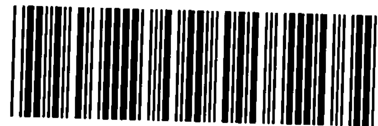
JULIUS BAER INTERNATIONAL LIMITED
Directors' Report and Financial Statements
For the year ended 31 December 2017

Company Registration Number 1120330



Directors' Report and Financial Statements
For the year ended 31 December 2017

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General Information

Directors	C Weir (Chair) - appointed 31 March 2018 B Coombs - appointed 29 March 2018 D Durlacher E Malcolm J Parrish P Van Neste Sir H Sants - resigned 31 March 2018 R Wohanka - resigned 29 March 2018 D Savary - resigned 31 August 2017 T Mizzi - resigned 16 June 2017
Registered Office	1 St Martin's Le Grand London EC1A 4AS
Independent Auditors	KPMG LLP 15 Canada Square London E14 5GL
Bank	HSBC Ltd 69 Pall Mall London SW1Y 5EY
Solicitor	Linklaters LLP One Silk Street London EC2Y 8HQ

Directors' Report

The directors present their report and the audited financial statements of Julius Baer International Limited ("the Company") for the year ended 31 December 2017.

Principal Activities

The Company's principal business is the marketing and provision of investment services to clients in the United Kingdom and overseas.

The Company has its head office in London with a branch in Dublin which was established in April 2014.

There have been no changes in the principal activity of the Company during the 2017 year and the directors expect the principal activity to continue in the foreseeable future.

The Company reported a profit for the year of £8,981,772 (2016: £15,395,229 loss) that has been taken to reserves. The directors do not recommend the payment of a dividend in respect of the year under review (2016: Nil).

The Company is regulated by the Financial Conduct Authority in the United Kingdom.

The Company is wholly owned by Julius Baer Group Limited ("the Group"). None of the directors of the Company have a controlling interest in the parent entity.

Directors and Their Interests

The directors who held office during the year and up to the date of approving these accounts were as follows:

C Weir (Chair) - appointed 31 March 2018
B Coombs - appointed 29 March 2018
D Durlacher
E Malcolm
J Parrish
P Van Neste
Sir H Sants - resigned 31 March 2018
R Wohanka - resigned 29 March 2018
D Savary - resigned 31 August 2017
T Mizzi - resigned 16 June 2017

The directors had no interests in the shares of the Company.

Registered Office

1 St Martin's Le Grand
London
EC1A 4AS

Auditor

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will continue in office.

Going Concern

The directors deem that the Company has sufficient liquid reserves to meet its liabilities for the foreseeable future and receives the support of the Group. As a result the directors do not see any reason why the Company should not continue to adopt the going concern basis in preparing these financial statements.

Disclosure of Information to Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Political Contributions

The Company made no political donations or incurred any political expenditure in the year.

Directors' Report (cont.)

Statement Of Directors' Responsibilities In Respect Of The Strategic Report, The Directors' Report And The Financial Statements

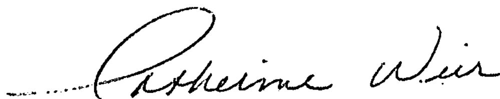
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



C. Weir
Director
25 April 2018

Strategic Report

Operating and Business Environment

The Company concentrates on investment management operations to UK domestic and international clients on behalf of the Group.

The Company is regulated by the Financial Conduct Authority ("the FCA") in the United Kingdom. As such the Company is required to meet a number of financial resource requirements on an on-going basis.

Corporate Objectives and Strategy

The Company seeks to provide appropriate investment products and high quality service to high net worth clients in the UK. The broad capabilities of the Julius Baer Group, the dedication to pure wealth management and the Company's brand are differentiators within the UK market place. The Company seeks to increase its client base and assets under management.

In 2017 the Company began recruiting additional Relationship Managers across the UK, enhancing the Company's ability to service clients outside of London and the South East. In 2018 the firm will add further to this capability by opening offices in Leeds, Manchester and Edinburgh, as well as recruiting additional Relationship Managers in and outside London.

Business Review

During 2017 the Company's client Assets Under Management increased by £610 million, from £10,088 million at the end of 2016 to £10,698 million at the end of 2017, being an increase of 6%. This change was driven by net new money inflows and market movements during the year.

The Company was profitable in 2017, with improved levels of transactional and asset based revenues. Levels of cost within the business decreased as significant investment projects completed. The Irish branch of the Company moved into new premises in the city centre.

Risk and Uncertainties

As a limited licence investment management firm which does not deal as principal or hold client monies, the Company's primary exposures are to Operational, Reputational, Intragroup exposure, Business and Conduct risks. A brief description of the company's exposure to market, credit and currency risks are disclosed within note 19 on page 20.

A key driver of the Company's revenues and profitability is the value of Assets Under Management (AUM). Therefore the company is open to risks from the impact of an economic slowdown or financial market volatility although products and services have been designed to reduce these risks. The Company also services non UK resident clients, resulting in political risk. The 2016 vote for the UK to leave the European Union is likely to have some effect on the Company but is not expected to impact the business model. Client retention is central to growth of the firm's AUM, meaning that excellent client service and performance as well as strong Relationship Manager (RM) continuity need to be maintained.

The company's market risk is limited to the balance sheet currency exposure and the company's credit risk exposure is predominantly linked to cash held at third party banks and intragroup exposure.

Key Performance Indicators

The key driver of the Company's revenues and profitability is the value of Assets Under Management (AUM). As such, a monthly management pack is prepared detailing the movement in AuM, Net New Money (NNM) and the resultant legal entity revenues received by the local legal entity. This pack is reviewed on a monthly basis by the Executive Committee in order to track the Company's performance against forecast.

Future Outlook and Plans

For reasons of operational efficiency and simplicity, the Company has in February 2018 approved participating in a Group wide restructuring of the Group's European businesses, which will result in the sale or transfer of ownership of the Dublin branch within the Julius Baer Group structure in 2018. The Company is targeting further growth in 2018, with increases in Relationship Manager headcount planned both in London and in regional offices being opened.

The Board have received approval from the Group Executive Board to adopt a growth strategy for the future.

Key Personnel and Bonus Plan

The Company is committed to retaining key personnel, and operates share bonus payment schemes to this effect which are detailed in note 18 to the financial statements.

C. Weir
Director
25 April 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JULIUS BAER INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Julius Baer International Limited ("the company") for the year ended 31 December 2017 which comprise the statement of profit or loss and comprehensive income, statement of financial position, statement of cashflows, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

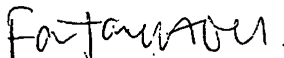
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Fang Fang Zhou **(Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
24 April 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017	2016
		£	£
Revenue	2	75,791,758	64,564,081
Operating expenses	2	(66,640,415)	(77,782,927)
Operating Profit / (Loss)	3	9,151,343	(13,218,846)
Financial Income		44,906	4,313
Profit / (Loss) on ordinary activities before taxation		9,196,249	(13,214,533)
Tax debit/ (credit) on profit / (loss) on ordinary activities	7	(214,477)	(2,180,696)
Other Comprehensive Income		-	-
Profit / (Loss) on ordinary activities after taxation		8,981,772	(15,395,229)

All items derive from continuing operations.

