Citco (UK) Limited and Subsidiaries

Annual Report 2019

Registered Number: 07904837

CITCO

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1. Group Information

Directors

N. Braham (resigned June 17, 2020)
G. Hassett
J. Diver (appointed June 17, 2020)

Secretary and registered office

Citco (UK) Limited ("Company")
7 Albemarle Street,
W1S 4HQ,
London,
United Kingdom

Independent auditor

Deloitte Ireland LLP,
Deloitte & Touche House,
29 Earlsfort Terrace,
D02 AY28,
Ireland

2. Strategic Report of the Directors for the year ended December 31, 2019

The directors present their strategic report together with the audited consolidated financial statements of the Group for the year ended December 31, 2019. *The audited consolidated financial statement of the Group for the year ended* December 31, 2019 comprise of Citco (UK) Limited (the "Company") and its subsidiaries (together referred as the "Group").

Principal activities

The Company holds strategic investments in other Citco Group companies and provides advisory, consultancy, administrative support services and the provision of marketing services to other affiliated companies. The strategic investments include activities involved in the provision of back office fund administration services to other affiliated companies.

Results and dividends

The Group's profit for the year is GBP 61,311 (2018: profit GBP 330,895) and is shown in the statement of comprehensive income. There were no other recognized gains or losses in the year (2018: Nil). The directors have not declared or paid a dividend for 2019 (2018: Nil).

Key performance indicators

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

Principal risks and uncertainties

The Group's activities expose it to certain risks and further detail is provided in Note 5.3 to the consolidated financial statements.

Future developments in the business

The Group's operations have largely been unaffected by the global COVID-19 pandemic crisis due to proficient business continuity management. All staff have been working from home successfully since March 16, maintaining business-as usual and meeting all Service Level Agreement obligations towards our clients. All support services remained available to the Group at all times during the global COVID-19 pandemic. At this stage, there has been no indication that this pandemic crisis will have a negative impact on the 2020 results.

There are no other expected changes in business activities in the future.

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

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Glenn Hassett
Director
89 Nexus Way
Camana Bay,
Grand Cayman

August 13, 2020

3. Report of the Directors for the year ended December 31, 2019

The directors present their annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2019.

Going concern

The directors are satisfied with the performance of the Group. The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of the approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Directors

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

N. Braham (resigned June 17, 2020)

G. Hassett

J. Diver (appointed June 17, 2020)

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

Directors' responsibility statement

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

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

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

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

Financial risk management objectives and policies

The Company's activities expose it to certain risks and further detail is provided in Note 5.3 to the financial statements.

Proposed dividends

The directors have not declared or paid a dividend for 2019 (2018: Nil).

Future developments in the business

Refer to the Strategic Report of the Directors for future developments of the business.

Subsequent events

Management has determined there were no subsequent events requiring adjustment in the financial statements except for the rapidly evolving outbreak of COVID-19 which adversely contributes to significant volatility in financial markets. Many countries have reacted by instituting quarantines and restrictions on travel. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. Nevertheless, the Group continues to closely monitor the situation with regards to the degree of uncertainty and risk on financial performance in 2020.

Disclosure of information to the Auditor

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

(a) so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and

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

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

Auditor

Deloitte Ireland LLP are auditors for the Group and appropriate arrangements have been put in place for them to be appointed as auditor in the absence of an Annual General Meeting.

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

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Glenn Hassett
Director
89 Nexus Way
Camana Bay,
Grand Cayman

August 13, 2020

4. Consolidated Financial Statements

Consolidated income statement for the year ended December 31,

	Note		2019		2018
			GBP 000		GBP 000
Revenue:					
Revenue	5.4		**23,655**		21,375
Operating expenses:					
Personnel expenses	5.5	**14,692**		13,221	
Office rent		**1,486**		1,832	
Office and administration expenses		**586**		408	
Travel expenses		**3,152**		2,896	
Professional services	5.6	**237**		358	
Depreciation	5.7	**1,814**		1,025	
Allowance for doubtful debts		**–**		12	
Other operating expenses		**402**	**22,369**	325	20,077
Net profit from operations			**1,286**		1,298
Net finance expense	5.8		**731**		634
Share in profit in associate			**(1)**		–
Net profit before tax			**556**		664
Income tax expense	5.9		**495**		333
Net profit after tax			**61**		331
Attributable to:					
Shareholder of the Company			**61**		331

All results derive from continuing operations. The notes on pages 15 to 38 form an integral part of these consolidated financial statements.

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

	2019 GBP 000	2018 GBP 000
Net profit for the year	**61**	331
Items that may be reclassified subsequently to consolidated income statement:		
Foreign exchange (loss)/gain on translation of foreign operations	(230)	113
Total other comprehensive (loss)/income, net of income tax	(230)	113
Total comprehensive (loss)/income for the year	(169)	444
Attributable to:		
Shareholder of the Company	(169)	444

All results derive from continuing operations. The notes on pages 15 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of financial position as at December 31,

	Note		2019		2018
			GBP 000		GBP 000
Assets:					
Non-current assets					
Property, plant and equipment	5.10	**448**		11,818	
Right-of-use assets	5.11	**11,162**		-	
Investment in associate		**5**		-	
Deferred tax assets	5.9	**227**	**11,842**	75	11,893
Current assets					
Other receivables and accrued income	5.12	**1,791**		1,540	
Current receivables from affiliated companies	5.21	**894**		577	
Current tax assets		**811**		476	
Cash and cash equivalents	5.13	**5,061**	**8,557**	4,064	6,657
Total assets			**20,399**		18,550

The notes on pages 15 to 38 form an integral part of these consolidated financial statements.

