<u>26</u>	<u>195</u>

	Machinery and equipment GBP 000	Leasehold improvements and other GBP 000	Total GBP 000
Cost:			
As at January 1, 2012	3,608	728	4,336
Additions	-	-	-
Disposals	-	-	-
As at December 31, 2012	<u>3,608</u>	<u>728</u>	<u>4,336</u>
Accumulated depreciation And impairment:			
As at January 1, 2012	3,335	675	4,078
Depreciation	33	53	85
Disposals	-	-	-
As at December 31, 2012	<u>3,368</u>	<u>728</u>	<u>4,163</u>
Net Carrying amount:			
As at December 31, 2012	<u>240</u>	<u>-</u>	<u>173</u>

## 10. Deferred tax assets

	<u>2013</u>	<u>2012</u>
	GBP 000	GBP 000
Deferred tax assets as at December 31	28	37

### 10.1 Recognized deferred tax assets

	Assets	
	<u>2013</u>	<u>2012</u>
	GBP 000	GBP 000
Property, plant and equipment	28	37
Total deferred tax assets	<u>28</u>	<u>37</u>

### 10.2 Movement in temporary differences during 2013 and 2012

	Temporary differences
	GBP 000
As at January 1, 2012	80
Utilization during the year	(43)
Exchange differences	-
As at January 1, 2013	37
Utilization during the year	(9)
Exchange differences	-
<b>As at December 31, 2013</b>	<u>28</u>

A specification as at December 31, 2013 of the deferred tax assets, deferred tax losses and how they are used, shows as follows:

Jurisdiction	Deferred tax assets	Capitalized 2012
	GBP 000	GBP 000
United Kingdom	7	16
The Netherlands	21	21
	<u>28</u>	<u>37</u>

Unrecognised deferred tax asset at December 31, 2013 is GBP 28 thousand (2012: GBP 37 thousand).



## 11. Trade receivables

	<u>2013</u>	<u>2012</u>
	GBP 000	GBP 000
Trade receivables	822	1,377
Allowance for doubtful debts	<u>(191)</u>	<u>(191)</u>
	<u>631</u>	<u>1,186</u>

An allowance has been made for estimated irrecoverable amounts from the services provided of GBP 191 thousand (2012: GBP 191 thousand). This allowance has been determined based on a specific identification methodology.

The Group does not hold any collateral over these balances.

The average age of these receivables is 53 days (2012: 45 days). No interest is charged on trade receivables which are past due.

### 11.1 Aging of trade receivables

Past due but not impaired:	<u>2013</u>	<u>2012</u>
	GBP 000	GBP 000
< 30 days	335	986
30-60 days	256	178
60-90 days	11	-
90-120 days	4	-
> 120 days	<u>216</u>	<u>213</u>
Total	<u>822</u>	<u>1,377</u>

### 11.2 Movement in the allowance for doubtful debts

	<u>2013</u>	<u>2012</u>
	GBP 000	GBP 000
Balance at beginning of the year	(191)	(211)
Amounts recovered during the year	4	9
(Increase)/decrease in allowance recognized in profit or loss	<u>(4)</u>	<u>11</u>
Balance at end of the year	<u>(191)</u>	<u>(191)</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 debts.

## 12. Other receivables and accrued income

	<u>2013</u>	<u>2012</u>
	GBP 000	GBP 000
Net disbursements with third parties	24	31
Net disbursements with affiliated companies	-	15
Accrued income, work in progress	2,204	2,170
Prepaid expenses	242	207
Current receivables affiliated companies	1,143	1,072
Other receivables	837	479
As at December 31,	<u>4,450</u>	<u>3,974</u>

## 13. Cash and cash equivalents

	<u>2013</u>	<u>2012</u>
	GBP 000	GBP 000
Current accounts with other banks	147	81
Current accounts with affiliated banks	2,256	4,082
Petty cash	7	5
As at December 31,	<u>2,410</u>	<u>4,168</u>

Bank balances earn interest at the respective short-term deposit market rates. These deposits bear little or no interest.