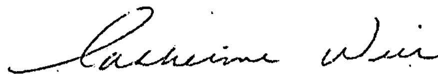
The Company has no recognised gains or losses other than the profit for the financial year, which is reported in the profit and loss account.
The notes on pages 10 to 20 form an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2017

	Note		2017 £		2016 £
Non-current assets					
Property, plant and equipment	8		3,288,945		3,685,110
Deferred tax assets			3,420,000		3,100,000
Current assets			6,708,945		6,785,110
Trade and other receivables	9	6,081,842		6,927,360	
Prepayments	9	1,046,904		956,744	
Other financial assets	10	10,000,000		0	
Cash and cash equivalents		55,461,865		55,138,375	
Current assets			72,590,611		63,022,479
Total assets			79,299,556		69,807,589
Equity					
Share capital	12		122,200,000		122,200,000
Capital Contribution	12		8,159,923		10,013,824
Reserves	12		(2,644,192)		(4,498,093)
Retained earnings	12		(73,315,054)		(82,296,826)
Total Equity	13		54,400,677		45,418,905
Current Liabilities					
Trade and other payables	11		24,898,879		24,388,684
Total Liabilities			24,898,879		24,388,684
Total equity and liabilities			79,299,556		69,807,589

The financial statements on pages 6 to 20 were approved by the Board of Directors on 18 April 2018 and were signed on its behalf by:



C. Weir
Director
25 April 2018

The notes on pages 10 to 20 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2017

Cash flows from operating activities	2017 £	2016 £
Profit / (Loss) for the financial year	8,981,772	(15,395,229)
Adjustments for:		
- Depreciation	793,861	818,707
Changes in:		
- (Increase) / decrease in Trade and other receivables	845,518	8,195,548
- (Increase) / decrease in Prepayments	(90,160)	113,178
- Increase / (decrease) in Trade and other payables	281,972	9,507,811
- (Increase) / decrease in Deferred tax asset	(320,000)	1,900,000
- Tax (credit)	228,223	(16,118)
Net cash from operating activities	10,721,186	5,123,897
- Net (additions) of fixed assets	(397,696)	(139,203)
- (Investment) / sale of other financial assets	(10,000,000)	0
Net cash from investing activities	(10,397,696)	(139,203)
Cash flow from financing activities		
Proceeds from issue of share capital	0	47,900,000
Net cash from financing activities	0	47,900,000
Net change in cash	323,490	52,884,694
Cash at 1 January	55,138,375	2,253,681
Cash at 31 December	55,461,865	55,138,375

Statement of Changes in Equity
For the year ended 31 December 2017

	Share Capital £	Capital Contribution £	Reserves £	Retained Earnings £	Total Equity £
Balance at 1 January 2017	122,200,000	10,013,824	(4,498,093)	(82,296,826)	45,418,905
Total Comprehensive Income for the Year	-	-	-	8,981,772	8,981,772
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares	-	-	-	-	-
New share based payment grants	-	2,741,374	-	-	2,741,374
Share based payment recharge	-	-	(2,741,374)	-	(2,741,374)
Share based payment settled during the period		(4,595,275)	4,595,275		-
Balance at 31 December 2017	122,200,000	8,159,923	(2,644,192)	(73,315,054)	54,400,677

	Share Capital £	Capital Contribution £	Reserves £	Retained Earnings £	Total Equity £
Balance at 1 January 2016	74,300,000	9,073,313	(3,557,582)	(66,901,597)	12,914,134
Total Comprehensive Income for the Year	-	-	-	(15,395,229)	(15,395,229)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares	47,900,000	-	-	-	47,900,000
Change in share based payments	-	940,511	(940,511)	-	-
Balance at 31 December 2016	122,200,000	10,013,824	(4,498,093)	(82,296,826)	45,418,905

The notes on pages 10 to 20 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(forming part of the financial statements)

1 Accounting Policies

Significant Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Reporting Entity

This set of financial statements has been prepared for the reporting entity of Julius Baer International Limited, a private limited company incorporated and domiciled in the UK under Companies Act 2006. The company's immediate parent is Julius Baer Group Limited, a publicly owned company incorporated in Switzerland.

Basis of Preparation

The financial statements of the Company have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") including the interpretations issued by the International Financial Reporting Interpretations Committee ("the IFRIC") and the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU. The financial statements are prepared on an historical cost basis.

The going concern assumption has been used in the preparation of the financial statements as detailed in the Directors' Report. Julius Baer Group Limited as the ultimate shareholder of Julius Baer International Limited has also affirmed its ongoing commitment to provide the Company with financial assistance to the extent necessary to meet its applicable regulatory capital requirements. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

Revenue

Revenue is recognised when the service fees payable from Group booking centres is agreed by the booking centre and the Intercompany receivable / payable balance is confirmed by the Group account controlling department. This is then settled by the issue of a monthly service fee invoice directly from the Company to the relevant booking centre.

Revenue received from third-party investment managers is recognised upon agreement of the monthly payable balance and an invoice is raised on a regular basis according to the contractual agreement in place with the third party.

Foreign Currencies

Transactions in foreign currencies are translated into pounds sterling (the functional currency of the Company) at the exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.
The assets and liabilities of the Ireland branch are translated into pounds sterling at the exchange rates at the reporting date. The income and expenses of this branch are translated into euros at the exchange rate at the dates of the transactions and then into pounds sterling at the exchange rate of the reporting date.

Cash and Liquid Resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds. The Company does not hold client money, and all cash and liquid resources are held in the name of Julius Baer International Limited and are under the day-to-day control of the Company's senior management team.
For the preparation of the Company's cash flow statement, the indirect method has been applied.

Other Financial Assets

The Company holds funds in a UK-based 95-day notice deposit account. This has been opened in order to invest excess cash held for regulatory purposes. The Company accounts for this asset under IFRS 7.

Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Legal provisions are recognised when the likelihood of future economic liability is assessed as "likely" and an estimated value of the liability can be reliably calculated.

1 Accounting Policies (cont.)

Share-Based Payments

The Company maintains various share-based payment plans in the form of share plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses.

These share-based payment arrangements are applied to the employees of all subsidiaries of the Group on the basis of the same terms and conditions. The Group hedges its liabilities from share-based payments by purchasing the shares from the market on grant date through the Loteco Foundation ("Loteco"). The Company prepays the arrangement by paying cash to Loteco, through a prepaid recharge arrangement. The cash payment equals the grant date fair value.

Share-based payments that are not subject to any further conditions are expensed immediately at grant date.

Share-based payments that are subject to the completion of a service period or to other vesting conditions are expensed over the respective vesting period starting at grant date. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related services and non-market performance vesting conditions are expected to be met.

Share-based payment plans that are settled in equity instruments are not remeasured for subsequent changes in the fair value of the underlying instruments. The Company applies equity-settled accounting for the services received from its employees, with a corresponding increase recognised in its equity as a contribution from the parent.

Share-Based Payment Recharge

Until vesting, the granted shares are administered by Loteco. The Group does not provide the Company with the shares for the employees for free, but requires the Company to compensate the Group to purchase these shares upfront through Loteco. As part of this recharge arrangement the Company transfers cash to Loteco in the amount of the fair value at grant to enable Loteco to purchase the shares upfront in the open market, and to settle the Company's employees' share-based payment after the vesting period.