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

	Note		2019		2018
			GBP 000		GBP 000
Equity and liabilities:					
Share capital	5.14	**8,730**		6,745	
Translation reserve		**(205)**		25	
Retained earnings		**159**		98	
Total equity attributable to shareholder of the Company			**8,684**		6,868
Non-current liabilities					
Provisions	5.16	**92**		67	
Non current payables to affiliated companies		**–**		466	
Lease liabilities	5.17	**7,047**		7,476	
Deferred tax liabilities	5.9	**12**	**7,151**	4	8,013
Current liabilities					
Trade payables		**82**		83	
Other payables and accrued expenses	5.15	**2,094**		2,188	
Current payables to affiliated companies	5.21	**162**		83	
Current tax liabilities		**922**		573	
Lease liabilities	5.17	**1,304**	**4,564**	742	3,669
Total equity and liabilities			**20,399**		18,550

The notes on pages 15 to 38 form an integral part of these consolidated financial statements.

The financial statements of Citco (UK) Limited (Registered number 07904837) were approved by the Board of Directors and authorized for issuance on August 13, 2020 and are signed on its behalf by:

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G. Hassett

Director

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

	Note	Issued ordinary shares	Translation reserve	Retained earnings	Total
		GBP 000	GBP 000	GBP 000	GBP 000
Balance as at January 1, 2019		6,745	25	98	6,868
Net profit for the year		–	–	61	61
Other comprehensive loss		–	(230)	-	(230)
Total comprehensive (loss)/income		–	(230)	61	(169)
Issuance of shares	5.14	1,985	–	-	1,985
Total transactions with shareholder		1,985	–	-	1,985
Balance as at December 31, 2019		8,730	(205)	159	8,684

There were no dividends paid or declared in 2019 (2018: nil).

	Note	Issued ordinary shares	Translation reserve	Retained earnings	Total
		GBP 000	GBP 000	GBP 000	GBP 000
Balance as at January 1, 2018		6,329	(88)	(233)	6,008
Net profit for the year		–	–	331	331
Other comprehensive income		–	113	–	113
Total comprehensive income		–	113	331	444
Issuance of shares	5.14	416	–	–	416
Total transactions with shareholder		416	–	–	416
Balance as at December 31, 2018		6,745	25	98	6,868

There were no dividends paid or declared in 2018 (2017: nil).

The notes on pages 15 to 38 form an integral part of these consolidated financial statements.

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

	Note	2019	2018
		GBP 000	GBP 000
Cash flows from operating activities:			
Net profit for the year		**61**	331
Adjusted for:			
• Income tax expense	5.9	**495**	333
• Depreciation	5.7	**1,814**	1,025
• Net finance expense	5.8	**731**	634
• Share in profit in associate		**(1)**	–
		3,100	2,323
• Movement in working capital:			
• Increase in other receivables and accrued income		**(251)**	(533)
• (Increase)/decrease in receivables from affiliated companies		**(317)**	1,238
• (Decrease)/increase in trade payables		**(1)**	2
• (Decrease)/increase in other payables and accrued expenses		**(94)**	107
• (Decrease)/increase in current payables to affiliated companies		**(387)**	99
• Foreign exchange gains		**414**	249
• Increase in provisions		**25**	67
• Decrease in other liabilities		**–**	(26)
• Unrealized currency translation (losses)/gains		**(230)**	113
• Cash generated by operations		**2,259**	3,639
Interest paid		**(525)**	(494)
Income taxes paid		**(631)**	(467)
Net cash flow generated by operating activities		**1,103**	2,678
Cash flows from investing activities:			
Additions to property, plant and equipment	5.10	**(174)**	(236)
Proceeds of disposals of property, plant and equipment	5.10	**65**	–
Investment in associate		**(4)**	–
Net cash flow used in investing activities		**(113)**	(236)

The notes on pages 15 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows under indirect method for the year ended December 31, (continued)

	Note	2019	2018
		GBP 000	GBP 000
Cash flows from financing activities:			
Issuance of shares	5.14	**1,985**	416
Repayment of lease liabilities		**(1,978)**	(1,216)
Net cash flow generated by/(used in) financing activities		**7**	(800)
Net increase in cash and cash equivalents		**997**	1,642
Cash and cash equivalents:			
Cash and cash equivalents as at January 1,	5.13	**4,064**	2,422
Cash and cash equivalents as at December 31,	5.13	**5,061**	4,064
Increase in cash and cash equivalents		**997**	1,642

The notes on pages 15 to 38 form an integral part of these consolidated financial statements.

5. Notes to the Consolidated Financial Statements

5.1. General

5.1.1. Ownership

The Company is privately held and it was incorporated on January 10, 2012 as a Private Limited Company in the United Kingdom under Companies Act 2006 and is limited by shares. The address of its registered office is as follows:

7 Albemarle Street,
London,
W1S 4HQ,
United Kingdom

The Company is a wholly owned subsidiary of The Citco Group Limited, (the "Parent Company") located in Grand Cayman, Cayman Islands. The Citco Group Limited is ultimately a wholly owned subsidiary of Citco III Limited, (the "Ultimate Parent Company") a Cayman Islands Company.

The largest company in which the results of the Company are consolidated is that headed by Citco III Limited, whose accounts are not publicly available. The smallest company in which they are consolidated is that headed by The Citco Group Limited whose accounts are not available to the public.

