Citco Bank Canada

Annual Report 2013

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SECTION

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Section 1

Consolidated Financial Statements

Consolidated statement of comprehensive income for the year ended December 31, 2013

	Note	**2013**	**2013**	2012	2012
			USD 000		USD 000
Revenue:					
Banking and Custody Services	3	**6,430**		5,460	
Operating expenses:					
Personnel expenses	4	**1,746**		1,958	
Restructuring expenses	12	**19**		217	
Office rent		**38**		224	
Office and administration expenses		**127**		166	
Travel expenses		**66**		29	
Professional services		**93**		20	
Depreciation and amortization		**6**		–	
Other operating expenses	5	**1,387**	**3,482**	1,019	3,633
Profit before tax			**2,948**		1,827
Income tax expense	6		**711**		535
Net profit and comprehensive income			**2,237**		1,292

Consolidated statement of financial position as at December 31, 2013

	Note	**2013**	**2013 USD 000**	2012	2012 USD 000
Assets					
Non-current assets					
Fixed assets		**19**		–	
Deferred tax assets	7	**21**	**40**	595	595
Current assets					
Other receivables and accrued income	8	**3,220**		2,475	
Receivables from affiliated companies	14	**169**		37	
Short-term investments	9	**100,000**		–	
Cash and cash equivalents	10	**484,352**	**587,741**	471,550	474,062
Total assets			**587,781**		474,657
Equity and liabilities					
Share capital	11	**85,000**		65,000	
Retained earnings (accumulated loss)		**275**	**85,275**	(1,962)	63,038
Total equity			**85,275**		63,038
Current liabilities					
Other payables and accrued expenses	16	**723**		373	
Income taxes payable		**136**		–	
Payables to affiliated companies	15	**21**		170	
Provisions	12	**116**		223	
Amounts owed to depositors	17	**501,510**	**502,506**	410,853	411,619
Total equity and liabilities			**587,781**		474,657

Approved by the Board

Charles Rund, Director

Jack Selvage, Director

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

	Share capital	Retained earnings (accumulated loss)	Total
	USD 000	USD 000	USD 000
Balance as at January 1, 2013	**65,000**	**(1,962)**	**63,038**
Issuance of shares	**20,000**	**–**	**20,000**
Total comprehensive income	**–**	**2,237**	**2,237**
	–	**–**	**–**
Total equity attributable to the shareholder of the Company as at December 31, 2013	**85,000**	**275**	**85,275**

Consolidated statement of changes in equity for the year ended December 31, 2012

	Share capital	Accumulated loss	Total
	USD 000		USD 000
Balance as at January 1, 2012	65,000	(3,254)	61,746
Total comprehensive income	–	1,292	1,292
	–		–
Total equity attributable to the shareholder of the Company as at December 31, 2012	65,000	(1,962)	63,038

Consolidated statement of cash flows for the year ended December 31, 2013

	Note	2013	2012
		USD 000	USD 000
Cash flows from operating activities:			
Comprehensive income for the year		**2,237**	1,292
Adjusted for:		**–**	–
• Income tax expense		**711**	535
• Interest income banking activities		**(1,177)**	(699)
• Depreciation for fixed assets		**6**	–
		1,777	1,128
Movement in working capital:		**–**	–
• (Increase) in other receivables and accrued income		**(745)**	(1,270)
• (Increase) in receivables from affiliated companies		**(132)**	(11)
• Increase in other payables and accrued expenses		**350**	42
• (Decrease)/ increase in payables to affiliated companies		**(149)**	110
• Increase in amounts owed to depositors		**90,657**	12,243
• (Decrease)/increase in provisions	12	**(107)**	174
• Interest paid		**(18)**	(15)
• Interest received		**1,195**	714
• Movement in deferred taxes		**(1)**	(26)
Net cash flow generated by operating activities		**92,827**	13,089
Cash flows from financing activities:			
Proceeds from share issuance		**20,000**	–
Net cash flow generated by financing activities		**20,000**	–
Cash flows from investing activities:			
Short-term investment		**(100,000)**	–
Purchase of fixed assets		**(25)**	–
Net cash flow generated by investing activities		**(100,025)**	–
Net increase in cash and cash equivalents		**12,802**	13,089
Cash and cash equivalents:			
Cash and cash equivalents as at January 1	10	**471,550**	458,461
Cash and cash equivalents as at December 31	10	**484,352**	471,550
Increase in cash and cash equivalents		**12,802**	13,089

There were no taxes paid in year 2012 and 2013.