## 14. Share capital

Authorized shares:

	<u>2013</u>	<u>2012</u>
	Number of shares	Number of shares
Ordinary shares of par value GBP 1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

Ordinary shares issued and fully paid

	Number of shares	GBP
As at January 1, 2012	1	1
Movement	-	-
As at December 31, 2012	1	1
Movement	-	-
As at December 31, 2013	<u>1</u>	<u>1</u>

## 15. Provisions

	<u>2013</u>	<u>2012</u>
	<b>GBP 000</b>	GBP 000
Balance as at January 1, 2013	<b>133</b>	-
Provisions made during the year	<b>157</b>	133
Unwinding of discount	-	-
Amounts used during the year	<b>(133)</b>	-
Unused amounts reversed during the year	-	-
Foreign exchange gain/(loss)	-	-
Balance as at December 31, 2013	<u><b>157</b></u>	<u>133</u>
Current	<b>157</b>	133
Non-current	-	-
<b>Balance as at December 31, 2013</b>	<u><b>157</b></u>	<u>133</u>

### Restructuring provision

During the course of 2013 a number of restructuring and cost reduction programmes were initiated across the Group and some of its subsidiaries in order to improve client services and achieve efficiencies. Provisions for restructuring at year end December 31, 2013, amount to GBP 157 thousand (2012: GBP 133 thousand)

## 16. Retirement benefits schemes

### 16.1 Defined contribution schemes

The Group pays premiums to defined contribution retirement schemes for all qualifying employees except for employees based in The Netherlands. 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, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of GBP 117 thousand (2012: GBP 123 thousand) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

### 16.2 Defined benefit schemes

The Group pays pension premiums to defined benefit schemes for qualifying employees of its subsidiary in The Netherlands.

Effective April 1, 2014, the Netherlands Scheme will change from a defined benefit plan to a defined contribution plan. This plan amendment has been recognized in the results of the income statement of 2013. This liability for defined benefit obligations represents the liability regarding the defined benefits granted until April 1, 2014.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2013.

The Projected Unit Credit (PUC) Cost Method is used to determine the present value of the defined benefit obligation and the related current service cost. When the benefit formula is based on future compensation and social security levels, they are projected to the age at which the employee is assumed to leave active service using assumptions about the level of growth. In normal circumstances the "projected accrued benefit" is based upon the plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than on earlier years, the "projected accrued benefit" is calculated by attributing benefits on a straight-line basis over the relevant period.

For reporting purposes an actuary calculated the funded status of the pension funds in The Netherlands, and came to the following results as of December 31:

	December 31, 2013	December 31, 2012
	Total	Total
	GBP 000	GBP 000
Defined Benefit Obligation	(9,529)	(9,241)
Fair value of assets	9,739	9,169
Funded status	210	(72)
Unrecognized surplus	210	-
Recognized in provisions	-	(72)

Due to asset ceiling no provision was required in respect of the funded status of the pension fund in the Netherlands.

## 16.3 Amounts recognized in the consolidated income statement in respect of the defined benefit plan

	The Netherlands	
	2013	2012
	GBP 000	GBP 000
Current service cost	551	440
Curtailment gain	(766)	-
Management expense	48	72
Net Finance (income) / costs	13	(91)
	<u>(154)</u>	<u>421</u>

The employee benefit expense for the year is included in the consolidated income statement as personnel expenses.

## 16.4 Amounts recognized in the consolidated other comprehensive income statement in respect of the defined benefit plan

	The Netherlands	
	201	20
	GBP 00	GBP 0
Actuarial (gain)/loss:		
-Experience adjustment	206	(627)
-Financial assumption adjustment	(159)	3,626
-Demographic assumption adjustment	31	(366)
Return on plan assets	354	(701)
Change in irrevocable surplus (excluding interest)	205	(1,690)
Other adjustments	40	-
	<u>677</u>	<u>242</u>

## 16.5 Reconciliation of the defined benefit obligation

	The Netherlands	
	2013	2012
	GBP 000	GBP 000
DBO as at January 1	9,027	5,576
Current Service cost	551	440
Interest cost on DBO	367	378
Benefits paid	(65)	(56)
Transfers	(45)	-
Remeasurement loss/(gain)	73	2,321
Curtailment gain	(766)	-
Foreign exchange result	387	582
Actual DBO as at December 31	<u>9,529</u>	<u>9,241</u>

The average remaining working lifetime (hereafter referred to as "ARWL") or average future service equals 6.34 (2012: 6.98) years for the active members to the pension plan. The ARWL takes into account future decrements, for example turnover, disability and retirement.