5.1.2. Group structure

The consolidated financial statements include the financial statements of the Company and its directly owned subsidiaries, which include the following companies:

Name	Principal activity	Place of incorporation/Registered office and principal place of business	Proportion of ownership interest
AREDVI GmbH	Aircraft leasing and financing	10 Universitatsring, Vienna 1010, Austria	100%
Citco Shared Services (India) Private Limited	Back office processing for fund administration	103 Sharda Chambers, 1st Floor, 15. Sir V. Thackersey Marg, New Marine Lines, Mumbai, Maharashtra 400020, India	100%
Citco Group Services (India) LLP	Back office processing for the ultimate parent company and its subsidiaries	Tower 2, Raiskaran Tech Park, Saki Naka, Mumbai, Maharashtra 400072 India	0.1%

On November 23, 2016, the Company became the shareholder of AREDVI GmbH, an aircraft leasing and financing entity.

During 2017, the Company became the shareholder of Citco Shared Services India Private Limited ("CSSIP") a back office processing fund administration entity.

On October 1, 2018 Citco Shared Services (India) Private Limited became the shareholder of Citco Group Services (India) LLP which provides back office processing for the ultimate parent company its subsidiaries.

5.1.3. Activities

The Company holds strategic investments in other Citco Group companies and provides advisory, consultancy, administrative support services and the provision of marketing services to other affiliated companies. The strategic investments include activities involved in the provision of back office fund administration services to other affiliated companies.

5.1.4. Currency

The Company uses the GBP as functional currency and presentation currency, since that is the currency of the primary economic environment in which the Company is operating.

5.1.5. Approval of the Board

These consolidated financial statements have been approved for issuance by the Board of Directors on August 13, 2020.

5.2. Principal accounting policies

5.2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the European Union ("EU"). The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain 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.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries at December 31. The main subsidiaries of the Company are detailed in 5.1.2.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect returns through its power over the investee.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any 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 intercompany transactions and balances between Group entities are eliminated on consolidation.

Comparative figures

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

5.2.2. New standards adopted by the Group

In the current year, the Group has applied IFRS 16 Leases ("IFRS 16") (as issued by the IASB "International Accounting Standards Board in January 2016). IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 5.2.4.

The following standards and amendments, effective from January 1, 2019, did not have any material impact on the Group disclosures or the amounts recognized in the consolidated financial statements.

- IFRIC 23 – Uncertainty over income tax treatment
- Amendment to IFRS 9 – Prepayment features with negative compensation
- Amendments to IAS 28 – Long-term interest in associate and joint venture
- Amendments to IAS 19 – Plan amendment, curtailment or settlement

5.2.3. New standards and interpretations not yet adopted

The IASB has issued a number of minor amendments to IFRS effective January 1, 2020 (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements). These amendments are not expected to have a significant impact on the Group.

5.2.4. Changes to accounting policies in 2019 – IFRS 16

The Group has adopted IFRS 16 from January 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

In the context of the transition to IFRS 16, right-of-use assets of GBP1,621,868 and lease liabilities of GBP 1,675,946 were recognized as at January 1, 2019. The aggregate lease liability recognized in the statement of financial position at January 1, 2019 and the Group operating lease commitment at December 31, 2018 can be reconciled as follows:

	2019
	GBP 000
Operating lease commitment at December 31, 2018	2,041
Effect of aligning information to IFRS 16	(365)
	1,676

The weighted average incremental borrowing rate applied to lease liabilities on January 1, 2019 was 5% which is consistent with the internal rate of borrowing.

In applying IFRS 16 for the first time, the Group has used a number of practical expedients permitted by the standard:

- Application of a single discount rate of 5% to a portfolio taking into consideration that the leases have reasonably similar characteristics;
- Grandfather' their previous assessment of which existing contracts are leases;
- Reliance on an assessment of whether a lease is onerous by applying IAS 37 Provisions Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review using the principles in IAS 36 Impairment of Assets; and
- Exclusion of initial direct costs from the measurement of the right of use asset at the date of initial application.

The Group has chosen to present right-of-use-assets as well as lease liabilities on the face of the consolidated statement of financial position, instead of disclosing the amounts in the notes. The requirement to present separately (on the consolidated statement of financial position or in the notes) the right-of-use assets does not apply to right-of-use assets that meet the definition of investment property. The Group does not have right-of-use assets that meet the definition of investment property.

Accounting policy applicable from January 1, 2019

Based on the accounting policy applied the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether the use of an identified assets is controlled by the customer.

Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identifies assets; and
- the right to direct the use of that asset.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

The right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of the property and equipment.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, using the effective interest method. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the Group incremental borrowing rate or the rate implicit in the lease contract.

The lease term determined by the Group comprises:

- non-cancellable period of lease contracts;
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made; and
- re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Accounting policy applicable before January 1, 2019

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 consolidated 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.

5.2.5. Use of estimates and critical accounting judgments in the preparation of financial statements

In preparing the consolidated 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 consolidated financial statements.

5.2.6. Foreign currency translation

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

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 OCI and transferred to the Group's translation reserve. On disposal of an entity, such cumulative translation differences are recognized as a gain or loss in the year in which the disposal takes place.

5.2.7. Revenue recognition

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

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

5.2.8. 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.

5.2.9. 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, where insufficient information about the plan assets held by the pension fund or on behalf of the employees of the Group, the plan is treated as a defined contribution plan.