CITCO

Section 2

Notes to the Consolidated Financial Statements

2. Notes to the consolidated financial statements

2.1. General

2.1.1. Ownership

Citco Bank Canada (hereafter referred to as "the Company") is a privately held company incorporated on September 2, 2008 as a foreign bank subsidiary.

The Company commenced operations on June 10, 2009 when it received approval from the Office of the Superintendent of Financial Institutions of Canada ("OSFI") and is licensed to operate in Canada as a foreign bank subsidiary with full banking powers under the Bank Act.

The Company is a wholly owned subsidiary of Citco Bank Nederland N.V. (hereafter referred to as "the Parent"). The ultimate parent company is Citco III Limited, a company incorporated in the Cayman Islands.

The Company address of its registered office is as follows:

2 Bloor Street East Suit 2700

Toronto, Ontario

M4W1A8

Canada

2.1.2. Activities

The Company specializes in custody activities related to investment funds, both for funds of funds as well as for financial institutions. The Company's clients are considered to be institutional counterparties.

2.1.3. Company structure

In 2009, the Company formed Citco Canada Custody Limited ("CCCL"), a wholly-owned subsidiary. For the year ended December 31, 2013, CCCL has not commenced operations.

2.1.4. Currency

The Company uses the United States Dollar ("USD") as functional currency and presentation currency, since that is the currency of the primary economic environment in which the Company is operating.

2.1.5. Approval of the Board

These consolidated financial statements have been approved for issuance by the Board of Directors on May 20, 2014.

2.2 Principal accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on the historical cost basis. 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 applied are consistent with those applied for the previous year.

2.2.1. New and amended standards adopted by the Company

- Amendments to IFRS 7 Financial instruments: Disclosures, on offsetting financial assets and financial liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral positing requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

  The Company has applied the amendments to IFRS 7. As the Company 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 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. The adoption of this standard did not have a material impact on the consolidated financial statements.

- 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). The adoption of this standard did not have a material impact on the consolidated financial statements.

- 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, 2013. The adoption of this standard did not have a material impact on the consolidated financial statements.

- IFRS 13 Fair value measurement

  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.

- IAS 1 Presentation of items of Other Comprehensive Income

  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 did not result in any impact on profit or loss, OCI and total comprehensive income.

2.2.2. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these financial statements. The most relevant are considered below:

i) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 as issued in November 2009, reissued in October 2010, amended in December 2011 and again in November 2012, is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. As currently drafted, IFRS 9 provides that, subject to a FVTPL election available in certain circumstances, based on the contractual cash flow characteristics of the financial asset and the business model within which they are held, fixed income securities would be classified in one of three measurement categories: amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI").

The measurement characteristics for the amortized cost and FVOCI categories are similar to the held to maturity and available-for-sale categories, respectively, in the current IAS 39 standard. Equity securities would be classified as FVTPL, but a company may elect on initial recognition to present the fair value changes on an equity investment that is not held for trading directly to OCI. The dividends on investments for which this election is made must be recognized in the statement of income, but gains or losses are not reclassified from OCI upon disposition of the asset. The classification and measurement for financial liabilities remains generally unchanged, but revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. The other phases of this project which are currently under development include impairment and hedge accounting.

