

# Crown Agents Investment Management Limited

Annual Report and Financial Statements  
For the year ended 31 December 2017

**Registered Number**

02169973

**Registered Office:**

St Nicholas House

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Sutton

Surrey SM1 1EL

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## Chairman's Report for the year ended 31 December 2017

### Overview

2017 has been another successful year for the business following the change of ownership in 2016. Following the acquisition of Crown Agents Investment Management Limited ("the Company") by Helios Investment Partners LLP, the Company has successfully embarked on a path of enhanced growth and transformation.

### 2017 Financial Review

Following the sale, the Company implemented an ambitious growth plan within a control environment, building on established long term relationships with Central Banks in Africa and the Caribbean. Many of these country relationships go back over 100 years reflecting the confidence our clients have in us. We continue to leverage these relationships while forging new ones in our focus markets. Assets under management grew further in 2017 on the back of stellar fund performance across all our Central Bank Reserves Management mandates as well as our multi asset strategies for pension funds.

Our 2017 results reflect the benefits of deeper relationships we have built in our focus markets, as well as the investments we have made in key areas of our business over time.

In order to maximise the potential new income streams and ensure that internal procedures align with industry best practice, the Company has invested substantial amounts in new staff, processes and the control environment. This investment has been made in the expectation of building a scaleable platform and achieving significant but prudent business growth, as evidenced by increasing income flows and Assets Under Management ("AUM").

This investment has seen the Company's costs, particularly its staff-related costs, increase further in 2017 as we have sought to create a sound infrastructure, an enhanced governance environment, strengthened business leadership and robust processes to support future operations. However, I am pleased to report a 15% increase in the Company's annual income.

As we leverage the investment and drive top line revenue growth in the year ahead, cost containment is an important focal point for the management team and the Board. I am pleased to report that 2018 has started well and AUM have increased in line with expectations. Looking forwards, the Company will continue to benefit from the ongoing synergies with its sister company, Crown Agents Bank Limited, which have been built up over many years.

Our five year planning forecasts are based on seizing the opportunities that clearly exist for significant income and AUM growth from our target markets and we are scaling our business development efforts accordingly.

Jeremy Parrish  
Chairman  
18 April 2018

## Chief Executive Officer's Report for the year ended 31 December 2017

### Business Performance

Overall 2017 was a year of significant growth in AUM with funds increasing by £375M (25%) reflecting growing confidence by our clients in the business. A significant portion of the new assets came from existing central bank clients on the back of good fund performance and enhanced client relationships. The growth in assets under management reflects the impact and strength of the strategic investments we've made to enhance our platform to better serve our clients.

Growth and profitability was adversely affected by a weakening of the USD in which assets and fees are principally denominated. Costs have been contained through strict cost control in both front and back offices while we seek to grow revenues.

In preparation for MiFID II we successfully implemented a new Order and Portfolio Management System, processes and procedures, to comply with new regulations that took effect in January 2018.

This year, we partnered with MEFMI, to support the Deputy Governors Forum held in Maputo, Mozambique in March 2017. The event was a tremendous success and we hope to build on our relationships with Central Banks in the region. We remain committed to empowering our clients through training and capacity building.

I would like to record my thanks for all of those involved in this very exciting process and we look forward with considerable optimism to building the businesses carefully in the years ahead and continuing our long-term partnerships with our loyal client base.

### Markets and Economies

Economic growth remained robust in 2017 and was broad based across all major regions. Lower than expected inflation allowed Central Banks to remain more accommodative with the exception of the US where the Fed raised rates three times. Asset market volatility remained near record low levels, as it has been throughout the year. This came despite threats of nuclear missiles from North Korea, a political hiatus in Germany after Chancellor Merkel struggled to form a coalition government and in UK, the surprise election called by prime minister Theresa May, which backfired when she failed to win an outright majority.