## 16.6 Reconciliation of the fair value of plan assets

	The Netherlands	
	2013	2012
	GBP 000	GBP 000
Plan assets as at January 1	8,961	6,761
Interest income on plan assets	354	470
Return on plan assets greater than discount	(355)	689
Contributions	572	590
Benefits paid	(65)	(56)
Transfers	(45)	-
Management expense	(65)	(72)
Foreign exchange result	382	787
Plan assets as at December 31	<u>9,739</u>	<u>9,169</u>

## 16.7 Plan assets and rate of return

The discount rate of 3.69% per annum at the start and 3.73% per annum at the end of the fiscal year 2013 should be based upon the yields available on high-quality corporate bonds at the valuation date with a term that matches that of the liabilities. IAS 19 does not define "high quality", but AA credit rated bonds are generally considered to satisfy the quality criterion. Using Bloomberg data, a yield curve was derived from it to determine the appropriate discount rate based on the duration of the liabilities

The asset mix of the Netherlands pension fund is as follows:

### As at December 31, 2013

	Strategic asset allocation	Actual asset allocation
	%	%
Equities	-	66
Bonds	100	29
Real estate	-	-
Commodities	-	-
Financial instruments	-	-
Cash and cash equivalents	-	5
<b>Total</b>	<b>100</b>	<b>100</b>

### As at December 31, 2012

	Strategic asset allocation	Actual asset allocation
	%	%
Equities	50	24
Bonds	25	58
Real estate	5	3
Commodities	5	-
Financial instruments	15	5
Cash and cash equivalents	-	10
<b>Total</b>	<b>100</b>	<b>100</b>

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## 16.8 Economic assumptions

	The Netherlands	
	2013	2012
	%	%
Discount rate	3.73	3.69
Return on assets	3.73	3.69
Pension increases until 2015	1.62	-
Pension increases as of 2015	1.62	1.62
Career increase general	1.90	1.90
Career increase (until age 45)	0.25	0.25
Inflation	1.90	1.90

In 2013 and 2012, the Dutch scheme has not held investments in ordinary shares, debt issued, property occupied or other assets issued by the Company.

## 17. Long-term loans from affiliated companies

The borrowings are repayable as follows:

	2013	2012
	GBP 000	GBP 000
On demand or within one year	-	-
Within two to three years	-	-
Within three to five years	11,936	6,433
After five years	-	-
<b>Total</b>	<b>11,936</b>	<b>6,433</b>

Analysis of borrowings by currency:

	2013	2012
	GBP 000	GBP 000
In USD	11,936	6,433
	<b>11,936</b>	<b>6,433</b>

## 18. Current receivables affiliated companies

	2013	2012
	GBP 000	GBP 000
Citco Fund Services (Holdings) Limited	158	286
Citco Fund Services (Cayman) Limited	317	252
Other Citco affiliated companies	583	381
Citco III Limited	85	153
<b>Total (See note 26)</b>	<b>1,143</b>	<b>1,072</b>

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## 19. Current payables affiliated companies

	2013	2012
	GBP 000	GBP 000
Citco Fund Services (Ireland) Limited	861	978
Citco Fund Services (Holdings) Limited	432	192
Other Citco affiliated companies	457	395
<b>Total (Note 26)</b>	<b>1,750</b>	<b>1,565</b>

## 20. Other payables and accrued expenses

	2013	2012
	GBP 000	GBP 000
Accrued expenses	3,135	1,093
Current payables affiliated companies	1,750	1,565
Other payables	1,263	952
As at December 31,	<b>6,148</b>	<b>3,610</b>

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

## 21. Deferred income

	2013	2012
	GBP 000	GBP 000
Administrative services still to be performed	55	26
	<b>55</b>	<b>26</b>
Current	55	26
Non-current	-	-
Balance as at December 31	<b>55</b>	<b>26</b>

## 22. Operating lease arrangements

Lease payments under operating leases recognized in the result for the year amount to GBP 1,017 thousand (2012: GBP 660 thousand).