IFRS 9 was originally effective for annual periods beginning on or after January 1, 2015, however in late 2013 the IASB resolved to defer the effective date until no earlier than January 1, 2017. The Company is assessing the potential impact of the IFRS 9 amendments.

ii) IAS 32 Financial Instruments: Presentation ("IAS 32")

In December 2011, the IASB amended IAS 32 – Financial Instruments: Presentation ("IAS 32") to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

The Company is assessing the potential impact of the IAS 32 amendments.

iii) IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed. The IAS 36 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

The Company is assessing the potential impact of the IAS 36 amendments.

2.2.3. 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. Critical judgments and estimates are made for deferred taxes and restructuring provision.

2.2.4. 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 the shareholder is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

2.2.5. Foreign currency translation

Transactions in currencies other than USD 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. Gains and losses arising on exchange are included in the consolidated income statement for the period.

2.2.6. Revenue recognition

Revenue comprises the value for the rendering of services in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the stage of completion of the transaction at the 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 Company bases its estimates on historic results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is generated from contractual service agreements with the Company's clients. Custody and fund administration income is accrued on a time basis by reference to the Assets under Custody or 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.

2.2.7. Interest income and expense

Interest income and expense are recognized in the consolidated income statement for all instruments measured at amortized cost, using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a Company of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.2.8. 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

2.2.9. Retirement benefit costs

Payments to defined contribution retirement benefit 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 Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

2.2.10. 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in 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.

2.2.11 Financial instruments

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

2.2.12 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.

2.2.13 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.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
Debt instruments that are classified as held-to-maturity, available-for-sale or loans and receivables recognize income on an effective interest rate basis.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the Company acquires the financial assets principally for the purpose of selling in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking as well as all derivatives that are designated and effective hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 19.

Where an entity designates financial assets into the financial assets at fair value through profit or loss category it discloses:

(i) the nature of the financial assets;

(ii) the criteria for so designating such financial assets on initial recognition; and

(iii) how the entity has satisfied the requirements in IAS 39 for such designation, including a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise or of how designation at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy, as appropriate.

Held-to-maturity investments

Debt instruments for which the Company has the expressed intention and ability to hold to maturity (held-to-maturity investments) are subsequently measured to redemption value over the remaining lifetime, less any impairment loss recognized to reflect irrecoverable amounts.

The annual amortization of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument, so that the revenue recognized in each period represents the effective interest rate on the investment.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Company are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 18. Gains and losses arising from changes in fair value are recognized directly in Other Comprehensive Income and accumulated in revaluation available-for-sale assets reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company s right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in other comprehensive income.

Where the Company designates a financial asset into the available-for-sale category it discloses the criteria used in making the designation.

2.2.14 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

2.2.15 Bank Deposits

The funding of the banks consists of entrusted money as demand on deposits and short-term deposits taken from banks and the fund industry. The carrying value approximates fair market value.

2.2.16 Provisions

Provisions are recognized when the Company 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.

2.2.17 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.

2.2.18 Critical accounting judgments and key sources of estimation uncertainty

Estimations were made for provisions due to business restructuring; it is outlined in Note 12.

2.3. Financial risk management

2.3.1. Risk overview

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

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

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

- (i) Currency risk: The risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates;
- (ii) Interest rate risk: The risk that the value of a financial instrument will fluctuate because of changes in market interest rates;
- (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 Company s policy is to reduce market risk to an acceptable level. Market risk embodies not only the potential for loss but also the potential for gain. In CBS the treasury instruments available to manage and reduce these risks within the division have been approved by the Board and consistently applied. This policy serves to set a framework of limits and to ensure clearly defined limits within that framework. There has been no change to the Company’s exposure to market risks and the Board and Company Risk Officer continuously reviews the manner in which it manages and measures the risk.

The Company’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 Company. As a result the Company’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.

Currency risk

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

It is the Company’s policy not to actively enter into risk position and it usually refinances in the same currency with the same maturity. Therefore, the risk position is limited due to minimal exposure to foreign currency.