Equities performed strongly in 2017, significantly outperforming lower risk assets. The US market performed well among global equity markets, with the Trump administration succeeding in reforming the US tax code at the end of December 2017. The economy strengthened further, allowing the US Federal Reserve to raise interest rates three times over the year (in March, June and December); it also began reducing the size of its balance sheet. The S&P 500 index finished the year up 21.8% in total return terms (in local currency).

In the UK, the economy performed relatively well and this led the Bank of England (BoE) to reverse the emergency interest rate cut it implemented following the Brexit referendum in 2016, raising UK rates for the first time in 10 years. The FTSE 100 index was up 11.9%.

## Chief Executive Officer's Report for the year ended 31 December 2017 (continued)

### Markets and Economies (continued)

European equities underperformed, relative to global equities, despite the region's economic improvement. The main factor was the strength of the euro, which appreciated after the European Central Bank (ECB) decided to further reduce the value of its monthly asset purchases. The year began with fears that the populist backlash which had resulted in Brexit and the elevation of Trump to the White House might also lead to further disintermediation within the EU as populist movements in the Netherlands and France in particular, looked to have significant public support. In the event, elections in both those countries returned more centrist candidates thereby defusing some of the investor hesitancy which weighed heavily on European equities. Meanwhile in Spain, the Catalan separatist movement was a somewhat transitory threat in the second half of the year.

Japanese equities led the developed markets, supported by Shinzō Abe's re-election as Prime Minister and further improvement in the economy. The Topix index was up 22.2%. Encouragingly, Japan's strong performance occurred without a significant weakening of the yen, indicating that investors are focusing on the economy's improving fundamentals.

Emerging markets were the top performing global equity market in 2017, with the MSCI emerging markets index returning a staggering 37.3%. This was helped by Xi Jinping consolidating his power as China's President and the economy performing strongly, despite the persistence of some well-known structural headwinds. More broadly, emerging markets benefited from stronger industrial commodity and oil prices, accommodative financial conditions and a cheaper dollar. The oil market saw a sustained increase in the price of Brent which rose 17.7% to close the year at \$66.76, up from \$56.82 a year earlier. Members of Opec reasserted production discipline and were assisted by a new alliance with Russia, which had not previously co-ordinated its production with Opec.

Within fixed income, corporate bonds outperformed government bonds. In the sovereign market, the US 10 year Treasury yield finished the year slightly lower than where it started, from 2.44% to 2.40%, as the initial euphoria over the Trump administration's tax plans gave way to the reality of passing the plans into legislation. In the UK, the 10 year yield also slipped, from 1.24% to 1.19% as the economy continued to experience a gradual slowdown. The US BoAML 7-10 year Treasury index and the UK 7-10 year Gilt index finished the year up 2.5% and 1.7%, respectively. In the Eurozone, however, the 10 year Eurozone government bond yield rose, from 0.21% to 0.43%, as the markets continued to price in a sharp pick-up in economic activity. Emerging markets were the best performing major sovereign bond market, with the BoAML emerging market sovereign USD bond index up 8.2% in the year, as positive risk sentiment, falling inflationary pressures and an attractive yield pick-up relative to developed market bonds, supported this asset class. Despite the strength of global growth, inflationary pressures which did manifest themselves in an increase in core inflation but remained contained for the most part.

### 2018 Outlook

More of the same is likely in 2018 with buoyant business and consumer confidence driving output, investment and consumption rates around the world. However, the end game for the global business cycle is getting nearer with implications for inflation, market volatility and relative asset class performance.