This set-up for the Group's sharebased payment plans and the corresponding recharge element are disclosed in the Group's consolidated financial statements. The Group recognises the cash payments to Loteco resulting from the recharge arrangement as "prefinanced share-based payment" in other assets.

The Company accounts for this recharge under IFRS 2. This asset is financed upfront by the Company and then released through equity as and when the recharge arises. The recharge is structured to spread any expense over the vesting period in the same manner as the share based payment.

Functional Currency

The financial statements are prepared in pounds sterling which is the Company's functional and presentational currency.

Use of Judgements and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Trade and Other Debtors / Creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Pension Costs

The Company's post-retirement benefit arrangements are described in note 6. The Company participates in both a defined benefits scheme (Julius Baer UK Staff Pension and Life Assurance Scheme) and a defined contribution scheme (Julius Baer UK Stakeholder Pension Scheme). For defined contribution schemes, the contribution payable in respect of the accounting period is recognised in the profit and loss account.

The defined benefit scheme in which the Company participates is accounted for by the Sponsoring Company (Julius Baer Group Limited) using the option permitted by IAS 19 - Employment Benefits, whereby actuarial gains and losses are recognised outside profit or loss and presented in the statement of recognised income and expense. The amount recognised in the Sponsoring Company's balance sheet in respect of the defined benefit scheme is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the plan's assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The obligation's present value is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

However, as there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to the Company, the Sponsoring Company recognises the entire net defined benefit cost of the plan in its accounts. The Company recognises as a cost the contribution payable for the period.

Obligations for contributions to the defined contribution plan are expensed as the related service is provided.

Share Capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

Leases

Payments made under any operating leases are recognised in profit or loss on a straight-line basis over the full term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the full term of the lease.

Capital Reserve

The capital reserve relates to funds received from JB Group as a contribution to the capital balance of the Company for which no ordinary shares are issued.

1 Accounting Policies (cont.)

Share Benefit Reserve

The share benefit reserve relates to the fair value at grant of share based payment schemes administered by the Loteco Foundation, a compnay in the Julius Baer Group. The value of these shares is treated as an investment into the Company in the form of a Capital Contribution.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Taxation

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probably that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Property, Plant and Equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation.

When significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using the straight-line method over their estimated useful economic lives, and is recognised in profit or loss. The estimated useful lives of property, plant and equipment for current and comparative periods is shown below.

	Years
Computer hardware and software	3
Leasehold Improvements	10
Furniture and fixtures	5

New Accounting Standards

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

• IFRS 9 Financial Instruments (effective date 1 January 2018). This will not have an effect as the affected assets are not held by the Company.

• IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018). No anticipated effect, as the process detailed is already followed.

• IFRS 16 Leases (effective date 1 January 2019). The disclosures of operating leases held by the company will be reviewed so that this reporting standard is met.

• IFRS 17 Insurance Contracts (effective date to be confirmed). No anticipated effect as the Company does not accept insurance risk from other parties.

• IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date to be confirmed). No anticipated effect, as the Company already measures foreign currency expense at fair value.

• IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed). The requirements issued will be considered as part of the Company's annual review of its income tax requirements.

• Annual Improvements to IFRS Standards 2014-2016 Cycle (effective date to be confirmed). No expected impact as the ammended standards will not change the Company's disclosure requirements.

• Amendments to IAS 40: Transfers of Investment Property (effective date to be confirmed). No effect, as the Company does not hold investment property.

• Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective date to be confirmed). No effect, as the Company does not have any long-term interests in associate companies.

• Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions Contracts (effective date to be confirmed). The Company will monitor the amendments and ensure that its disclosures meet the updated standard.

• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date to be confirmed). No effect as the Company does not hold the affected instruments.

2 Analysis of Turnover and Operating Expenses

Turnover	2017 £	2016 £
Management Fees	75,328,198	64,362,262
Other ordinary income	463,560	201,819
	75,791,758	64,564,081

Breakdown of Turnover by Country		
United Kingdom	71,251,845	60,495,034
Republic of Ireland	4,539,913	4,069,047
	75,791,758	64,564,081

Operating Expenses	2017 £	2016 £
Staff Costs	(44,895,040)	(47,173,083)
Administrative Expenses	(22,491,338)	(23,398,442)
Provisions	745,963	(7,211,402)
	(66,640,415)	(77,782,927)

The aggregate value of any company contributions paid, or treated as paid, to a pension scheme in respect of directors' qualifying services, being contributions by reference to which the rate or amount of any money purchase benefits that may become payable will be calculated (i.e. company contributions to money purchase schemes).

3 Operating Profit/(Loss)

	2017 £	2016 £
Operating profit/(loss) is stated after charging		
Auditor's remuneration - statutory audit	26,158	26,158
Auditor's remuneration - CASS audit	10,000	6,000
Depreciation	0	818,707

4 Directors Emoluments

The Directors' emoluments for management services to the Company were as follows:

	2017 £	2016 £
Emoluments (including compensation costs)	1,244,178	1,160,971
Pension contributions	38,659	18,352

The number of directors who had retirement benefits accruing in respect of qualifying services to a pension scheme was 3 (2016:4).

The number of directors who received shares under long term incentive schemes in respect of qualifying services was 3 (2016:3).

The highest paid director received emoluments of £587,050 (2016: £323,266).
The highest paid director did receive long term incentive shares of £100,000 (2016:Nil).
During the financial period the highest paid director did not exercise share options.
The number of directors to whom retirement benefits were accruing in relation to these was Nil (2016:Nil)

5 Employee Numbers and Costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:-

Employee numbers:	2017	2016
Management	4	5
Marketing and Asset Management	107	115
Middle Office	41	31
Support Staff	85	93
	237	244

	2017 £	2016 £
Employee costs:		
Salaries and benefits	35,699,512	36,738,185
Social security costs	5,180,587	4,853,122
Share Based Payments Compensation	2,062,912	3,612,157
Other pension costs (see note 6)	1,952,029	1,969,619
	44,895,040	47,173,083

6 Pension Costs

The Company is a member of a Group defined benefits scheme, the Julius Baer UK Staff Pension and Life Assurance Scheme, which is operated by the Group for the benefit of employees of certain Julius Baer Group companies in the United Kingdom. The scheme was closed to new entrants in April 2005, and a defined contribution scheme was established with effect from April 2005. The assets of the Schemes are held separately from those of the Group and are administered by trustees. As there is no contractual relationship for the Company to meet the obligations arising from the defined benefits scheme, the IAS 19 disclosures concerning this scheme are made only at group level.

As there is no contractual agreement or stated policy for charging the net defined benefit cost to participating Group companies including Julius Baer International Limited, the Company only recognises in its accounts the contributions it makes during any given financial period.

The Company's total pension charge in the period amounted to £1,952,029 (2016: £1,969,619) all of which related to the defined contribution scheme.

With effect from 31 July 2013, the Scheme closed to future accrual of benefit so that all active members of the Scheme at this time became deferred members. Their benefits accrued to the date of closure are no longer linked to future increases in salary; instead they will receive statutory increases up to their retirement.