The table below summarizes the Company's exposure to currency risk translated to USD:

	USD	EUR	CAD	GBP	CHF	Total
	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000
As at December 31, 2013:						
Non-current assets						
Deferred tax assets	**–**	**–**	**21**	**–**	**–**	**21**
Fixed assets	**–**	**–**	**19**	**–**	**–**	**19**
Current assets						
Other receivables and accrued income, receivables from affiliated companies	**3,351**	**–**	**38**	**–**	**–**	**3,389**
Short-term investments	**100,000**	**–**	**–**	**–**	**–**	**100,000**
Cash and cash equivalents	**482,825**	**2**	**559**	**961**	**5**	**484,352**
Total assets	**586,176**	**2**	**637**	**961**	**5**	**587,781**
Current liabilities						
Other payables and accrued expenses, payables to affiliated companies, and income taxes payable	**822**	**–**	**58**	**–**	**–**	**880**
Provisions	**–**	**–**	**116**	**–**	**–**	**116**
Amounts owed to depositors	**499,856**	**5**	**480**	**1,164**	**5**	**501,510**
Total liabilities	**500,678**	**5**	**654**	**1,164**	**5**	**502,506**
Net currency exposure	**85,498**	**(3)**	**(17)**	**(203)**	**–**	**85,275**
As at December 31, 2012:						
Total assets	473,365	3	1,282	6	1	474,657
Total liabilities	410,093	3	1,516	6	1	411,619
Net balance sheet position	63,272	–	(234)	–	–	63,038

Interest rate risk

Interest rate risk is the current or prospective risk to earnings and capital arising from adverse movements in interest rates. Interest rate risk is controlled through the monitoring of deposits and short-term investments with the use of the interest balance sheet and maturity profile. Funding is short term in nature and placements (exclusive of short-term investments) are also on an overnight basis. An analysis is made of the level of deposits being considered as the minimum 'core deposits' of the bank. The amounts available for short-term investments are calculated based on this deposit base. The table below summarizes the Company's exposure to interest rate risk translated to USDs:

The table below summarizes the Company's exposure to interest rate risk translated to USD:

	Up to 1 month	Non-interest bearing	Total
	USD 000	USD 000	USD 000
As at December 31, 2013:			
Non-current assets			
Fixed assets	–	**19**	**19**
Deferred tax assets	–	**21**	**21**
Current assets			
Other receivables and accrued income including affiliated companies	–	**3,389**	**3,389**
Short-term investment	**100,000**	–	**100,000**
Cash and cash equivalents	**461,707**	**22,645**	**484,352**
Total assets	**561,707**	**26,074**	**587,781**
Non-current liabilities			
Current liabilities			
Other payables and accrued expenses including affiliated companies and income taxes payable	–	**880**	**880**
Provisions	–	**116**	**116**
Amounts owed to depositors	**501,510**	–	**501,510**
Total liabilities	**501,510**	**996**	**502,506**
On-balance sheet interest sensitivity gap	**60,197**	**25,078**	**85,275**
As at December 31, 2012:			
Total assets	458,462	16,195	474,657
Total liabilities	410,853	766	411,619
On-balance sheet interest sensitivity gap	47,609	15,429	63,038

Deposits did not bear any interest for fiscal 2013, due to 0% interest rate.

Interest sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates 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.

If interest rates had been 10 basis points higher and all other variables were held constant, the Company's profit for the year ended December 31, 2013 would increase by USD 521 thousand (2012: decrease by USD 321 thousand).

If interest rates had been 10 basis points lower or at minimal zero and all other variables were held constant, the Company's profit for the year ended December 31, 2013 would decrease by USD560 thousand (2012: decrease by USD 220 thousand).

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast to actual cash flows and matching the maturity profiles of financial assets and liabilities. In addition, the Company manages any counterpart risk in respect of liquidity through its utilization of the Counter Party Risk Monitoring System.

Liquidity risk table

The following table details the Company'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 Company can be required to pay.