The global economy finished 2017 on a very solid footing and is expected to remain robust and broad-based in 2018. Economies are in good shape - the best since before the financial crisis - thanks to low interest rates, quantitative easing programmes, flexible exchange rates, less restrictive fiscal policy and rising economic

## Chief Executive Officer's Report for the year ended 31 December 2017 (continued)

### 2018 Outlook (continued)

confidence. All the major economies in the world, both developed and emerging, are expanding at the same time. In the developed world, most economies are experiencing growth rates which are close to historical averages. The only laggard is the UK economy which, although growing, is doing so at a much slower pace, owing to a squeeze on real wages from higher inflation as well as Brexit uncertainty. In the emerging world, growth rates have stabilised thanks to a rise in commodity prices and an increase in international trade. China remains one of the fastest growing major economies in the world as the authorities avoided tightening monetary policy too much in a year of the Communist Party Congress.

Consumer confidence is expected to remain high. Labour markets have tightened and consumers are feeling more secure about their employment prospects. Additionally, house prices around the world are rising, even in countries that are usually associated with more stable prices such as Germany and Japan. After the slump in the housing market, post the financial crisis, prices are growing at above average rates in most of the major economies, especially in Canada which is experiencing a housing boom. In terms of momentum, in the US and Canada, not only are prices rising, but they are doing so at an accelerating rate. Overall, elevated consumer confidence should support retail sales and personal consumption generally. The UK, however, is seeing a slow deceleration in prices, and this is one reason why the UK is the only economy where consumer confidence is softening. In addition, the uncertainty caused by Brexit and the triggering of Article 50 is likely to have a dampening effect on the UK consumer.

Meanwhile fiscal policy is likely to be boosted by the US tax cuts. Congress passed the final version of the tax bill before Christmas, enacting large changes to the tax code on both businesses and households. It is expected that the bill will increase company profits, give a small boost to the US economy, cut taxes for most Americans, and cause the federal deficit to balloon. There are various estimates of the net monetary injection into the US economy, but the official estimate from the Joint Committee on Taxation is about \$1trillion over ten years. This is likely to boost annual US GDP in the short term by about 0.25%-0.35%, but the net effect after ten years is considered to be negligible. The final result, after months of political horse-trading, is a far cry from the \$5.2 trillion dollars and the 1% percent per annum boost to GDP that was originally suggested.

The strength of the labour market in the US and the synchronised global growth is likely to lead to further interest rate rises with three or possibly four rate rises in the US currently expected. In the UK, the Bank of England has recently warned that rate may to rise sooner and further than previously expected with markets now pricing in a rate rise in May, whereas previously the expectation had been autumn 2018. The normalisation of interest rate policy has already had an impact on equity markets with a very sharp sell-off in early February after a prolonged period of market gains amidst very low volatility. The economic fundamentals remain positive for businesses and for equities in 2018 but it will a challenge for the major stock markets to navigate the changing interest rate environment over the coming year.

Albert Maasland

Group Chief Executive Officer

18 April 2018

## Directors for the year ended 31 December 2017

### **Jeremy Parrish – Chairman and Independent Non-Executive Director (appointed 4 April 2017)**

Jeremy Parrish joined the board with over three decades of banking experience. After starting his career with the ANZ Grindlays Group (which included postings to Hong Kong and Switzerland), he joined Standard Chartered Bank in 1994 as Head Of Corporate Banking, Europe. Following further international postings to Singapore and Tokyo, he returned to London as the Regional Head of Wholesale Banking for Europe. In 2005, after five years in the role, he was transferred to Abu Dhabi as CEO for Standard Chartered Bank UAE with particular responsibility for the UAE area. In 2011 he returned to Switzerland as CEO of Standard Chartered Bank, Switzerland. He is currently a non-executive director and Chairman of the Risk and Audit Committee of Julius Baer International Ltd. He is also Chairman of the Challenger Trust and an advisor to Deloitte Financial Advisory.

### **Raj Bhatia – Independent Non-Executive Director (appointed 23 February 2018)**

Rajesh Bhatia joined the Board in 2018 bringing with him 30 years of international banking experience. He has held senior Risk Management positions at Standard Chartered, ING, and Australia New Zealand Bank. He was the Group Treasurer at Standard Chartered during the financial crisis.