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

	2013	2012
	GBP 000	GBP 000
Within one year	923	1,060
In the second to fifth years inclusive	2,144	2,932
After five years	205	51
	<b>3,272</b>	<b>4,043</b>

Operating lease payments represent rentals payable by the Group for certain of its office properties, office equipment and cars. Leases are negotiated for an average term of 7 years and rentals are fixed for an average of 3 years.



## 23. Categories of financial assets and financial liabilities

### Financial assets

	<u>2013</u>	<u>2012</u>
	GBP 000	GBP 000
Cash and cash equivalents	2,410	4,168
Loans and receivables	4,839	4,953
<b>Total</b>	<u>7,249</u>	<u>9,121</u>

### Financial liabilities

	<u>2013</u>	<u>2012</u>
	GBP 000	GBP 000
Trade payables	579	807
Other payables and accrued expenses	6,148	3,610
<b>Total</b>	<u>6,727</u>	<u>4,417</u>

The Director's believe that the fair value of the asset and liabilities listed above are not materially different to the carrying value.

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

The following methods and significant assumptions have been applied in determining the fair values of financial instruments carried at cost:

- (i) The fair value of assets and liabilities maturing within 12 months is assumed to approximate their carrying amount;
- (ii) The fair value of demand deposits and savings accounts (included in due to customers) with no specific maturity is assumed to be the amount payable on demand at the end of the reporting period. Demand deposits and savings accounts bear floating interest rates, the fair value is assumed to approximate their carrying amount;
- (iii) The fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognized separately by deducting the allowances for credit losses;
- (iv) The fair value of fixed-rate loans and mortgages carried at amortized cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognized separately by deducting the amounts of the allowances for credit losses.

## 25. Litigations

The Citco Group Limited ("CGL") and several of its subsidiaries, including Citco Fund Services (Europe) B.V. have been named as defendants in several lawsuits, all pending in New York, relating to the investments funds managed by the Fairfield Greenwich group. The funds at issue include two British Virgin Island funds, namely Fairfield Sentry Limited and Fairfield Sigma Limited (the "Offshore Funds", and two Delaware limited partnerships, namely Greenwich Sentry L.P. and Greenwich Sentry Partners, L.P. (the "Domestic Funds") (collectively, the "Fairfield Funds"). The Fairfield-related lawsuits, the first of which was filed against CGL's subsidiaries on January 12, 2009, arise out of the widely-reported Ponzi scheme that was allegedly operated by Bernard L. Madoff. The Fairfield Funds invested either directly or indirectly with Madoff and his firm, Bernard L. Madoff Investment Securities, LLC ("BLMIS"). Accordingly, the Fairfield Funds face potential losses as a result of the alleged Madoff Ponzi scheme.

The U.S. actions are comprised of

- one consolidated class action, Anwar v. Fairfield Greenwich Limited, Case No. 09 CV 00118 (S.D.N.Y. 2009) (the "Anwar Action") which is the only active litigation in the U.S.;
- one direct investor action, G. Philip Stephenson, as Trustee of the Philip Stephenson Revocable Living Trust v. Citco Group Limited, et al., Case No. 09 CV 00716 (S.D.N.Y.) (the "Stephenson Action"), which on March 31, 2010 was dismissed with prejudice against Citco defendants; and
- three derivative actions on behalf of the same funds that are subject of the class action, namely (i) David I. Ferber SEP IRA v. Fairfield Greenwich Group, Case No.: 600469/2009 ("Ferber"); (ii) Frank E. Pierce v. Fairfield Greenwich Group, Case No.: 600498/2009 ("Pierce"); and (iii) Morning Mist Holdings Limited v. Fairfield Greenwich Group, Case No.: 601511/2009 ("Morning Mist") which have all been automatically stayed pursuant to the U.S. Bankruptcy Code.