	Up to 1 month	1-3 months	3-12 months	Illiquid	Total
	USD 000	USD 000	USD 000	USD 000	USD 000
As at December 31, 2013:					
Non-current assets					
Deferred tax assets	**–**	**–**	**–**	**21**	**21**
Fixed assets	**–**	**–**	**–**	**19**	**19**
Current assets					
Other receivables and accrued income including affiliated companies	**3,389**	**–**	**–**	**–**	**3,389**
Short-term investment	**100,000**	**–**	**–**	**–**	**100,000**
Cash and cash equivalents	**484,352**	**–**	**–**	**–**	**484,352**
Total assets	**587,741**	**-**	**–**	**40**	**587,781**
Current liabilities					
Other payables and accrued expenses including affiliated companies and income taxes payable	**658**	**45**	**177**	**–**	**880**
Provisions	**–**	**116**	**–**	**–**	**116**
Amounts owed to depositors	**501,510**	**–**	**–**	**–**	**501,510**
Total liabilities	**502,168**	**161**	**177**	**–**	**502, 506**
On-balance sheet surplus/(deficit)	**85,573**	**(161)**	**(177)**	**40**	**85,275**
As at December 31, 2012					
Total assets	474,031	31	–	595	474,657
Total liabilities	411,337	270	12	–	411,619
On-balance sheet surplus/(deficit)	62,694	(239)	(12)	595	63,038

Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from a debtor's failure to meet the terms of any contract with the Company or if a debtor otherwise fails to perform. Credit risk is monitored continuously by reviewing outstanding loans, temporary overdrafts and trade receivables by the account managers. New extensions of credit are subject to written credit memoranda that must be appropriate to the established criteria of the loan policy approved by the appropriate level of management. The Company mitigates credit risk by choosing only reputable banks as counterparty for liquid funds and derivative financial instruments.

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

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 Company. In addition, the operational processes of CBS 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 Company.

2.3.2. Capital adequacy

The Company'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 Company's overall strategy remains unchanged from 2012.

Capital level of the Company is regulated pursuant to guidelines issued by OSFI. Regulatory or total capital is defined as the total of Tier 1 and Tier 2 capital. Tier 1 capital comprises shareholder's equity excluding accumulated other comprehensive income relating to available for-sale debt securities. Tier 2 capital consists of subordinated debt. Company's capital consists solely of Tier 1 components. The OSFI establishes risk-based capital target for Canadian banks. These targets are currently a tier 1 capital ratio of 7%, common equity tier 1 (CET1) capital all-in-target ratio of 8.5% and a total capital all-in-target ratio of 10%.

Regulatory capital ratios under Basel II:

	2013	2012
	USD 000	USD 000
Share capital	**85,000**	65,000
Accumulated profit / (loss)	**275**	(1,962)
Tier 1 & 2 capital	**85,275**	63,038

To monitor the adequacy of its capital, the Company uses ratios established by OSFI. These ratios measure capital adequacy by comparing the Company's eligible capital with its balance sheet assets, off-balance sheet commitments, and market and other risk positions at weighted amounts to reflect their relative risk. In 2013 the Company complied with requirements imposed by OSFI. The following are the actual risk based capital ratios and the asset to capital multiple of the Company:

	2013	2012
Ratio	**%**	%
Common Equity Tier 1 capital ratio	**79%**	35%
Tier 1 capital all-in target ratio	**79%**	35%
Total capital all-in target ratio	**79%**	35%
Asset to capital multiple	**6.85**	7.50

The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50% and 100%), as set by OSFI are applied. For example, cash and certain money market instruments have a zero risk weighting, which means that no capital is required to support the holding of these assets. Property and equipment carry a 100% risk weighting, meaning that they must be supported by capital.

Off-balance sheet credit-related commitments and forwards and options-based derivative instruments are taken into account by applying different categories of conversion factors, designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using the same percentages as for on-balance sheet assets.