7 Tax Credit on Profit/(Loss) on Ordinary Activities

Analysis of Charge in Period

		2017 £		2016 £
Current tax				
Current tax on profits for the year	49,344		-	
Adjustment in respect of prior years	78,317		170,774	
Foreign tax relief/other relief	(49,344)		109,922	
Foreign tax suffered	157,750		-	
Tax credit on ordinary activities		236,067		280,696
Deferred tax				
Current year	(148,354)		2,292,398	
Effect of changes in tax rates	126,764		(392,398)	
		(21,590)		1,900,000
Total tax debit / (credit) on ordinary activities		214,477		2,180,696

Factors affecting the tax charge for the period

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2017	2016
Profit / (Loss) on ordinary activities before tax	9,196,249	(13,214,533)
the Company of 19.25% (2016: 20.00%)	1,769,963	(2,642,907)
Effects of:		
Adjustments in respect of prior years	78,317	170,774
Expenses not deductible	890,506	152,656
Income not taxable	(4,754)	(8,350)
Depreciation on exempt assets	95,934	95,644
Tax rate changes	126,764	(392,398)
Effects of overseas tax rates	108,406	109,922
Brand loyalty adjustment	(63,463)	(17,023)
Amounts not recognised	(3,054,821)	4,715,955
Share options	267,626	(3,577)
Roundings	(1)	-
Total Tax	214,477	2,180,696

Changes announced in the 2016 Budget may have an impact on the timing of when the Company can utilise their brought forward losses. From April 2017 companies are only able to use losses carried forward against up to 50% of their profits above £5 million. Additionally, the rate of corporation tax has reduced to 19% from the Financial Year commencing 1 April 2018 and will be reduced further to 17% for the Financial Year commencing 1 April 2020.

The standard rate of UK corporation tax at the balance sheet date was 19% (20% in 2016) but reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were substantively enacted on 18 October 2016. This will reduce the company's future tax charge accordingly.

8 Tangible Fixed Assets

	Furniture & Equipment	Leasehold Improvements	Total
Cost			
As at 01.01.2017	2,079,680	5,208,258	7,287,938
Additions	94,792	302,904	397,696
Disposals	-	-	-
As at 31.12.2017	2,174,472	5,511,162	7,685,634
Depreciation			
As at 01.01.2017	1,599,135	2,003,693	3,602,828
Charge for the year	295,412	498,449	793,861
Disposals	-	-	-
As at 31.12.2017	1,894,547	2,502,142	4,396,689
Net Book Value			
As at 31.12.2017	279,925	3,009,020	3,288,945
As at 01.01.2017	480,545	3,204,565	3,685,110

9 Debtors

		2017		2016
		£		£
Amounts owed by group undertakings	1,208,070		1,706,259	
Share based payments debtor balance	2,475,231		3,415,344	
Other debtors	2,398,542		1,805,757	
Trade and other receivables		6,081,842		6,927,360
Prepayments and accrued income		1,046,904		956,744
		7,128,746		7,884,104

10 Other Financial Assets

	2017	2016
	£	£
Cash held on 95-day notice deposit account	10,000,000	-

The cash placed in this 95-day notice account is not exposed to credit or market risk. This is deemed to be a level 1 investment with a carrying value equal to the original amount invested.

11 Creditors: Amounts Falling Due Within One Year

	2017	2016
	£	£
Accruals and deferred income	24,715,678	24,433,706
Corporation tax due	183,201	(45,022)
	24,898,879	24,388,684

12 Capital and Reserves

Share Capital	2017	2016
	£	£
In issue at 1 January	122,200,000	74,300,000
Issued for cash	-	47,900,000
In issue at 31 December - fully paid	122,200,000	122,200,000

Capital Contribution	2017	2016
	£	£
At 1 January	10,013,824	9,073,313
Changes in share benefit schemes *	-	940,511
New share based payment grants	2,741,374	-
Share based payment settled during the period	(4,595,275)	-
At 31 December	8,159,923	10,013,824

* The Directors deemed it more appropriate in the prior year period to present the share benefit schemes as a gross value

Reserves

	Capital reserve	Share Benefit Reserve	Profit and loss account	Total
	£	£	£	£
At 1 January 2017	5,515,731	(10,013,824)	(82,296,826)	(86,794,919)
Profit on ordinary activities after taxation	-	-	8,981,772	8,981,772
Share based payment recharge	-	(2,741,374)	-	(2,741,374)
Share based payment settled during the period	-	4,595,275	0	4,595,275
At 31 December 2017	5,515,731	(8,159,923)	(73,315,054)	(75,959,246)

13 Reconciliation of Movements in Equity Shareholders' Funds

	2017 £	2016 £
Profit / (loss) for the financial year	8,981,772	(15,395,229)
Share Capital Injections	-	47,900,000
Net (reduction in)/addition to shareholders' funds	8,981,772	32,504,771
Opening equity shareholders' funds	45,418,905	12,914,134
Closing equity shareholders' funds	54,400,677	45,418,905

14 Unrecognised Deferred Taxation

	2017 £	2016 £
Deductible temporary differences	(17,907)	(22,822)
Unused tax losses	(7,112,251)	(8,645,490)
Fixed asset timing differences	(482,359)	(440,303)
Share options	(1,620,221)	(1,551,827)
Foreign tax	(90,410)	(284,799)
Total Unrecognised Deferred Taxation	(9,323,148)	(10,945,241)

The deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. This is reviewed by the Company on a half-yearly basis.

15 Leases

As at 31 December 2017, the Company had annual commitments under non-cancellable operating leases in respect of premises set out below:

	Land and buildings 2017 £	Land and buildings 2016 £
Within one year	1,565,569	1,565,569
Two to five years	6,262,275	6,262,275
After five years	521,856	2,087,425
	8,349,700	9,915,269

16 Parent Undertakings

The Company's immediate and ultimate parent company and controlling party is Julius Baer Gruppe AG ("Julius Baer"), a company incorporated in Switzerland. The parent company of the largest and smallest groups that include the company and for which group financial statements are prepared is Julius Baer Gruppe AG. Copies of Julius Baer's financial statements can be obtained from the Company Secretary at Bahnhofstrasse 36, 8010 Zurich. The financial results of the Company are consolidated into the results of the Group on an annual basis.

17 Post Balance Sheet Events

For reasons of operational efficiency and simplicity, the Company has in February 2018 approved participating in a Group wide restructuring of the Group's European businesses, which will result in the sale or transfer of ownership of the Dublin branch within the Julius Baer Group structure in 2018.

18 Share Based Payments

Julius Baer operates several employee compensation plans that provide eligible employees with equity-based compensation. The programmes described below reflect the plan landscape as at 31 December 2017. All plans are reviewed annually to reflect any regulatory changes and/or market conditions.

Until vesting, the granted shares are administered by the Loteco Foundation. Loteco Foundation hedges its liabilities on the grant date by purchasing the shares from the market.

Staff Participation Plan

Through this plan, participants have the opportunity to purchase shares of Julius Baer Gruppe AG at market price and for every three shares purchased, they will receive one share free of charge. These free shares vest after three years, subject to continued employment. Purchases through the Staff Participation Plan is possible once a year.

The objective of this plan is to strengthen the employee's identification with the Group, to encourage entrepreneurial spirit and generate greater interest in the business through ownership, and to provide employees with financial recognition for their long-term dedication to the Group and Company.

Equity Performance Plan
The Premium Share Plan (PSP) is a three-year deferred equity plan which applies to senior members of staff whose variable compensation amounts to CHF 125,000 or more (or the local currency equivalent). A PSP grant is made once a year as part of annual variable compensation and participation is determined on an annual basis. The plan is designed to link and tie a portion of the employee's variable compensation to the long-term development and success of the Group through its share price. At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or the local currency equivalent) of the employee's variable incentive is deferred to the PSP, and the employee is then granted a number of shares equal in value to the deferred element.