In addition, certain investors in the Offshore Funds initiated a proceeding against several Citco Companies in the Dutch Court in Amsterdam. In a first attempt to start proceeding against the Citco Companies in relation to the Fairfield Funds in Amsterdam, the Dutch judge rejected the putative action and invited counsel for the plaintiff to voluntary withdraw his case, which he did. The Citco companies anticipate a similar, favorable outcome in the recent filing.

The Company has been advised by its U.S. Counsel that the facts afford The Citco Group Limited and its affiliates with substantial defenses on the merits to all of the lawsuits brought against them. Management intends to continue to vigorously defend these lawsuits. No provisions have been made as management does not expect any material adverse effect on the Company's financial position as at December 31, 2013.

## 26. Related party transactions

Identity of related parties:

Cash balances held with affiliates include funds with Citco Bank Nederland N.V. and earn interest at the market rate of 0.0% (Note 13).

The short-term intercompany accounts serve to capture transactions including cash loans and intercompany income. The amounts are unsecured, bear no interest and are repayable on demand. Due to the short-term nature of these balances, book value approximates fair value.

For the long-term loans with related parties refer to Note 17.

The Company has entered into an agreement with affiliates whereby the Company provides certain accounting, administrative, clerical and other services to specific customer entities on behalf of the affiliates. In the ordinary course of business the Company enters into a number of related party transactions, which management believes are at an arm's length basis. The Company has a related party relationship with its Parent company and affiliated companies.

The long-term loans from affiliated companies are interest bearing with an expiration date of December 31, 2016. The interest rate used is the six month Libor rate plus two percent, payable semi-annually in arrears.

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A summary of the transactions between the Group and related parties is as follows:

	<u>2013</u>	<u>2012</u>
	<b>GBP 000</b>	GBP 000
Receivables	<b>(1,143)</b>	(1,072)
Payables	<u><b>1,750</b></u>	<u>1,565</u>
Net payable / (receivable)	<b>607</b>	493

The directors regard Citco III Limited, a company incorporated in the Cayman Islands, as the ultimate parent company and the ultimate controlling party. The consolidated accounts of group are not publicly available. The largest group in which the results of the company are consolidated is that headed by Citco III Limited.

## 27. Directors' remuneration

Remuneration paid to the executive directors during the year and current account balances were as follows:

	<u>2013</u>	<u>2012</u>
	<b>GBP 000</b>	GBP 000
Salary and benefits	<b>197</b>	184
Bonus	<b>56</b>	28
Defined contribution pension premiums	<u><b>19</b></u>	<u>18</u>
	<u><b>272</b></u>	<u>230</u>

The remuneration of the executive directors is decided by the Shareholder.

Remuneration of the highest paid director:

	<u>2013</u>	<u>2012</u>
	<b>GBP 000</b>	GBP 000
Salary and benefits	<b>197</b>	184
Bonus	<b>56</b>	28
Defined contribution pension premiums	<u><b>19</b></u>	<u>18</u>
	<u><b>272</b></u>	<u>230</u>

## 28. Events after the reporting date

There were no events that occurred subsequent to December 31, 2013 that require consideration as adjustments to or disclosures in the consolidated financial statements.

## 29. List of subsidiaries

The consolidated financial statements include the financial statements of the Company and its directly and indirectly owned subsidiaries, which include the following main companies. Unless indicated otherwise, the companies are wholly-owned.