3. Banking and Custody Services

	2013 USD 000	2012 USD 000
Interest income on cash and cash equivalents	**1,195**	714
Interest expense on cash and cash equivalents	**(18)**	(15)
Commissions and fee income	**77**	73
Custody fee income	**5,095**	4,320
Transaction fee income	**431**	287
Corporate actions income	**155**	77
Other loss	**(505)**	4
Total	**6,430**	5,460

4. Personnel expenses

	2013 USD 000	2012 USD 000
Salaries and bonuses	**1,737**	1,900
Social charges and taxes	**104**	107
Pension expenses	**37**	42
Related party personnel recharge, net (note 22)	**(547)**	(515)
Other personnel expenses	**415**	424
Total personal expenses	**1,746**	1,958

Personnel expenses include the expenses associated with the Board of Directors. See Note 23 for Directors' remuneration.

5. Other operating expenses

	2013	2012
	USD 000	USD 000
Public relation costs	**1**	46
Other expenses	**471**	256
Audit fees	**93**	89
Other related party expenses (note 22)	**822**	628
Total other operating expenses	**1,387**	1,019

6. Income tax expense

	2013	2012
	USD 000	USD 000
Current tax expense:		
Current year	**136**	-
	136	-
Deferred tax expense:		
Current year	**564**	496
Adjustment for prior years	**11**	39
Total income tax expense in the income statement	**711**	535

Reconciliation of effective tax rate

	2013		2012	
	%	**USD 000**	%	USD 000
Net profit before tax		**2,948**		1,827
Income tax using the domestic corporation tax rate	**26.50**	**781**	26.50	485
Non-deductible expenses	**0.09**	**3**	0.86	15
Effect of rate change on tax losses	**(1.28)**	**(38)**	1.91	35
Other	**(1.22)**	**(35)**	-	-
Income tax expense	**24.10**	**711**	29.27	535

The combined Canadian statutory rate is the aggregate of the federal income tax rate of 15% (2012: 15.00%) and the provincial rate of 11.50% (2012: 11.50%). In 2013, there were no changes in the statutory rates.

7. Deferred tax asset and liabilities

	2013	2012
	USD 000	USD 000
Deferred tax asset	**21**	595

The following are the major deferred tax assets and liabilities recognized by the Company and the related movements during the year:

	Deferred tax liabilities	**Capitalized tax losses and deferred tax assets**	**Total**
	USD 000	**USD 000**	**USD 000**
As at January 1, 2013	**–**	**595**	**595**
Increase	**–**	**69**	**69**
Utilization	**–**	**(643)**	**(643)**
As at December 31, 2013		**21**	**21**
As at January 1, 2012	–	1,104	1,104
Utilization	–	(509)	(509)
As at December 31, 2012	–	595	595

7.1 Recognized deferred tax assets and liabilities

	Assets		**Liabilities**		**Net**	
	2013	2012	**2013**	2012	**2013**	2012
	USD 000	USD 000	**USD 000**	USD 000	**USD 000**	USD 000
Tax value of loss carry-forward recognized	**-**	595	**–**	–	**-**	595
Temporary differences	**21**	-	**–**	–	**21**	-
Tax asset/(liability)	**21**	595	**–**	–	**21**	595
Net deferred tax asset/liability	**21**	595	**–**	–	**21**	595

As at December 31, 2013, the Company had no losses carried forward (2012: CAD 2.4 million).

7.2 Movement in temporary differences during 2013 and 2012

	Temporary differences	Capitalized tax losses and foreign income tax credits	Total
	USD 000	USD 000	USD 000
As at January 1, 2012	–	1,104	1,104
Additions during the year	–	–	–
Utilization	–	(509)	(509)
As at January 1, 2013	**–**	**595**	**595**
Additions during the year	**21**	**–**	**21**
Utilization	**–**	**(595)**	**(595)**
As at December 31, 2013	**21**	**–**	**21**

8. Other receivables and accrued income

	2013	2012
	USD 000	USD 000
Interest receivable	**–**	5
Accrued income,	**1,659**	1,167
Prepaid expenses	**18**	46
Other receivables	**1,543**	1,257
As at December 31, 2013	**3,220**	2,475

Other receivables include USD 37 current tax receivable in 2013 (USD 31 in 2012).