The EPP is an annual rolling equity grant (made in February each year) for Senior Management that awards Performance Units to eligible participants subject to individual performance in the reporting period and future performance-based requirements. Eligibility for the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer, total variable compensation and individual contribution in the reporting period. The EPP award reflects the value of the individual for the current and future success of the business and more closely links an individual's compensation to his or her contribution to the future performance of the Group.

The goal of the EPP is to incentivise participants in two ways:
Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.
Secondly, the Performance Units are contingent on continued service and two key performance indicators (KPIs), cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant remains with the Group for three years after the grant (through a cliff-vesting mechanism).

The service condition requires that the participant remains with Julius Baer for three years after the grant. The performance of the two KPIs determines the number of shares the participant ultimately receives.The number of shares delivered under the EPP is between 0% and 150% of the number of Performance Units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). The cEP target is set based on the strategic three-year budget/plan that is approved by the Board of Directors on an annual basis. To calculate rTSR, the Julius Baer Group's TSR is compared against the performance of the STOXX Europe 600 Banks Index.

Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Group or caused reputational damage. No special dividends or capital increases were allocated in the fiscal year 2017.
The value of the Performance Units granted as of 15 February 2018 is expensed across the service period of four years starting in the reporting year (2017). No special dividends or capital increases were allocated in the fiscal year 2017.

Premium Share Plan
The Premium Share Plan (PSP) is a three-year deferred equity plan which applies to staff whose variable compensation amounts to CHF 125,000 or more (or the local currency equivalent). A PSP grant is made once a year as part of annual variable compensation and participation is determined on an annual basis. The plan is designed to link and tie a portion of the employee's variable compensation to the long-term development and success of the Group through its share price. At the start of the plan period, 20% to 50% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or the local currency equivalent) of the employee's variable incentive is deferred to the PSP, and the employee is then granted a number of shares equal in value to the deferred element.

These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one third of the number of shares granted to him/her at the beginning of the plan period.

Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Group or caused reputational damage. No special dividends or capital increases were allocated in the fiscal year 2017.

Integration Incentive Award (for former Merrill Lynch financial advisors only)
As part of the Bank of America Merrill Lynch acquisition, key financial advisors from Bank of America Merrill Lynch were offered participation in the Integration Incentive Award (IIA, a cash- and equity-based plan) which was designed to incentivise individuals to join Julius Baer and move clients and assets to Julius Baer.
The IIA runs over a five-year plan period with cash being delivered on a rolling six-month basis over the first three years and shares being delivered to participants on the fourth and fifth anniversaries of the grant date. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one third of the number of shares granted to him/her at the beginning of the plan.
In case of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested cash and/or shares are forfeited.

Long-Term Incentive Plan
In some specific situations the Group may offer incentives outside the annual compensation round. Situations such as compensating new hires for deferred awards forfeited by their previous employer due to resignation and retention payments to key employees during extraordinary or critical circumstances may be addressed by granting individuals an equity-based long-term incentive. A Long-Term Incentive Plan (LTI) granted in these circumstances generally runs over a three-year plan period. The Group currently operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, or (2) cliff-vesting of all granted shares in one single tranche at the end of a three-year period.

The shares are transferred to participants at vesting, subject to continued employment and any other conditions set out in the plan rules. In case of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.
No special dividends or capital increases were allocated in the fiscal year 2017.

Movements in shares granted under various participation plans are as follows:

	2017	2016
Staff Participation Plan		
Unvested shares outstanding, at the beginning of the year	1,321	1,214
Granted during the year	527	418
Vested during the year	(627)	(311)
Transfer to/from other group company	-	-
Forfeited during the year	-	-
Unvested shares outstanding, at the end of the year	1,221	1,321
Weighted average fair value per share granted (GBP)	39.61	30.25
Fair value of outstanding shares at the end of the year (GBP)	55,204	47,576
Compensation expense recognised in the profit and loss account	13,873	12,998
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	55,605	62,502
Granted during the year	12,860	-
Vested during the year	-	(6,897)
Forfeited during the year	-	-
Transfer to/from other group company	-	-
Unvested shares outstanding, at the end of the year	68,465	55,605
Weighted average fair value per share granted (GBP)	40.68	-
Fair value of outstanding shares at the end of the year (GBP)	3,095,473	2,002,628
Compensation expense recognised in the profit and loss account	140,748	40,742
Premium Share Plan		
Unvested shares outstanding, at the beginning of the year	144,109	87,987
Granted during prior year (adjustment)	-	2,363
Granted during the year	56,489	86,206
Vested during the year	(48,584)	(26,649)
Forfeited during the year	(7,042)	(5,798)
Transfer to/from other group company	(940)	-
Unvested shares outstanding, at the end of the year	144,032	144,109
Weighted average fair value per share granted (GBP)	37.77	25.33
Fair value of outstanding shares at the end of the year (GBP)	6,512,044	5,190,121
Compensation expense recognised in the profit and loss account	1,993,486	1,950,976
Integration Incentive Award		
Unvested shares outstanding, at the beginning of the year	146,795	159,793
Granted during the year	-	-
Vested during the year	(68,711)	-
Forfeited during the year	(40,812)	(12,998)
Unvested shares outstanding, at the end of the year	37,272	146,795
Weighted average fair value per share granted (GBP)	-	-
Fair value of outstanding shares at the end of the year (GBP)	1,685,160	5,286,858
Compensation expense recognised in the profit and loss account	(207,952)	1,622,417
Equity Performance Plan		
Unvested shares outstanding, at the beginning of the year	4,618	7,778
Granted during the year	1,528	960
Forfeited during the year	(2,452)	(4,120)
Transfer to/from other group company	4,977	-
Unvested shares outstanding, at the end of the year	8,671	4,618
Weighted average fair value per share granted (GBP)	41.80	26.51
Fair value of outstanding shares at the end of the year (GBP)	392,037	166,318
Compensation expense recognised in the profit and loss account	122,757	(14,976)

A summary of the Company's Share Based Payment Plans as at 31 December 2017 is shown below:

Plan Name	Unvested Shares	Value of Unvested Shares at Grant Price	Value of Unvested Shares at Market Price	Compensation expense
Staff Participation Plan	1,221	42,026	55,204	13,873
Long-Term Incentive Plan	68,465	2,167,565	3,095,473	140,748
Premium Share Plan	144,032	4,607,567	6,512,044	1,993,486
Integration Incentive Award	37,272	1,015,866	1,685,160	(207,952)
Equity Performance Plan	8,671	326,898	392,037	122,757
Total	**259,661**	**8,159,923**	**11,739,919**	**2,062,912**

19 Financial Risk Management

The risk framework of the Company is explained in detail in section 2 of the Strategic Report. Specifically, the Company faces the following types of risk:

- changes in general economic environment
- government regulations and tax rules
- strategic and business risk
- operational risk (including legal, compliance and personnel risk)
- liquidity and financing risk
- reputational risk
- credit risk
- market risk

Credit risk:

i. Trade and other receivables

The large majority of the Company's revenue is received from other Group companies, which reduces the credit risk faced in this area. All receivable balances from third parties are monitored on a monthly basis, and there has been no bad debt provision booked in the accounting period or in prior periods to date.

i. Cash and cash equivalents

The Company cash is held with bank counterparties which are rated at least AA basd on Fitch or Aa based on Moody's ratings.