### **Carole Machell - Independent Non-Executive Director (appointed 19 July 2017)**

Carole Machell is a chartered accountant and experienced business leader combining P&L responsibility with end to end infrastructure experience. Carole has held senior executive roles in Merrill Lynch, JP Morgan and Barclays. She joined Barclays in 2006 in the Investment Bank then transitioned to the Corporate Bank in 2010. As global COO of the Corporate Bank she had responsibility for all infrastructure groups. Later, as Head of the International Corporate Bank, she had responsibility for Europe, Asia, Africa and North America. Later roles included COO and Deputy CEO of Barclay's Wealth Business.

Carole has extensive experience as a NED. She currently sits on the Board of Weatherby's Bank and Chairs their Risk Committee. She is also a member of their Audit and Remuneration Committees. She is a Trustee for the Charities Aid Foundation, 'CAF' and a NED for CAF Bank where she chairs the Risk Committee.

### **Arnold Ekpe – Non-Executive Director**

Arnold Ekpe, 64, has degrees in engineering and business administration. He joined the Board in April 2016 with over 30 years of experience of international banking. He has previously served as the CEO of the two leading Pan African banks, Ecobank and UBA, and was responsible for developing Citibank's corporate and structured trade finance business in Sub Saharan Africa.

He is currently the Honorary President of the UK based Business Council for Africa, one of the oldest NGOs focused on promoting trade and investments in Africa; Chairman of SFRE, a Luxembourg based global investment company; Chairman of Microcred, the leading France based pan African Microfinance Banking Group; Senior Adviser to the Dangote Group, the leading pan-African industrial group; and Senior Adviser and member of the Investment Committee of US based Equator Capital Partners LLC.

## Directors for the year ended 31 December 2017 (continued)

### **Simon Poole - Non-Executive Director**

Simon Poole joined the Board in April 2016 bringing with him broad finance and administration experience across a range of businesses in numerous African countries. Previously, he was a CFO with Intel Global Ltd, Lawson's Corporation and Celtel International (in Burkina Faso, Chad and DRC). Earlier in his career he held finance and accounting roles with Price Waterhouse, Bank of America and BT. He currently serves on the boards of directors of Helios Towers Africa Limited, Vivo Energy Investments BV and Mall for Africa Ltd. He received his BSc in Geography from Exeter University, UK. He qualified as a Chartered Accountant with Price Waterhouse and is a member of the Institute of Chartered Accountants in England and Wales. Simon is fluent in French.

### **Albert Maasland – Executive Director (appointed 7 February 2017)**

Albert Maasland started his career in banking at Chase Manhattan Bank – later JP Morgan – and during his 11 year career there, was involved in transforming and building a range of highly successful and profitable business units, including launching the world's first generation of cross-border electronic transaction banking services providing online account and payment services to European financial centres, developing transaction banking products and sales teams in global cash management, institutional and Global Custody areas before taking over as Head of FX sales.

Subsequently, Albert took over as Global Head of Business Development at HSBC Markets, and led the transformation of the FX business at Deutsche Bank – steering them from 24th to the number one FX provider worldwide.

Latterly, he helped establish the global e-commerce business at Standard Chartered before moving to Saxo Bank where he fulfilled numerous roles including CEO of Saxo Bank UK and then Chairman of Saxo Capital Markets UK. Albert has a keen interest in the fintech sector, and as a result acts as a trusted advisor, or NED, to a number of fintech firms. He was CEO of Knight Capital Europe and subsequently KCG Europe and is on the Board of EASDAQ NV, which is the parent company of Equiduct, a pan-European Regulated Market, operated by Bourse Berlin.

He was appointed as Group Chief Executive Officer on 16 February 2017.