	Place of Incorporation	Proportion of ownership%	Proportion of voting%
Citco Fund Services (Europe) B.V.	The Netherlands	100%	100%
Citco Fund Services (Luxembourg) S.A.	Luxembourg	100%	100%
Citco REIF Services (Canada) Ltd.	Canada	100%	100%

## Signing of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issuance on the 30th September 2014 and are signed on its behalf by:



Oliver Scully  
Director

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## Company profit and loss account for the year ended December 31,

	Notes	2013 GBP 000	2012 GBP 000
Turnover		2,286	2,498
Administrative expenses:		(2,085)	(2,399)
<b>Operating profit</b>		<b>201</b>	<b>99</b>
Foreign exchange (losses) / gains	6	(34)	33
<b>Profit on ordinary activities before taxation</b>		<b>167</b>	<b>132</b>
Taxation on profit on ordinary activities	7	(52)	(44)
<b>Profit on ordinary activities after taxation</b>		<b>115</b>	<b>88</b>

All recognized gains and losses in the current and prior year are included in the profit and loss account and, therefore, no separate statement of total recognised gains and losses has been presented.

The accompanying notes on pages 51 to 57 form an integral part of these financial statements. All results derive from continuing operations

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## Company balance sheet as at December 31,

	Note	2013 GBP 000	2012 GBP 000
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible fixed assets	9	-	-
Investment in subsidiaries	8	3,118	3,118
Deferred tax assets		7	16
		<u>3,125</u>	<u>3,134</u>
<b>Current assets</b>			
Debtors	10	295	519
Cash at bank and in hand		401	178
<b>Total current assets</b>		<u>696</u>	<u>697</u>
<b>Creditors amounts falling due within one year</b>	11	(368)	(493)
<b>Net Current Assets</b>		<u>328</u>	<u>204</u>
<b>Net Assets</b>		<u>3,453</u>	<u>3,338</u>
<b>Capital and reserves</b>			
Called up Share capital		-	-
Additional paid in capital		2,826	2,826
Profit and loss account		627	512
<b>Shareholders funds</b>	13	<u>3,453</u>	<u>3,338</u>

The financial statements of Citco Fund Services (London) Limited (registered number 04620803) have been approved by the board of directors and authorised for issue on the 30<sup>th</sup> September 2014. They were signed on its behalf by:



Oliver Scully  
Director

The accompanying notes on pages 51 to 57 form an integral part of these financial statements. All results derive from continuing operations.

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## Statement of cash flows under indirect method for the year ended December 31, 2013

	Note	2013 GBP 000	2012 GBP 000
Cash flows from operating activities:			
Net profit for the year		115	88
Adjusted for:			
• Income tax expense		52	44
• Depreciation		-	8
		<u>167</u>	<u>140</u>
Movement in working capital:			
• (Increase) / decrease in debtors		224	(286)
• Increase / (decrease) in creditors falling due within one year		(125)	348
• Investment in subsidiaries			(3,118)
Income taxes refunded / (paid)		(43)	(25)
<b>Net cash flow used in operating activities</b>		<b>223</b>	<b>(2,941)</b>
Cash flows from financing activities:			
Additional paid in capital			2,826
Dividend paid			(307)
<b>Net cash flow generated by financing activities</b>			<u>2,519</u>
<b>Net decrease in cash and cash equivalents</b>		<u><b>223</b></u>	<u><b>(422)</b></u>
Cash and cash equivalents:			
Cash and cash equivalents as at January 1		178	600
Cash and cash equivalents as at December 31		<u>401</u>	<u>178</u>
<b>Movement in cash and cash equivalents</b>		<u><b>223</b></u>	<u><b>(422)</b></u>

## Notes to the financial statements for the year ended 31 December 2013

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards. The principal accounting policies are summarised below. All accounting policies have been consistently applied in the current year and preceding year:

#### *Going Concern*

The company's business activities are set out in the Directors' Report. As part of the Citco Group, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, 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 preparing the financial statements.

#### *Revenue*

Revenue represents services to other group companies invoiced on a cost plus basis at invoiced amounts less value added tax or local taxes on sales. *Income from services is recognized when services are rendered.*

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life. It is calculated at the following rates:

Plant and machinery	20%
Leasehold improvements	20%

#### *Foreign currency*

Foreign currency transactions are translated into Sterling at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in currencies other than Sterling are translated into Sterling at the rate of exchange ruling at the balance sheet date, or if appropriate, at the forward contract rate. Gains and losses relating to the settlement of transactions and retranslation of assets and liabilities are recognised in the Profit and Loss account.

#### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

#### *Expenses*

All expenses are accounted for on an accrual basis.



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## Notes to the financial statements for the year ended 31 December 2013 (continued)

### Taxation

Current tax comprises UK Corporation tax which is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted at balance sheet date.

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date as a result of transactions which have occurred which will result in the Company paying more tax in the future or have the right to pay less tax in the future. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured on a non discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### 2. Revenue

Revenue relates to income earned from group companies and arises solely from services provided within the United Kingdom.

### 3. Operating profit

	2013	2012
	GBP 000	GBP 000
Operating profit is arrived at after charging:		
Depreciation of tangible fixed assets		8
Fees payable for the audit of the company's annual accounts	21	14

### 4. Personnel expenditures

Staff costs (including executive directors) consist of

	2013	2012
	GBP 000	GBP 000
Wages and salaries	1,123	1,322
Social security costs	106	220
Pension costs under defined contribution scheme	57	66
	<b>1,286</b>	<b>1,608</b>

The average number of employees employed by the company during the year was 10 (2012: 10)

### 5. Directors' remuneration

	2013	2012
	GBP 000	GBP 000
Director emoluments	253	212
Pension costs under defined contribution scheme	19	18
	<b>272</b>	<b>230</b>

This amount was paid to only one Director (2012: 1)

## 6 Foreign Exchange (losses) / gains

	2013 GBP 000	2012 GBP 000
Foreign exchange (losses) / gains	(34)	33

## 7 Taxation on profit on ordinary activities

	2013 GBP 000	2012 GBP 000
<i>UK Corporation tax</i>		
Current tax on profits of the year	46	39
Adjustment in respect of previous periods	6	-
Total current tax	52	39
Deferred tax expenses		
Deferred tax expenses recognised in current year	-	5
Total deferred tax	-	5
Total tax on profit on ordinary activities	52	44

The current tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2013 GBP 000	2012 GBP 000
Profit on ordinary activities before tax	166	132
Profit on ordinary activities at the blended average of corporation tax in the UK of 23.25% (2012: blended rate of 24.25%)	40	35
Effect of:		
Expenses not deductible for tax purposes	6	4
Capital allowances for period in excess of depreciation		
Tax relief on pension contributions		
Current tax charge for the year	46	39

Recognised deferred tax assets at 31 December 2013 are 7,000 (2012: 16,000)

	2013 GBP 000	2012 GBP 000
At 1 January	16	11
Charged to profit and loss account	(9)	5
At 31 December	7	16

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## 8 Share in equity subsidiaries

	2013	2012
	GBP 000	GBP 000
Citco Fund Services (Europe) B.V.	96	96
Citco Fund Services (Luxembourg) S.A.	2,929	2,929
Citco REIF Services (Canada) Ltd.	93	93
	<u>3,118</u>	<u>3,118</u>

## 9 Tangible fixed assets

	Leasehold improvements GBP 000	Office Equipment GBP 000	Total GBP 000
<i>Cost</i>			
At 1 January 2013	-	101	101
Additions	-	-	-
At 31 December 2013	<u>-</u>	<u>101</u>	<u>101</u>
<i>Depreciation</i>			
At 1 January 2013	-	101	101
Provided for the year	-	-	-
At 31 December 2013	<u>-</u>	<u>101</u>	<u>101</u>
<i>Net book value</i>			
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cost</i>			
At 1 January 2012	-	101	101
Additions	-	-	-
At 31 December 2012	<u>-</u>	<u>101</u>	<u>101</u>
<i>Depreciation</i>			
At 1 January 2012	-	93	93
Provided for the year	-	8	8
At 31 December 2012	<u>-</u>	<u>101</u>	<u>101</u>
<i>Net book value</i>			
At 31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>

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## 10 Accounts receivable

	2013	2012
	GBP 000	GBP 000
Amounts owed by group undertakings	246	469
Other debtors	49	50
	<u>295</u>	<u>519</u>

## 11 Creditors falling due within one year

	2013	2012
	GBP 000	GBP 000
Trade creditors	7	4
Amounts owed to group undertakings	101	-
Taxation and social security	28	58
Other creditors	<u>232</u>	<u>431</u>
	<u>368</u>	<u>493</u>