5.2.10. Taxation

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

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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 consolidated income statement, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5.2.11. Property, plant and equipment

Machinery and equipment and leasehold improvements are stated at cost less accumulated depreciation and any accumulated impairment.

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

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

Machinery and equipment	**3-10 years**
Leasehold improvements	**Term of the lease**
Right-of-use assets	**Term of the lease**

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

These assets are reviewed at each reporting period for indications of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated based on its fair value. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In addition, the useful lives of these assets are also reviewed and adjusted, if appropriate, at each reporting period.

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

5.2.12. Impairment

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

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

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

5.2.13. *Financial assets and financial liabilities*

Recognition and derecognition of financial instruments

Recognition of financial assets

Financial assets are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instruments. Debt securities and certain other financial assets measured at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognized using trade date accounting.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognizes the financial asset if it no longer has control over the asset. The difference between the carrying amount of a financial asset that has been extinguished and the consideration received is recognized in the consolidated income statement.

Recognition of financial liabilities

Financial liabilities are recognized on the date that the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial liabilities

Financial liabilities are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognized in the consolidated income statement.

5.2.14. Accrued income

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

5.2.15. Cash and cash equivalents

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

5.2.16. Trade payables

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

5.2.17. 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.

5.2.18. Consolidated statement of cash flows

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

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

5.3. Financial risk management

5.3.1. 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) Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

Market risk

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

Currency risk

It is the Group's policy not to actively enter into a risk position and it usually refinances in the same currency with the same maturity. The Ultimate Parent Company uses hedging techniques to protect the Company from sudden fluctuations in the currency markets in relation to operating income and expenses. Any currency risk resulting from fluctuations in exchange rates is reduced due to the Ultimate Parent Company entering into forward contracts in order to hedge its exposure.

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

	GBP	USD	EUR	INR	Total
	GBP 000	GBP 000	GBP 000	GBP 000	GBP 000
As at December 31, 2019					
Non-current assets					
Property, plant and equipment	136	–	-	312	448
Right-of-use assets	140	10,158	-	864	11,162
Investment in associate	–	–	-	5	5
Deferred tax assets	–	–	-	227	227
Current assets					
Other receivables and accrued income	259	235	-	1,297	1,791
Current receivables from affiliated companies	651	–	-	243	894
Current tax assets	–	–	-	811	811
Cash and cash equivalents	2,953	255	-	1,853	5,061
Total assets	4,139	10,648	-	5,612	20,399
Non-current liabilities					
Provisions	–	–	-	92	92
Lease liabilities	72	6,480	-	495	7,047
Deferred tax liabilities	12	–	-	–	12
Current liabilities					
Trade payables	68	–	-	14	82
Other payables and accrued expenses	1,262	49	-	783	2,094
Current payables to affiliated companies	2	–	-	160	162
Current tax liabilities	16	(6)	-	912	922
Lease liabilities	70	763	-	471	1,304
Total liabilities	1,502	7,286	-	2,927	11,715
Net balance sheet position	2,637	3,362	-	2,685	8,684
As at December 31, 2018					
Total assets	1,360	13,605	76	3,509	18,550
Total liabilities	1,652	8,709	–	1,321	11,682
Net balance sheet position	(292)	4,896	76	2,188	6,868

Currency sensitivity analysis

The Group is mainly exposed to the US Dollar.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in exchange rates.

If the GBP to US Dollar had been 10% higher and all other variables were held constant, the Group's net profit for the year ended December 31, 2019 would increase by GBP 1.7 million (2018: increase by GBP 1.4 million) and the Group's equity as at December 31, 2019 would increase by GBP 0.3 million (2018: increase by GBP 0.4 million).

If the GBP to US Dollar had been 10% lower and all other variables were held constant, the Group's net profit for the year ended December 31, 2019 would decrease by GBP 1.7 million (2018: decrease by GBP 1.4 million) and the Group's equity as at December 31, 2019 would decrease by GBP 0.3 million (2018: decrease by GBP 0.4 million).

Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Group.

The Group's maximum exposure to credit risk, arising from holdings of cash and cash equivalents as at December 31, 2019, is the carrying amount of those assets as indicated in the statement of financial position. This is managed by using only banks and brokers which are of high credit quality.

The Group is also exposed to credit risk on the receivables balances due at the year end date. A significant concentration of the receivables balance is due from one affiliated company as the Group makes the majority of revenue from this affiliated company.

There are no financial assets that are past due and nor impaired at the balance sheet date.

Operational risk

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

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast to actual cash flows. The following table represents the Group's remaining contractual maturity for its financial assets and financial liabilities. The table has been drawn up based the earliest date on which the Group can be required to receive and pay, respectively.

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
	GBP 000	GBP 000	GBP 000	GBP 000	GBP 000
As at December 31, 2019					
Current assets					
Other receivables and accrued income	652	719	420	–	1,791
Current receivables from affiliated companies	894	–	-	–	894
Cash and cash equivalents	5,061	–	-	–	5,061
Total assets	6,607	719	420	–	7,746
Non-current liabilities					
Provisions	–	–	-	92	92
Lease liabilities	–	–	-	7,047	7,047
Current liabilities					
Trade payables	43	39	-	–	82
Other payables and accrued expenses	2,094	–	-	–	2,094
Current payables to affiliated companies	162	–	-	–	162
Lease liabilities	109	217	978	–	1,304
Total liabilities	2,408	256	978	7,139	10,781
As at December 31, 2018					
Current assets					
Other receivables and accrued income	568	607	365	–	1,540
Current receivables from affiliated companies	577	–	–	–	577
Cash and cash equivalents	4,064	–	–	–	4,064
Total assets	5,209	607	365	–	6,181
Non-current liabilities					
Non current payables to affiliated companies	–	–	–	466	466
Finance lease liabilities	–	–	–	7,476	7,476
Current liabilities					
Trade payables	43	40	–	–	83
Other payables and accrued expenses	2,188	–	–	–	2,188
Current payables to affiliated companies	83	–	–	–	83
Current portion of finance lease liabilities	61	124	557	–	742
Total liabilities	2,375	164	557	7,942	11,038