### **Richard Hallett – Chief Financial Officer (appointed 31 January 2017)**

Richard Hallett is the Chief Financial Officer having joined the Company in June 2016. Richard's career spans more than 25 years in top tier financial services organizations with an extensive track record across Investment Banking, Commercial and Retail Banking sectors both regionally and globally. He was formally CFO of Barclays Africa and CFO of Absa Capital. Previous roles to this include UK & Europe CFO and Global Business Unit Controller at RBS, Managing Director, European Head of Fixed Income Product Control and Global Head of Interest Rates Product Control at Morgan Stanley, and Director and Global Head of Expense Management at Credit Suisse First Boston. Richard started his career at Price Waterhouse, is a qualified accountant and holds a BSc. (Hons) in Chemistry from the University of East Anglia.

## Directors for the year ended 31 December 2017 (continued)

### **Doug MacLennan – Chief Risk Officer**

Doug MacLennan joined the Company in December 2012 as both CFO and CRO, and was appointed to the Board in June 2013. He stepped down from the CFO position in June 2016 to focus on the development of the risk management function.

He has been involved in the UK Financial Services Industry for over 30 years, including previous appointments as Director of Finance at Merrill Lynch Limited; Deputy Managing Director at Sanwa International; Finance Director at the Bank of China International; and Senior Vice President of Risk Management at Northern Trust.

During his career Doug has been responsible for the design and implementation of financial and risk management systems; led the finance function in the acquisition and integration of multiple target companies; created several new UK regulated entities; led the negotiations for office premises in Europe, Ireland, and the UK; and designed, implemented, and managed risk management frameworks from scratch.

### **Rory Hanly – Chief Operating Officer**

Rory joined the Company in 2013 after a 20 year career in banking and asset management. From 2007 to 2013 he advised on, built and restructured a number of operating platforms, maximising processing efficiency and creating scalable operating models, most recently as COO of the international capital markets division of Banque Heritage SA. Rory was a senior member of the original team at ECM Asset Management which facilitated assets growth of €20B from 1999 to 2007. Prior to joining ECM he spent his early career in the emerging markets trading division at Bankers Trust Company of New York. Rory is a finance graduate and an Associate of the Securities and Investment Institute.

### **Paul Batchelor – Chairman and Non-Executive Director (ceased to be a director – 30 April 2017)**

### **Richard Jones – Executive Director (ceased to be a director – 6 February 2017)**

### **Steve Wiltshire – Senior Independent Non-Executive Director (ceased to be a director – 31 October 2017)**

## Strategic Report for the year ended 31 December 2017

### Strategic Direction

The Company's strategy focuses activities in core areas of competence and in key geographical markets. The Company's annual re-assessment of its markets and its position in them confirms that this focus is broadly correct.

The Company expects to see growth through new funds under management and further investment will be made to support this growth. This will focus on improving client coverage, building broader investment strategies and products and ensuring best practice risk and operational processes and systems.

### Review of Performance

The year saw another good investment performance. This performance was against a continuing challenging financial market background but did not detract from continuing to support clients' development plans by delivering high-quality, customised training programmes. Of particular note is the increase in funds under management.

Key Performance Indicators	2017	2016
Turnover (£000)	<b>2,864</b>	2,482
Profit before tax (£000)	<b>90</b>	92
Return on capital employed, based on start of year shareholder's funds (%)	<b>3.4</b>	4.2
Funds under management (£m)		
- discretionary	<b>1,139</b>	974
- non discretionary	<b>729</b>	518
Total	<b>1,868</b>	1,492

## Strategic Report for the year ended 31 December 2017 (continued)

### Position of the Company at 31 December 2017

The Company's financial position at the end of the year was as follows:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Total Assets	<b>3,469</b>	3,314
Total Shareholders' funds	<b>2,741</b>	2,655

### Principle Risks and Uncertainties

The Company's Board determines overall strategy, the markets in which it will operate and the levels of risk acceptable to the Company.

Management, as part of its FCA Pillar 3 Capital Adequacy disclosure requirements, has performed a review of these requirements and the information, including remuneration, can be found on the Company website - [www.caiml.co.uk](http://www.caiml.co.uk).