9. Short-term investment

	2013	2012
	USD 000	USD 000
Financial instruments held at fair value through profit or loss:		
US treasury bills	**100,000**	**–**
	100,000	**–**
The remaining term is as follows:		
one month or less	**100,000**	**–**
As at December 31, 2013	**100,000**	**–**

10. Cash and cash equivalents

	2013	2012
	USD 000	USD 000
Current accounts with other banks	**129,748**	98,081
Bank balances with affiliated companies	**14,604**	1,469
Deposits with other banks	**340,000**	372,000
As at December 31, 2013	**484,352**	471,550

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

11. Share capital

Authorized shares - unlimited

Common shares issued and fully paid:

	Number of shares	**USD 000s**
As at December 31, 2012	**65,000**	**65,000**
Issue of new shares	**20,000**	**20,000**
As at December 31, 2013	**85,000**	**85,000**

12. Provisions

	Restructuring
	USD 000
Balance as at January 1, 2013	**223**
Provisions made during the year	**19**
Amounts used during the year	**–**
Unused amounts reversed during the year	**(116)**
Exchange difference	**(10)**
Balance as at December 31, 2013	**116**
Current	**116**
Non-current	**–**
Balance as at December 31, 2013	**116**
Balance as at January 1, 2012	49
Provisions made during the year	217
Amounts used during the year	(43)
Balance as at December 31, 2012	223
Current	223
Non-current	–
Balance as at December 31, 2012	223

Restructuring provision
Additional provisions were made to achieve efficiencies resulting in reduction of a management headcount in 2014. Provisions for restructuring in 2013 amount to USD 19 (2012 at USD 217).

13. Retirement benefits schemes

The Company contributes premiums to two defined contribution retirement pension plans. The Registered Pension Plan ("RPP") covering all qualified employees and the Citco International Pension Plan ("CIPP").

Under the RPP scheme the Company matches at 100% the contributions made by eligible employees. Each member of the plan is required to contribute, by payroll deduction, a minimum of 1% of their annual earnings up to a maximum of 5% of their annual earnings. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

Under the CIPP scheme contributions depend on the age of the participant as well as the pensionable salary as of the 1st January of the calendar year. Contributions are fully paid by the Company and charged as an expense as they fall due. The total cost charged to the consolidated income statement of USD 37 thousand (2012: USD 42 thousand) includes, USD 32 thousand (2012: USD 37 thousand) representing contributions payable to the RPP scheme by the Company at rates specified in the rules of the scheme and Nil (2012: USD 5 thousand) representing contributions payable to the CIPP pension plan scheme. The contributions payable to the two pension schemes in 2014 are estimated at USD 38 thousand.

14. Receivables from affiliated companies

	2013	2012
	USD 000	USD 000
Citco Bank and Trust Company Limited	**–**	11
Citco Banking Corporation N.V.	**5**	4
Citco Bank and Trust Company (Bahamas) Limited	**1**	1
Citco Bank Netherland N.V.	**36**	–
Citco B&C Technology Ltd	**23**	–
Citco Fund Services (San Francisco), Inc.	**3**	–
The Citco Group Limited	**30**	–
Citco Fund Services (Cayman Islands) Limited	**71**	21
As at December 31, 2013	**169**	37

15. Payables to affiliated companies

	2013	2012
	USD 000	USD 000
Citco Bank Nederland N.V.	**–**	167
Citco Banking Corporation N. V.	**6**	–
Citco Global Securities Services (Canada) Limited	**–**	3
Citco Global Securities Services Limited	**3**	–
Citco Bank Nederland N.V. Dublin branch	**12**	–
As at December 31, 2013	**21**	170

The payable amounts all relate to intercompany service recharges.