5.4. Revenue from contracts with customers

		Regions		
2019	United Kingdom	Austria	India	Total
	GBP 000	GBP 000	GBP 000	GBP 000
Intercompany recharge	**12,187**	**1,185**	**9,485**	**22,857**
Charter income	**–**	**798**	**-**	**798**
	12,187	**1,983**	**9,485**	**23,655**

		Regions		
2018	United Kingdom	Austria	India	Total
	GBP 000	GBP 000	GBP 000	GBP 000
Intercompany recharge	13,182	1,163	5,972	20,317
Charter income	–	1,058	–	1,058
	13,182	2,221	5,972	21,375

The Group does not expect to have any contracts where the period between the transfer of the services to the customer and payment by customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

5.5. Personnel expenses

	2019	2018
	GBP 000	GBP 000
Salaries and bonuses	**12,747**	11,508
Social charges and taxes	**1,049**	1,255
Pension expenses	**760**	613
Other personnel expenses	**136**	(155)
Personnel expenses	**14,692**	13,221

The average number of full-time employees for the year was 428 (2018: 280).

Personnel expenses include the expenses associated with the Board of Directors. See Note 5.22 for Director's remuneration.

5.6. Professional services

	2019	2018
	GBP 000	GBP 000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	24	21
Fees payable to the Company's auditors for the audit of the subsidiaries annual accounts	28	31
Other professional services	185	306
Professional services	237	358

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

5.7. Depreciation

	2019	2018
	GBP 000	GBP 000
Machinery and equipment	304	960
Leasehold improvements	71	65
Right of use assets	1,439	–
Depreciation	1,814	1,025

5.8. Net finance expense

	2019	2018
	GBP 000	GBP 000
Interest income	(14)	–
Interest on lease liabilities	535	494
Interest expense	4	1
Foreign exchange loss	206	139
Net finance expense	731	634

5.9. Income tax expense

	2019	2018
	GBP 000	GBP 000
Current tax expense:		
Current year	603	455
Prior year	49	(90)
Total current tax	652	365
Deferred tax expense:		
Current year	(48)	(66)
Prior year	(109)	34
Total deferred tax	(157)	(32)
Income tax expense	495	333

Reconciliation of the effective tax rate:

	2019		2018	
	%	GBP 000	%	GBP 000
Net profit before tax		556		664
Income tax using the domestic corporate income tax rate of	19.0	106	19.0	126
Effect of rates different than statutory	12.1	68	6.9	46
Effect of losses not recognized	60.7	337	27.5	182
Non deductible items	8.0	44	5.2	34
Impact of prior years	(10.8)	(60)	(8.2)	(55)
Income tax expense	89.0	495	50.2	333

Recognized deferred tax assets and deferred tax liabilities:

	Deferred tax assets	Deferred tax liabilities	Total
	GBP 000	GBP 000	GBP 000
As at January 1, 2019	**79**	**(4)**	**75**
Increase	**148**	**(8)**	**140**
As at December 31, 2019	**227**	**(12)**	**215**
As at January 1, 2018	49	(11)	38
Increase	30	7	37
As at December 31, 2018	79	(4)	75

Deferred tax assets have been recognized to the extent that it is considered more likely than not that there will be suitable taxable profits from the future reversal of the underlying timing difference can be deducted.

	2019	2018
	GBP 000	GBP 000
Property, plant and equipment	**26**	(4)
Other payables and accrued expenses	**189**	79
Total deferred tax assets	**215**	75

5.10. Property, plant and equipment

	Machinery and equipment	Leasehold improvements	Total
	GBP 000	GBP 000	GBP 000
Cost:			
As at January 1,	**14,168**	**363**	**14,531**
Transfer finance lease under IFRS 16	**(11,951)**	**–**	**(11,951)**
Additions	**174**	**–**	**174**
Disposal	**(65)**	**–**	**(65)**
Foreign exchange loss	**(417)**	**(18)**	**(435)**
As at December 31, 2019	**1,909**	**345**	**2,254**
Accumulated depreciation:			
As at January 1,	**2,598**	**115**	**2,713**
Transfer finance lease under IFRS 16	**(1,234)**	**–**	**(1,234)**
Disposal	**19**	**–**	**19**
Depreciation	**304**	**71**	**375**
Foreign exchange loss	**(58)**	**(9)**	**(67)**
As at December 31, 2019	**1,629**	**177**	**1,806**
Net carrying amount:			
As at December 31, 2019	**280**	**168**	**448**

	Machinery and equipment	Leasehold improvements	Total
	GBP 000	GBP 000	GBP 000
Cost:			
As at January 1, 2018	13,296	354	13,650
Additions	227	9	236
Foreign exchange gains	645	–	645
As at December 31, 2018	14,168	363	14,531
Accumulated depreciation:			
As at January 1, 2018	1,581	50	1,631
Depreciation	960	65	1,025
Foreign exchange loss	57	–	57
As at December 31, 2018	2,598	115	2,713
Net carrying amount:			
As at December 31, 2018	11,570	248	11,818

5.11. Right-of-use assets

The average lease term of the operating lease is 3 years.