Day to day management of risk is undertaken by the Company's management committees assisted by Risk Management. As part of its risk management strategy, management reviews the level of expected US dollar income and costs and may hedge part of the expected net US dollar income for the following year if the amounts involved are material. Such hedging is undertaken using forward foreign exchange deals and/or options to cover the anticipated net cash inflows.

The most significant risks to the Company's business are failure to manage clients' funds in accordance with agreed guidelines and the loss of key staff or the largest client accounts. Investment guidelines are discussed and agreed with clients and incorporated in client agreements and there are day to day controls in place to ensure guidelines are adhered to at all times. The Company recognises the importance of attracting and retaining staff with appropriate specialist knowledge and skill sets. It regularly monitors remuneration packages and ensures training needs are fully satisfied. Client relationships are managed closely by an executive director or senior fund manager to ensure delivery of the highest quality service.

By order of the Board,

Albert Maasland

Group Chief Executive Officer

18 April 2018

## Directors' Report for the year ended 31 December 2017

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2017.

### Principal Activity

The principal activity of the Company is the provision of investment management services. The Company is authorised and regulated by the Financial Conduct Authority (FCA).

### Future Developments

The Company will continue to provide investment management services.

### Dividends

There were no dividends paid or proposed in the year (2016: £nil).

### Financial risk management

Details of financial risk management are set out on page 11 within the Strategic Report.

### Employee Matters

(a) Employee Engagement Survey

On an annual basis the Company carries out an Employee Engagement Survey. Through a company-wide questionnaire and a series of focus groups, the Company explores how it measures up to its stated values/ industry benchmark and how well engaged employees are with their roles. The most recent survey, carried out in late 2017, concluded that the level of staff engagement compares well with the industry benchmark and is above benchmark in many areas.

(b) Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of persons fortunate enough not to suffer from a disability.

(c) Employee Involvement

The Company uses a variety of methods to disseminate relevant information to its employees. All managers hold regular meetings with their staff for this purpose, at which there are also opportunities for employees to contribute their ideas to the development of management policy. In addition, further information is given at quarterly townhall meetings hosted by the Chief Executive Officer, through the intranet, notices and via webinars/ training programmes.

## Directors' Report for the year ended 31 December 2017 (continued)

### Employee Matters (continued)

#### Gender diversity

The proportion of women and men employed by the business is 27% and 73% respectively.

### Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J Parrish\* (Chairman – appointed on 4 April 2017)  
R Bhatia\* (appointed on 23 February 2018)  
C Machell\* (appointed on 19 July 2017)  
A Ekpe\*\*  
S Poole\*\*  
A Maasland (appointed on 7 February 2017)  
R Hallett (appointed on 31 January 2017)  
D MacLennan  
R Hanly  
P Batchelor\* (ceased to be a director on 30 April 2017)  
R Jones (ceased to be a director on 6 February 2017)  
S Wiltshire\* (ceased to be a director on 31 October 2017)

\*independent non-executive director

\*\* non-executive director

Note: following Richard Jones' departure Albert Maasland was appointed as Group Chief Executive Officer.

## Directors' Report for the year ended 31 December 2017 (continued)

### Statement of Directors' Responsibilities in respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Disclosure of Information to Auditors

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

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) the director has taken all the steps that the director ought to have taken as a director in order to make the director aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## Directors' Report for the year ended 31 December 2017 (continued)

### Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### Elective Resolutions

In accordance with the Companies Act 2006 elective resolutions have been passed which will facilitate the administration of the Company. The Company has dispensed with holding annual general meetings and with the laying of financial statements before the shareholders in general meeting.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

By order of the Board,

A Maasland

Group Chief Executive Officer

18 April 2018

## Independent Auditors' Report to the members of Crown Agents Investment Management Limited

### Report on the audit of the financial statements

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#### Opinion

In our opinion, Crown Agents Investment Management Limited's 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 and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements ("the Annual Report"), which comprise: the balance sheet as at 31 December 2017; the income statement, cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or