## 12 Called up share capital

	Authorised Share capital GBP	Allotted, called up and fully paid GBP
As at 31 December 2013 and 2012		
1,000 shares of £1 each	1,000	1

## 13 Reconciliation of movements in shareholders' funds

	Share Capital	Profit and Loss account	Additional paid in capital	Total
	GBP 000			
Balance as at January 1, 2012	-	731	-	731
Additional paid in capital	-	-	2,826	2,826
Profit for the year 2012	-	88	-	88
Dividends paid		(307)		(307)
Balance as at December 31, 2012	<u>-</u>	<u>512</u>	<u>2,826</u>	<u>3,338</u>
Balance as at January 1, 2013	-	512	2,826	3,338
Profit for the period	-	115	-	115
<b>Balance as at December 31, 2013</b>	<u>-</u>	<u>627</u>	<u>2,826</u>	<u>3,453</u>

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## 14 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to GBP 57 thousand (2012: GBP 66 thousand). As at 31 December 2013, no contributions (2012: NIL) were due in respect of the current year that had not been paid over to the schemes.

## 15 Related party disclosures

### *Related party transactions and balances*

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	GBP 000	GBP 000	GBP 000	GBP 000
<b>2013</b>				
Citco Fund Services (Dublin) Limited	1,027	-	135	-
Citco Fund Services (Europe) B.V.	417	-	61	-
Citco Fund Services (Holdings) Limited	609	-	-	99
Citco Financial Products (London) Limited	10	-	-	-
Citco London Limited	10	-	-	1
Citco Banking Corporation (London) Limited		88		
Citco Bank Nederland N.V.	-	-	40	-
The Citco Group Limited	99	-	-	-
Citco Advisors International Limited				1
Citco Fund Services (Malvern) Inc	114	-	10	-
<b>Total</b>	<b>2,286</b>	<b>88</b>	<b>246</b>	<b>101</b>
	Sales to related parties	Purchases from related parties	Amounts owed by related party	Amounts owed to related parties
	GBP 000	GBP 000	GBP 000	GBP 000
<b>2012</b>				
Citco Fund Services (Dublin) Limited	943	-	96	-
Citco Fund Services (Europe) B.V.	392	-	31	-
Citco Fund Services Holdings	741	-	108	-
Citco Financial Products (London) Limited	63	-	10	-
Citco London Limited	63	23	56	-
Citco Fund Services (America) Inc.	-	-	4	-
The Citco Group Limited	277	-	153	-
Citco Fund Services (Malvern) Inc.	19	-	11	-
<b>Total</b>	<b>2,498</b>	<b>23</b>	<b>469</b>	<b>-</b>

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The company has inter-company current account cash balances with affiliated companies:

	<b>2013</b>	<b>2012</b>
	<b>GBP 000</b>	<b>GBP 000</b>
Current account with Citco Bank	335	156

## **16 Ultimate parent company**

The company is a wholly-owned subsidiary undertaking of CFA Holdings Limited, a company incorporated in the Cayman Islands. On May 31, 2012 ownership of the Company was transferred from Citco Fund Services (Nederland) B.V., a company incorporated in the Netherlands, to CFA Holdings Limited.

The directors regard Citco III Limited, a company incorporated in the Cayman Islands, as the ultimate parent company and the ultimate controlling party. The consolidated accounts of the group are not publicly available. The largest group in which the results of the company are consolidated is that headed by Citco III Limited.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITCO FUND SERVICES (LONDON) LIMITED**

We have audited the financial statements of Citco Fund Services (London) Limited for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Profit and Loss account, the Company Balance Sheet and the related notes to the consolidated statements 1 to 29 and the related notes to the company statements 1 to 16. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss and the parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

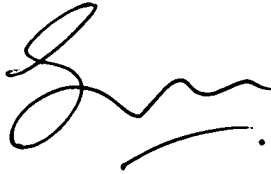
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



Garrath Marshall (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

30 September 2014