	Operating lease	Finance lease	Total
	GBP 000	GBP 000	GBP 000
Cost:			
As at January 1, 2019	–	–	-
Transfer finance lease under IFRS 16	–	11,951	11,951
Additions	1,899	–	1,899
Terminations	(297)	–	(297)
Foreign exchange loss	(100)	–	(100)
As at December 31, 2019	1,502	11,951	13,453
Accumulated depreciation:			
As at January 1, 2019	–	–	-
Transfer finance lease under IFRS 16	–	1,234	1,234
Depreciation	820	619	1,439
Terminations	(297)	–	(297)
Foreign exchange loss	(25)	(60)	(85)
As at December 31, 2019	498	1,793	2,291
Net carrying amount:			
As at December 31, 2019	1,004	10,158	11,162

91% of the operating lease relates to office space and 9% relates to machinery and equipment.

5.12. Other receivables and accrued income

	2019	2018
	GBP 000	GBP 000
Security deposits	396	476
VAT and withholding tax receivable	536	466
Government Grants	550	327
Prepaid expenses	238	189
Other receivables	71	82
As at December 31,	1,791	1,540

5.13. Cash and cash equivalents

	2019 GBP 000	2018 GBP 000
Current accounts with other banks	**2,616**	1,234
Bank balances with affiliated companies	**2,445**	2,830
As at December 31,	**5,061**	4,064

Bank balances earn interest at the respective short-term deposit market rates.

5.14. Share capital

Authorized shares:

	2019 Number of shares 000	2018 Number of shares 000
As at January 1,	**6,745**	6,329
Issuance of ordinary shares at a par value of GBP 1 each	**1,985**	416
As at December 31,	**8,730**	6,745

In 2019, the Company issued 1,985,349 (2018: 415,974) ordinary shares respectively of GBP 1.00 each.

5.15. Other payables and accrued expenses

	2019 GBP 000	2018 GBP 000
Accrued expenses	**1,654**	1,778
Taxes and social security contributions payable	**440**	333
Other payables	**–**	77
As at December 31,	**2,094**	2,188

5.16. Provisions

	2019	2018
	GBP 000	GBP 000
As at January 1,	67	–
Provision made during the year	25	67
As at December 31,	92	67

	2019	2018
	GBP 000	GBP 000
Non-current	92	67
As at December 31,	92	67

The provision represents the retirement benefits payable as per Payment of Gratuity Act in India.

5.17. Lease liabilities

	Lease assets	Aredvi	Total
	GBP 000	GBP 000	GBP 000
As at January 1, 2019	–	8,219	8,219
Additions	1,852	–	1,852
Lease payments	(744)	(742)	(1,486)
Foreign exchange loss	–	(234)	(234)
As at December 31, 2019	1,108	7,243	8,351
Included in the consolidated financial statements are :			
Within one year	541	763	1,304
In the second to the fifth year inclusive	567	6,480	7,047
As at December 31,	1,108	7,243	8,351

5.18. Categories of financial assets and financial liabilities

Financial Assets

	2019 GBP 000	2018 GBP 000
Cash and cash equivalents	**5,061**	4,064
Loans and receivables	**1,911**	1,462
As at December 31,	**6,972**	5,526

Financial Liabilities

	2019 GBP 000	2018 GBP 000
Other liabilities	**1,815**	2,404

5.19. Financial assets and liabilities not carried at fair value

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

5.20. Operating lease arrangements

In accordance with IFRS 16, a right-of-use asset (note 5.11) and a lease liability (note 5.17) have been recognized for all the operating lease arrangements.

As at the end of the 2018 reporting period, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2019 GBP 000	2018 GBP 000
Within one year	–	656
In the second to fifth years inclusive	–	1,385
As at December 31,	–	2,041

Operating lease payments includes rentals payable by the Group for its office and residential properties.

5.21. Related party transactions

Related party transactions are recognized on an arm's length basis and are due within 12 months of the balance sheet date. A summary of the transactions between the Group and its related parties for the year ended December 31, 2019 are as follows:

	2019	2018
	GBP 000	GBP 000
Receivables	**894**	577
Payables	**(162)**	(549)
Net balance receivable	**732**	28

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

	2019	2018
	GBP 000	GBP 000
Services rendered to:		
The Citco Group Limited	**11,694**	13,197
Citco Fund Services (Holdings) Limited	**3,003**	2,155
Citco Fund Services (Cayman Islands) Limited	**3,402**	2,015
Citco Fund Services (USA) Inc.	**681**	2,470
Citco REIF Services UK Limited	**–**	577
Citco Fund Services (Ireland) Limited	**212**	131
Citco Fund Services (Luxembourg) S.A.	**430**	230
Citco Fund Services (Guernsey) Limited	**27**	38
Citco Fund Services (Curaçao) B.V.	**993**	–
Citco Fund Administration (Cayman Islands) Limited	**3,176**	–
Other affiliated companies	**37**	561
As at December 31,	**23,655**	21,374

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

	2019	2018
	GBP 000	GBP 000
Office and residential rental charges	**1,063**	1,013
Travel expenses	**–**	(54)
Other	**(46)**	–
	1,017	959

5.22. Directors' remuneration

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

	2019	2018
	GBP 000	GBP 000
Salary and fringe benefits	**71**	2,284
Pension	**–**	10
Directors' remuneration	**71**	2,294

The remuneration of the executive directors is decided by the shareholder. During 2019 a director left the UK and joined another Citco office.