## Independent Auditors' Report to the members of Crown Agents Investment Management Limited (continued)

### Report on the audit of the financial statements (continued)

material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 14, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Independent Auditors' Report to the members of Crown Agents Investment Management Limited (continued)

### Other required reporting

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#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

Luke Hanson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
April 2018

**Income Statement for the year ended 31 December 2017**

	Note	<b>2017</b> <b>£'000</b>	2016 £'000
Turnover	2	<b>2,864</b>	2,482
Currency gain/ (loss)		<b>53</b>	(109)
Administrative expenses	3	<b>(2,833)</b>	(2,285)
<b>OPERATING PROFIT</b>		<b>84</b>	88
Interest receivable and similar income	4	<b>6</b>	4
<b>PROFIT BEFORE TAXATION</b>		<b>90</b>	92
Tax on profit	6	<b>(4)</b>	1
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>86</b>	93

There were no other items of Comprehensive Income (2016: £nil).

The results for the year are wholly attributable to continuing operations.

The notes on pages 23-40 form part of these financial statements.

**Balance Sheet as at 31 December 2017**

	Note	2017		2016	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	7		112		6
<b>CURRENT ASSETS</b>					
Debtors, prepayments and accrued income	8	990		779	
Derivatives	9	34		-	
Cash at bank	10	2,333		2,529	
		<u>3,357</u>		<u>3,308</u>	
<b>CREDITORS – amounts falling due within one year</b>					
	11	(728)		(577)	
Derivatives	9	-		(82)	
		<u>-</u>		<u>(82)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,629</u>		<u>2,649</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,741</u>		<u>2,655</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		1,650		1,650
Profit and loss account			1,091		1,005
			<u>1,091</u>		<u>1,005</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>			<u>2,741</u>		<u>2,655</u>

The notes on pages 23-40 form part of these financial statements.

The Board of Directors approved the financial statements on 18 April 2018.

A Maasland  
Director

R Hallett  
Director

**Statement of Changes in Equity for the year ended 31 December 2017**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total  £'000</b>
Balance as at 1 January 2016	1,300	912	2,212
Profit for the financial year	-	93	93
New capital injection	350	-	350
Balance as at 31 December 2016	<u>1,650</u>	<u>1,005</u>	<u>2,655</u>
<b>Balance as at 1 January 2017</b>	<b>1,650</b>	<b>1,005</b>	<b>2,655</b>
Profit for the financial year	-	86	86
<b>Balance as at 31 December 2017</b>	<b><u>1,650</u></b>	<b><u>1,091</u></b>	<b><u>2,741</u></b>

There were no dividends paid or proposed in the year (2016: £nil).

**Cash Flow Statement for the year ended 31 December 2017**

	Note	2017 £'000	2016 £'000
<b>Net cash (outflow)/ inflow from Operating Activities</b>	<b>16</b>	<b>(83)</b>	672
<b>Cash flow from Investing Activities</b>			
Purchase of intangible assets	7	(109)	-
Interest received		6	4
Net cash (used in)/ generated from investing activities		(103)	4
<b>Cash flow from Financing Activities</b>			
Injection of new capital	12	-	350
Net cash generated from financing activities		-	350
<b>Net (decrease)/ increase in cash at bank</b>		<b>(186)</b>	1,026
Cash at bank at the beginning of the year		2,529	1,373
Exchange (loss)/ gain on cash at bank		(10)	130
<b>Cash at bank and in hand at the end of the year</b>	<b>10</b>	<b>2,333</b>	2,529

## Notes to the Financial Statements for the year ended 31 December 2017

### 1 STATEMENT OF ACCOUNTING POLICIES

#### (a) General information

Crown Agents Investment Management Limited is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is St, Nicholas house, St. Nicholas Road, Sutton, Surrey, SM1 1EL.