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains a cash flow forecast that is updated on a monthly basis to foresee any liquidity constraints that may arise in future periods and so plan accordingly.

The following are the contractual maturities of financial liabilities:

		2017					2016				
	Carrying amount £	Contractual cash flows	1 year or less	1 to <2years	2 to <5years	5 years and over	Contractual cash flows	1 year or less	1 to <2years	2 to <5years	5 years and over
Non-derivative financial liabilities											
Operating lease liabilities	8,349,700	8,349,700	1,566,669	1,665,669	4,696,706	521,866	9,915,269	1,565,569	1,565,569	4,698,706	2,087,425
Trade and other payables	24,898,879	24,898,879	24,898,879	0	0	0	24,388,684	24,388,684	0	0	0

Market risk:

i. Currency risk

The Company is exposed to currency risk to the extent that the parent company is based in Switzerland so many of the Company's payables and receivable are denominated in Swiss Francs. The Company also faces currency risk if foreign currency balances held as cash are allowed to become excessive.

The Company reduces this risk exposure as much as possible by ensuring that as many assets and liabilities as possible are converted into pounds sterling.

ii. Market price risk

The Company is exposed to financial instrument price risk, as the value of the holdings of the assets held at booking centre have a direct relationship to the amount of revenue that will be received by the Company.

The Company conducts stress-testing to evaluate the impact of a sudden change in the value of these assets, which is included in the Company's ICAAP document. This is prepared on an annual basis.

Credit risk:

The Company's principal financial assets are cash and receivables. The credit risk on cash and bank balances is considered to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.
The Company has a significant concentration of credit risk as income is generated from other Group entities that are related parties. The directors review the credit exposure on a regular basis by reviewing the creditworthiness and financial position of Group.
At 31 December 2017 and 2016, the amount due from related party and receivables were neither past due or impaired.

Capital management:

The Company's capital management is overseen on a monthly basis by the executive committee and the overall risk, stress testing and capital management processes are challenged and approved on an annual basis by the directors.

Brexit:

The 2016 vote for the UK to leave the European Union could effect the Company. While this is assumed to be certain to take place, the anticipated effects following the first year of negotiations between the UK and the EU are not expected to impact the Company's business model to a substantial degree.

Appendix - Pillar 3 Disclosures (not audited by KPMG LLP)

1. Overview

1.1. Introduction

The Capital Requirements Directive ("CRD") came into effect on 1 January 2007, and is the framework for implementing Basel II in the European Union. Basel II is an international initiative aimed at implementing a more risk sensitive framework for the calculation of regulatory capital.

The CRD consists of three "pillars":

Pillar 1: sets out minimum capital requirements, by providing rules for the measurement of credit risk, market risk and operational risk.

Pillar 2: a process for assessing capital adequacy in relation to actual risk profile and for determining whether additional capital is required to cover these risks. This is achieved through the Internal Capital Adequacy Assessment Process ("ICAAP") document and the Supervisory Review and Evaluation Process by the Financial Conduct Authority ("FCA").

Pillar 3: focuses on disclosure requirements, including the key information required to allow external parties to assess the capital adequacy of the organisation.

In the United Kingdom, the FCA has introduced Pillar 3 by replicating the CRD articles and annexes to create Chapter 11 – Disclosure (Pillar 3) of the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

1.2. Basis of disclosures

In accordance with the requirements of Chapter 11 of BIPRU, the disclosures included in this document relate to Julius Baer International Limited.

The Company is a limited licence UK investment adviser and management company as it does not act as principal nor underwrite or place financial instruments on a firm commitment basis. As a UK financial services business authorised and regulated by the FCA, the Company is required to maintain adequate capital to cover the risks to the business in order to ensure clients' interests are protected. Also, by ensuring all regulated firms have adequate capital, the FCA hopes to meet its objective of stability and market confidence in the financial system.

The Company is a member of a Swiss financial services (banking) group Julius Baer Group Limited and is 100% directly owned by the Swiss entity. The Company has no subsidiaries, and no consolidation is required.
The disclosures cover both the qualitative (e.g. processes and procedures) and quantitative (e.g. actual numbers) requirements.

1.3. Materiality

The rules provide that an entity may omit one or more of the required disclosures if it believes that the information is immaterial.

A disclosure is deemed to be material if the omission or misstatement of that information would be likely to change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions. Where we considered a disclosure to be material we have stated this.

1.4. Frequency

The disclosures are required to be made on an annual basis at a minimum, and if appropriate some disclosures will be made more frequently. The Company has an Accounting Reference Date of 31 December, and disclosures will be made as soon as practical after this date.

1.5. Verification, media and location

These Pillar 3 disclosures have been put together to explain the basis of preparation and disclosure of certain capital requirements and to provide information about the management of certain risks and for no other purpose. They do not constitute any form of audited financial statement and have been produced solely for the purposes of Pillar 3.

These disclosures have been reviewed by the directors of the Company.

2. Group Risk Management Framework and Process

2.1. Risk types

For the purposes of this report, risk comprises both the probability of a given event occurring and its potential adverse impact in the event of a deviation from the Group's defined objectives. Risk management therefore constitutes an integral part of the Group's business framework. It is supported by a number of risk-control procedures, which are seen as business enablers critical to the management process of the Group. The principal risks to which the Group is exposed are:

- strategic and business risk
- operational risk (including legal, compliance and personnel risk)
- liquidity and financing risk
- reputational risk
- credit risk
- market risk

The Group's risk-control framework comprises both qualitative elements, including policies and directives, and quantitative components, including limits. It is continually adapted and enhanced, both in response to changes in the business environment and to any modifications to the business models pursued by the Group.

2.2. Risk governance

The Board of Directors of Julius Baer Group Limited defines the Group's risk policies and regularly reviews their appropriateness. This ensures that risks are managed effectively at Group level and that suitable processes are in place. The risk categories and the risk management processes as well as a common risk terminology for the Group are laid down in the Group Risk Policy. Specific Group policies are defined for particular risk categories.

Overall responsibility for the implementation of the Group's risk management lies with those members of the Executive Board of Julius Baer Group Ltd. with designated risk management duties – the Chief Risk Officer (CRO) and the General Counsel (GC). The CRO is responsible for the management and control of credit risk, market risk (trading book and banking book), liquidity and financing risk (particularly with regard to the banking book) and of operational risk (excluding legal and compliance risk). The CRO coordinates activities with the GC, who is responsible for the management and control of legal and compliance risk. In addition, the CRO and the GC coordinate their activities with the Chief Financial Officer (CFO), who is responsible for balance sheet management and capital management, i.e. the maintenance of a sound ratio of eligible capital to risk-weighted positions. The CRO and the GC establish appropriate risk guidelines and policies, coordinate and contribute directly to the risk management of the business areas and thus ensure that risk is controlled independently.