5.23. Events after the reporting date

Management has determined there were no subsequent events requiring adjustment in the financial statements except for the rapidly evolving outbreak of COVID-19 which adversely contributes to significant volatility in financial markets. Many countries have reacted by instituting quarantines and restrictions on travel. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. Nevertheless, the Company continues to closely monitor the situation with regards to the degree of uncertainty and risk on financial performance in 2020.

Signing of the consolidated financial statements

On August 13, 2020 the Board of Directors authorized the consolidated financial statements for issuance.

Executive directors:

DocuSigned by:

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Glenn Hassett

Chief Financial Officer

6. Citco (UK) Limited Company Financial Statements

Citco (UK) Limited statement of comprehensive income for the year ended December 31,

	Note		2019		2018
			GBP 000		GBP 000
Revenue		**12,187**		13,182	
Operating expenses	7.1	**(11,681)**		(12,450)	
Net finance expense	7.3	**(3)**		(137)	
Profit for the year before tax			**503**		595
Income tax expense	7.4		**147**		125
Profit for the year after tax			**356**		470
Attributable to:					
Shareholder of the Company			**356**		470

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 17 to 23. The notes identified on pages 44 to 49 are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the notes on pages 28 to 38.

Citco (UK) Limited statement of financial position for the year ended December 31,

	Note	2019		2018	
			GBP 000		GBP 000
Assets:					
Non-current assets					
Property, plant and equipment	7.5	**137**		179	
Right-of-use assets	7.6	**140**		-	
Investments in subsidiary	7.7	**8,201**		6,214	
Non current receivables from affiliated companies		**54**	**8,532**	306	6,699
Current assets					
Other receivables and accrued income	7.8	**259**		288	
Current receivables from affiliated companies	7.13	**651**		203	
Cash and cash equivalents	7.9	**2,953**	**3,863**	2,754	3,245
Total assets			**12,395**		9,944

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 17 to 23. The notes identified on pages 44 to 49 are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the notes on pages 28 to 38.

Citco (UK) Limited statement of financial position for the year ended December 31, (continued)

	Note	2019		2018	
			GBP 000		GBP 000
Equity and liabilities:					
Share capital	5.14	**8,730**		6,745	
Retained earnings		**1,898**		1,542	
Total equity attributable to shareholder of the Company			**10,628**		8,287
Non-current liabilities					
Lease liabilities	7.11	**72**		–	
Deferred tax liabilities		**12**	**84**	4	4
Current liabilities					
Trade payables		**68**		53	
Other payables and accrued expenses	7.10	**1,262**		1,467	
Current payable to affiliated companies	7.13	**267**		47	
Lease liabilities	7.11	**70**		-	
Current tax liabilities		**16**	**1,683**	86	1,653
Total equity and liabilities			**12,395**		9,944

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 17 to 23. The notes identified on pages 44 to 49 are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the notes on pages 28 to 38.

The financial statements of Citco (UK) Limited (Registered number 07904837) were approved by the Board of Directors and authorized for issuance on August 13, 2020 and are signed on its behalf by:

DocuSigned by:

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G. Hassett

Director

Citco (UK) Limited statement of changes in equity for the year ended December 31,

	Issued ordinary shares	Retained earnings	Total
	GBP 000	**GBP 000**	**GBP 000**
Balance as at January 1, 2019	**6,745**	**1,542**	**8,287**
Net profit for the year	**–**	**356**	**356**
Total comprehensive income	**–**	**356**	**356**
Issuance of shares	**1,985**	**–**	**1,985**
Total transactions with shareholder	**1,985**	**–**	**1,985**
Total equity attributable to shareholder of the Company as at December 31, 2019	**8,730**	**1,898**	**10,628**

The Company did not declare or pay a dividend in 2019 (2018: nil)

	Issued ordinary shares	Retained earnings	Total
	GBP 000	GBP 000	GBP 000
Balance as at January 1, 2018	6,329	1,072	7,401
Net profit for the year	–	470	470
Total comprehensive income	–	470	470
Issuance of shares	416	–	416
Total transactions with shareholder	416	–	416
Total equity attributable to shareholder of the Company as at December 31, 2018	6,745	1,542	8,287

The Company did not declare or pay a dividend in 2018 (2017: nil)

Where applicable, the accounting policies of the Company are the same as those of the Group on pages 17 to 23. The notes identified on pages 44 to 49 are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the notes on pages 28 to 38.

7. Citco (UK) Limited Notes to the Financial Statements

7.1. Operating expenses

	2019 GBP 000	2018 GBP 000
Personnel expenses	**8,372**	9,590
Operating expenses	**3,309**	2,860
As at December 31,	**11,681**	12,450

	2019 GBP 000	2018 GBP 000
Personnel expenses:		
Salaries and bonuses	**6,536**	7,902
Social charges and taxes	**1,049**	1,255
Pension expenses	**392**	366
Other personnel expenses	**395**	67
Personnel expenses	**8,372**	9,590

The average number of full-time employees for the year was 48 (2018: 46).

For details of the Company's Director's remuneration, refer to Note 5.22.