16. Other payables and accrued expenses

	2013	2012
	USD 000	USD 000
Accrued expenses	**608**	325
Other payables	**115**	48
As at December 31, 2013	**723**	373

17. Amounts owed to depositors

	2013	2012
	USD 000	USD 000
Bank balances with affiliated companies	**12,849**	1,117
Demand deposits	**488,661**	409,736
As at December 31, 2013	**501,510**	410,853

Deposits are only short term and the Company pays interest based on the terms agreed with clients.

18. Contingencies and commitments

As at December 31, 2013, the Company had no commitments on any type of guarantees.

19. Fair value of financial instruments

19.1 Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

19.2 Fair value measurements recognized in the statement of financial position

Financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments carried at fair value consist of amounts owed to depositors which are classified as Level 1 in both 2013 and 2012.

20. 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;

21. Assets under Custody

In the normal course of operations the Company provides custody services to its clients. These services require the Company to maintain assets held under custody, which are not reported on the consolidated statement of financial position. As at December 31, 2013 the Company's assets held under custody totaled USD 43.9 billion (December 31, 2012: USD 29.5 billion).

22. Related party transactions

The Company has entered into service level agreements with related parties and maintains bank accounts with Citco Bank Nederland N.V. and Citco Banking Corporation N.V. Transactions are made in the normal course of business and have been recorded at an arm's length price.

During the year, the Company reimbursed a portion of expenses in the amount of USD 427 thousand (2012: USD 495 thousand) to Citco Global Securities Services (Canada) Ltd. for their share of the office cost. The amount allocated is based on employee headcount or space usage. A summary of the transactions between the Company and related parties is as follows:

	2013	2012
	USD 000	USD 000
Receivables from affiliated companies	**169**	36
Payables to affiliated companies	**(21)**	(170)
Bank balances with affiliated companies	**14,604**	1,469
Bank balances owed to affiliated companies	**(12,849)**	(1,117)
Personnel recharge	**547**	515
Other related party expenses	**822**	628

23. Directors Remuneration

Remuneration is paid to key management personnel Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

	2013	2012
	USD 000	USD 000
Salary and fringe benefits	**593**	596
Bonus	**–**	15
As at December 31, 2013	**593**	611

The remuneration of the executive and non-executive directors is decided by the shareholder and is included in the table above

24. Events after the reporting date

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

Signing of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issuance on May 20, 2014, and are signed on its behalf by:

Executive directors:

C. Rund

J. Selvage

CITCO

Section 4

Independent Auditor's Report

5. Independent Auditors' report

To the Shareholder of Citco Bank Canada

We have audited the accompanying consolidated financial statements of Citco Bank Canada, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Citco Bank Canada as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 20, 2014
Toronto, Canada

Tartariæ limites.
In China regione, Iapania aliisque insulis vicinis, meßis multa Christianorum: quorum indies novæ coloniæ ducuntur, patribus societatis Iesu fidis operarijs.
Xanton
Paquin
CHINAE REGNI PARS.
Isla de Plata.
Argyra hec forte antiquorum.
Cequij.
Molinu
Hucheo
Foquiem
Iapan ins. nuper ad Fidem Christianam conversa.
Y. de Ladrones
Las dos Hermanos
Malabrigo
Lequeo grande
Lequeio pequenno
Los Bolcanes
La Farfana
Circulus Cancri.
MARE
Cailon
Islas de Lucois.
Restiga de ladrones
Cubo
Tandaco
Philippinas.
Baxos de S. Bartholemeo
Dos Arcifes
Los Iardinos
Y. de S. yo
Dos Matalotes
Y. dos Corales
Y de los ras
C U
Grandes corrientes
Quivira.
R. de los estrechos
C. de Trabaios
C. Mendocino
TRIO
La cafimana
Nova Guinea, quibusdam Terra de Piccinacoli.
Timor
Baixos

CITCO