Additional Group level Board committees and the Executive Board are integrated into the firm's control structure as follows:
The Chair and Risk Committee's responsibilities principally include:

- setting the standards and methodologies for risk control with regard to risks other than operational risk (including legal and regulatory risk) which are employed to comply with the principles and risk profiles formulated by the Board of Directors of the Group or other relevant supervisory or managing bodies;
- the determination, coordination and review of risk limits;
- reviewing policies with regard to risks other than operational risk (including legal and regulatory risks);
- authorising, taking into consideration the respective risk parameters, certain market, credit and financial transactions, including in particular loans granted to members of the Board of Directors and of the Executive Board of the Group and/or entities affiliated with it and individuals with whom such entities are closely connected.

The Audit Committee is responsible for the standards and methods applied to the control of operational risk (including legal and regulatory risks) in order to ensure compliance with the principles and risk profiles formulated by the Board of Directors or other relevant supervisory or managing bodies. The Audit Committee is also responsible for reviewing the Group's operational risk directives. The activities carried out in connection with these duties are based on the risk landscape formulated in accordance with the relevant risk directives.

The Executive Board of the Group's principal operating entity, Bank Julius Baer & Co. Ltd., is responsible for measuring and supervising market, liquidity, financing and operational risks in the Group's banking activities.
Accordingly, its principal tasks are:

- to formulate policies governing market, liquidity, financing and operational risk in the Group's banking business;
- to allocate risk limits in accordance with those policies;
- to receive and review reports relating to those risks.

The Credit Committee of the Executive Board of Bank Julius Baer & Co. Ltd. is responsible for measuring and supervising credit risk. In particular, it is responsible for:

- formulating policies governing credit risk;
- making credit business decisions and allocating credit limits within the scope of its remit;
- delegating credit authority;
- receiving and reviewing credit risk reports.

The main responsibility for managing risks, however, primarily lies with the individual organisational units.

All risks are mapped to a risk landscape, which provides a consolidated picture of the probability of their occurrence and potential impact. The individual organisational units are responsible for managing the risks to which they are exposed. The risk landscape is also used by the business areas, the Executive Board and the Board of Directors of the Group and by Bank Julius Baer & Co. Ltd. in their annual strategic planning process.

2.3. Strategic and business risk

Based on the principles of value and risk-oriented management and controlling, an annual strategic assessment is carried out, and the results are consolidated in the risk landscape. This check-up reviews the probability and impact of potential strategic and business risks and defines mitigating actions. The results are also used as an important input into the strategic planning process and thus influence the rolling three-year plan and hence the annual budgets.

2.4. Risk identification and assessment

Comprehensive risk assessments are in place throughout the Group. Risk assessments are owned and maintained by functional departments and are updated and reported to the Executive Board on an annual basis. Each risk exposure is evaluated specifically in terms of expected financial impact and likelihood/probability of crystallising and is prioritised accordingly. Management allocates and tracks mitigating actions where exposures are beyond tolerance or where controls are not operating effectively.

2.5. Risk mitigation

There is a strong risk management culture throughout the Group. Risks and mitigating internal controls are formally identified and assessed as part of the Risk Management Framework. Loss history and trends provide valuable input to on-going risk assessment. This continuous review of the quality of the internal control environment is supplemented by periodic Internal Audit reviews.

2.6. Monitoring and reporting

Risks are detailed and potential consequences reported and then analysed through probability and financial impact. Controls and mitigating factors are then taken into consideration to state the final likelihood of the risk occurring together with the residual risk amount.

2.7 Risk Management and Governance structure within Julius Baer International Ltd

The Board of Directors of the Company ("the Board") provides leadership to the firm on behalf of Julius Baer Group Ltd, The Board is collectively responsible for the strategy and long-term success of the Company. Implementation of the strategy is set by the Board and delegated to the Executive Committee which is led by the CEO. In recognition of local obligations and the importance of local oversight of risk, the Board have put in place a Company level risk management framework in addition to the Group Risk framework. This seeks to ensure there is a strong risk culture within the Company and that the Company is able to maintain an effective system of internal control, and to ensure that the Executive Committee maintains an effective risk management and oversight process across the Company.

The Company's Internal Control Framework is based on the 'three lines of defence' model. Risk management is the responsibility of the operational teams which constitute the 'first line', oversight and guidance is provided by the 'second line' through the Risk and Compliance functions and independent oversight of the internal controls of the business is the responsibility of the Internal Audit function.

The key Company level governance committees with responsibilities specifically to consider the maintenance and oversight of the risk and control environment are the Risk and Audit Committee (RAC), the Executive Committee (ExCo) and the Executive Risk and Conduct Committee (ERCC). Each have documented risk oversight roles with their specific Terms of Reference and it is understood by the Chairs of each of the committees that risk needs to be a core consideration in all committee discussions. Collectively these committees ensure the adaquacy of the control framework of the company.

The RAC is a sub-committee of the Board to enable a more in depth and focused analysis of items delegated to the committee by the Board. Consequently the committee is able to provide enhanced oversight over the ExCo and ERCC in line with the Board's on-going programme of requirements, in order to ensure that the inherent and material risks to the business, clients and connected third parties are managed effectively.

The ExCo is the executive body established to manage the day-to-day activities of the Company on behalf of the Board and the Group. ExCo is staffed by senior executives from JBINT's key functions who have received delegated authority to manage the business. ExCo's key objectives are to ensure that the strategies set by the Board are implemented, ensure that the business meets the targets set by the Board and ensure that material risks to the business, clients and connected third parties are subject to effective risk management practices.

The ERCC is the management committee established to manage the risks of the Company's business and to provide senior management with oversight of the systems, arrangements and controls concerned with the identification and mitigation of material risks to company including the Ireland Branch Office. The ERCC considers, debates, controls and escalates issues related to operational risks, conduct risks and risk of unfair client outcomes, AML risks, regulatory risks, reputational risks, and any other material risk which may impact clients, the Company, its regulators or third parties.

The Company maintains a clear Risk Appetite Statement including agreed risk tolerance and thresholds for escalation set by the Board, and is reviewed and monitored on an on-going basis through regular reporting via the firm's governance fora. All key risks as identified in the Company's annual risk assessment process are assesed and quantified as part of the Pillar 2 assessment in the Company's Internal Capital Adequacy Assessment Process ('ICAAP') report. The Pillar 2 capital requirements are outside the scope of this disclosure document.

2.8. Capital assessment

The Company employs a number of risk mitigation techniques and activities, including robust systems and controls, monitoring activities, review of risk events, root cause analysis, contingency plans, insurance and capital. The ICAAP, which is performed annually or more frequently if changes to the business require it, is used to assess the adequacy of capital. It uses scenario modelling and stress testing to assess all material risks faced by the business, taking into account any mitigants that are in place or could realistically be affected. Capital is then set aside to mitigate the potential impact of residual risks to a degree of confidence set by the Board.

3. Capital Resources

3.1. Tier 1 Capital

Tier 1 capital is the highest ranking form of capital. Included in Tier 1 capital are permanent share capital, retained profits and other reserves.

The Company's capital resources comprise Tier 1 capital only.

As at 31 December 2017 the capital resources of the Company were as follows:

Tier 1	**£m**
Permanent Share Capital	122.2
Retained Losses	(73.3)
Other Reserves	5.5
Total	**54.4**

During the year the company complied with all relevant regulatory capital requirements.

4. Capital Adequacy

The Company is required, through qualification, to comply with the Capital Requirements Directive ('CRD') under the CRD III rules, and is categorised as a non-ILAS (Individual Liquidity Adequacy Standards) BIPRU limited licence UK investment advisory and management company with a base capital resources requirement of EUR€50,000.