7.2. Auditor's remuneration

	2019 GBP 000	2018 GBP 000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**24**	21
Fees payable to the Company's auditors for the audit of the Company's subsidiaries annual accounts	**28**	9
Auditor's remuneration	**52**	30

7.3. Net finance expense

	2019 GBP 000	2018 GBP 000
Interest expense	**4**	–
Interest on lease liabilities	**9**	–
Foreign exchange (gain)/loss	**(10)**	137
Net finance expense	**3**	137

7.4. Income tax expense

	2019	2018
	GBP 000	GBP 000
Current tax expense:		
Current year	**57**	180
Prior year	**83**	(62)
Total current tax	**140**	118
Deferred tax expense:		
Current year	**83**	(31)
Prior year	**(76)**	38
Total deferred tax	**7**	7
Income tax expense	**147**	125

Reconciliation of the effective tax rate:

	2019		2018	
	%	**GBP 000**	%	GBP 000
Net profit before tax		**503**		595
Income tax using the domestic corporate income tax rate of	**19.0**	**96**	19.0	113
Non deductible items	**8.8**	**44**	6.0	36
Impact of prior years	**1.4**	**7**	(4.0)	(24)
Income tax expense	**29.2**	**147**	21.0	125

Recognized deferred tax assets and deferred tax liabilities:

	2019	2018
	GBP 000	GBP 000
Property, plant and equipment	**(12)**	(4)

7.5. Property, plant and equipment

	Machinery and equipment 2019	2018
	GBP 000	GBP 000
Cost:		
As at January 1,	**1,293**	1,224
Additions	**57**	69
Foreign exchange gain	**2**	–
As at December 31,	**1,352**	1,293
Accumulated depreciation:		
As at January 1,	**1,114**	899
Depreciation	**101**	215
As at December 31,	**1,215**	1,114
Net carrying amount:		
As at December 31,	**137**	179

7.6. Right-of-use assets

The average lease term is 3 years.

	2019
	GBP 000
Cost:	
As at January 1, 2019	–
Additions	311
Terminations	(106)
As at December 31, 2019	205
Accumulated depreciation:	
As at January 1, 2019	–
Depreciation	171
Terminations	(106)
As at December 31, 2019	65
Net carrying amount:	
As at December 31, 2019	140

37% of the operating lease relates to office space and 63% relates to machinery and equipment.

7.7. Investments in subsidiary

	2019	2018
	GBP 000	GBP 000
As at January 1,	6,214	5,531
Investment in AREDVI GmbH	1,987	683
As at December 31,	8,201	6,214

For details of the Company's investment in subsidiaries refer to Note 5.1.2.

7.8. Other receivables and accrued income

	2019	2018
	GBP 000	GBP 000
Prepaid expenses	103	98
VAT receivable	88	89
Security deposits	5	27
Other receivables	63	74
As at December 31,	259	288

7.9. Cash and cash equivalents

	2019	2018
	GBP 000	GBP 000
Current accounts with other banks	564	201
Bank balances with affiliated companies	2,389	2,553
As at December 31,	2,953	2,754

7.10. Other payables and accrued expenses

	2019	2018
	GBP 000	GBP 000
Accrued expenses	915	1,209
Taxes and social security contributions payable	347	258
As at December 31,	1,262	1,467

7.11. Lease liabilities

	2019 GBP 000
As at January 1, 2019	–
Additions	311
Lease payments	(169)
As at December 31, 2019	142
Maturity analysis	
Repayable in less than 1 Year	70
In the second to the fifth year inclusive	72
As at December 31, 2019	142

7.12. Risk management

Risk management in the context of the Company and the Group is considered in the Group consolidated financial statements, Note 5.3.

7.13. Related party transactions

Related party transactions are recognized on an arm's length basis and are due within 12 months of the balance sheet date. A summary of the transactions between the Company and its related parties for the year ended December 31, 2019 are as follows:

	2019	2018
	GBP 000	GBP 000
Receivables	**705**	509
Payables	**(267)**	(47)
Net balance receivable as at December 31,	**438**	462

	2019	2018
	GBP 000	GBP 000
Services rendered to:		
The Citco Group Limited	**8,877**	10,670
Citco Fund Services (Holdings) Limited	**2,641**	1,954
Citco Fund Services (Ireland) Limited	**212**	131
Citco Fund Services (Luxembourg) S.A.	**430**	268
Citco Fund Services (Guernsey) Limited	**27**	38
Other affiliated companies	**–**	122
As at December 31,	**12,187**	13,183

	2019	2018
	GBP 000	GBP 000
Office and residential rental charges	**1,063**	1,013

7.14. Subsequent events

Details of the Company's subsequent events are given in the Group consolidated financial statements, Note 5.23.

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Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITCO (UK) LIMITED AND SUBSIDIARIES

Report on the audit of the financial statements

Opinion
In our opinion:

- the financial statements of Citco UK Ltd (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes of the group (5.1 to 5.23) and the parent (7.1 to 7.14).

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

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

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

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

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITCO (UK) LIMITED AND SUBSIDIARIES

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

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

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

As part of an audit in accordance with ISAs (UK), the auditor exercises professional judgment and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the company's financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's (or where relevant, the group's) internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concludes on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's (or where relevant, the group's) ability to continue as a going concern, If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or/ if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report, However, future events or conditions may cause the company (or where relevant, the group) to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Report on other legal and regulatory requirements

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITCO (UK) LIMITED AND SUBSIDIARIES

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

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

We have nothing to report in respect of these matters.

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

Brian Forrester
For and on behalf of Deloitte LLP
Statutory Auditor
Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2, Ireland

Date: 2 September 2020