Under CRD, the framework for the management of regulatory capital consists of three pillars:

- Pillar 1 – specifies the minimum capital requirement for firms to cover credit, market and operational risks;
- Pillar 2 – requires firms, and the regulator, to assess whether the firm needs to hold additional capital against firm-specific risks not covered or not sufficiently covered by Pillar 1; and
- Pillar 3 – requires firms to disclose their policies for managing risk and their capital resources.

The Company completes an Internal Capital Adequacy Assessment Process ('ICAAP') at least annually to inform the ExCo, RAC and Board of the impact assessment of the firm's risks, how the firm intends to mitigate those risks and the extent of current and future capital required having considered the mitigating factors. The ICAAP is an ongoing process rather than a static document and was most recently approved by the Board on 29th November 2017.

Within that ICAAP the firm uses the Standardised Credit Risk calculation in line with BIPRU3 to calculate Credit Risk Requirement ('CRR') and utilises Moodys, Fitch and S&P ratings in assessing credit risk. The firm complies with the Credit Qisk Assessment Scale.

As the Company does not hold trading book positions on the balance sheet, the only items considered in calculating the Position Risk Requirement ('PRR') are non-trading book items as specified by BIPRU 7.5.3R. The main foreign currency assets of the Company are the receivable balances due from intra-group booking centres and cash balances held in foreign currency bank accounts.

Credit Risk Requirement ('CRR')

A calculation made at 2017 year-end has given a total CRR of GBP£1.88m.

The risk weighted assets in JBINT's balance sheet as at 31 December 2017 comprise the following:

Balance Sheet Assets as at 31/12/2017 (£000s)	**Balance Sheet**	**Risk Weighting**	**Risk Weighted Position**	**CRR**
Cash Held in Instant Access Accounts	55,462	20%	11,092	887
Cash Held in Term Deposit Account	10,000	20%	2,000	160
Property, Plant & Equipment	3,289	100%	3,289	263
Deferred Tax Asset	3,420	0%	0	0
Intercompany Receivables	1,211	100%	1,211	97
Prepayment of Expenses Not Yet Incurred in Income Statement	1,047	100%	1,047	84
Other Debtors	4,871	100%	4,871	390
Total	**79,300**		**23,510**	**1,881**

Position Risk Requirement ('PRR')
A calculation made at year end has given a total PRR of GBP£0.15m.
As at 31 December 2017, JBINT's foreign currency positions were as follows:

Balance Sheet Assets as at 31/12/2017 (£000s)	CHF	EUR	USD	Total
Cash Balances	212	31	11	
Intercompany Receivables	535	-	-	
Third Party Payables	(2)	-	1	
Dublin Branch	-	3,295	-	
- Less GBP Cash Positions	-	(2,201)	-	
Net Exposure	745	1,125	12	1,882
Total PRR @ 8%				151

5. **Remuneration Disclosures**

As a BIPRU Limited License firm under the FCA's Remuneration Code (the "Code"), the firm is allowed to observe the General Guidance on Proportionality (the "Guidance") of the FCA. The Guidance permits BIPRU firms to disapply a number of the requirements of the Code and proportionately apply the Code's rules and principles in establishing the Company's policy in line with its size, internal organisation and the nature, the scope and the complexity of its activities.

The Code requires the Company to consider its processes and procedures for those senior staff that operate within companies who are covered by the Code and whose professional activities have a material impact on the Company's risk profile (Code Staff).

The Company is satisfied that the policies in place are appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities.

5.1. Code Staff Criteria

The Company has identified those Approved Persons who fall within the criteria of Code Staff. This includes staff who are senior managers and risk takers, including those in a control function, who have significant responsibility for management and supervision.

5.2. Information concerning the decision-making process used for determining the remuneration policy (including information about the role of the Board, the involvement of the Group Compensation Committee and the external consultant whose services have been used for the determination of the remuneration policy)

The Board of Directors of the Group has ultimate responsibility on the Company's compensation policy and practices and is supported by the Group Compensation Committee. To ensure local oversight and adherence to the FCA Remuneration Code, the Company also has a UK Remuneration and Performance Committee ('Remco') which is chaired by an Independent Non Executive Director on behalf of the Board. The Company's Remco has oversight of local compensation activities. This 'combined governance approach' ensures that there is local responsibility for the Company's compensation arrangements but also ensures the alignment of these arrangements to the Group's policies and practices.

The Board does not retain external consultants although external consultants are used from time to time to advise on specific issues. The Board also receives advice from Human Resources and Senior Managers, who may provide relevant information and advice.

5.3. Information on the link between pay and performance

The primary compensation principles of the Company are to:
- Attract and retain industry professionals who are dedicated to contributing value to Julius Baer Group,
- Foster risk awareness while ensuring full alignment to regulatory compliance,
- Incentivise management by rewarding past performance and by providing incentives for the creation of future shareholder value, and
- Ensure that total compensation is in line with current regulatory standards and market practice.

The Company realises these principles in a number of ways including:
- Targeting base salary towards the median of the market, to reward the level of education, the degree of seniority and the level of expertise and skills required to fulfil the role.
- Reviewing variable compensation in line with the individual, the team and the Group and meeting qualitative and quantitative performance measures which are aligned to the long term health of the Company and the Group. These measures reward compliance and robust risk management.
- Utilising deferred variable compensation via both deferred equity-based plans and deferred cash-based plans to ensure a meaningful percentage of a relevant employee's expected total compensation is tied to the achievement of long term goals and the overall success of the Group, as well as, to operate as a retention mechanism. The percentage of varaible compensation which is deferred increases linearly, such that higher variable compensation amounts are subject to higher levels of deferral.
- Actively monitoring and identifying breaches of Group policies and regulations, ensuring that warnings are issued and that breaches are properly recorded and that records of infringments are visible in the employee's personal assessment overview.

5.4. Aggregate quantitative information on remuneration for Code Staff

For the year ending 31st December 2017 there were 14 Code Staff (as defined above).
Aggregate remuneration expenditure in respect of Code Staff was £2.8m.
Remuneration expenditure was divided between fixed and variable remuneration as follows:
- Fixed remuneration £1,995,601
- Variable remuneration £803,871
(Fixed remuneration consists of base salaries only, whilst the variable remuneration consists of annual bonus awards subject to deferral in cash and equity, and performance share unit awards. Additionally, new joiners in 2017 were recipients of sign-ons and/or replacement awards in cash and long-term incentive awards in equity.)

6. **Exempted Disclosures**

There are no disclosures relating to BIPRU 11.5.5 to 11.5.17 as they are either not relevant to the Company as a limited licence investment firm, or the amounts are immaterial as defined in section 1.3.

7. ***Employee Involvement***

The Company is committed to ensuring that employees share in its success. They are kept informed of matters of concern to them in a variety of ways including newsletters, the intranet and management briefings. These communications help achieve a common awareness among employees of the financial and economic factors affecting the Company. Employees are also provided with opportunities to share their views and provide feedback on matters that are important to them through, for example, employee surveys and fora.

8. **Employment of Disabled Persons**

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers with the Company. Training, career development and promotion of disabled persons are, as far as possible, identical to that of other employees who are not disabled.

9. ***Non-Derivative Financial Instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the *effective interest method, less any impairment losses.*
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.