The principal activity of the Company is the provision of investment management services.

#### (b) Statement of compliance

The financial statements of Crown Agents Investment Management Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The principal accounting policies are set out below and have been consistently applied throughout the year.

#### (c) Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. The derivative financial assets and liabilities are held at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(n).

#### (d) Going concern

The directors have considered the financial position of the Company, including the net current asset position, regulatory capital requirements, and estimated future cash flows and have concluded that the Company will be able to meet its obligations as they fall due. Accordingly the financial statements have been prepared on the going concern basis.

#### (e) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company has taken advantage of certain disclosure exemptions.

## Notes to the Financial Statements for the year ended 31 December 2017 (continued)

### 1 STATEMENT OF ACCOUNTING POLICIES (continued)

#### (f) Foreign currency translation

##### i) Functional and presentation currency

The financial statements are presented in pounds sterling and rounded to thousands.

The Company's functional and presentation currency is pounds sterling.

##### ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within Currency Gain/ Loss.

#### (g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred taxation is provided at anticipated tax rates, using the full provision method, on all timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

## Notes to the Financial Statements for the year ended 31 December 2017 (continued)

### 1 STATEMENT OF ACCOUNTING POLICIES (continued)

#### (g) Taxation (continued)

Deferred tax is recognised on all timing differences at the reporting date with certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### (h) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The directors have decided that amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software – 5 years

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### (i) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

## Notes to the Financial Statements for the year ended 31 December 2017 (continued)

### 1 STATEMENT OF ACCOUNTING POLICIES (continued)

#### (i) Impairment of non-financial assets (continued)

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the operating profit, unless the asset has been revalued when the amount is recognised in the income statement to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

#### (j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### (k) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### (i) Financial assets

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

## Notes to the Financial Statements for the year ended 31 December 2017 (continued)

### 1 STATEMENT OF ACCOUNTING POLICIES (continued)

#### (k) Financial instruments (continued)

##### (i) Financial assets (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### (ii) Financial liabilities

Basic financial liabilities, including creditors and short-term loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction.

##### Derivatives

The Company uses forward foreign exchange contracts to manage the cash flow exposures of forecast transactions denominated in foreign currencies. Derivatives are initially at fair value on the date the derivative contract is entered into and are subsequently re-valued at their fair value. Changes in the fair value of derivatives are recognised in the Income Statement in Currency Gain/Loss.

##### Trade Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently, where appropriate, measured at amortised cost using the effective interest method.

## Notes to the Financial Statements for the year ended 31 December 2017 (continued)

### 1. STATEMENT OF ACCOUNTING POLICIES (continued)

#### (k) Financial instruments (continued)

##### (ii) Financial liabilities (continued)

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### (iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### (l) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, medical insurance, paid holiday arrangements and pension contributions.

##### Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### Defined contribution pension plans

All the pension contributions are accounted for as defined contributions and paid over on a monthly basis. No liability for pension entitlement accrues to the Company.

#### (m) Recognition of income

Turnover represents fee income from the provision of investment management services. Fee income is recognised as the related services are provided.

#### (n) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the

## Notes to the Financial Statements for the year ended 31 December 2017 (continued)

### 1. STATEMENT OF ACCOUNTING POLICIES (continued)

#### (n) Critical accounting judgements and key source of estimation uncertainty (continued)

estimates are revised and in any future periods affected. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The Directors are of the view that there are no critical accounting judgements or key sources of estimation uncertainty.

### 2 TURNOVER

Turnover represents amounts receivable in respect of investment management and associated activities, being the Company's only class of business.

A geographical analysis of the source of turnover by the clients' location is:

	<b>2017</b>	2016
	%	%
Africa	<b>34</b>	34
Caribbean, Atlantic and the Americas	<b>21</b>	26
UK	<b>25</b>	25
Rest of Europe	<b>20</b>	15
	<b>100</b>	100

## Notes to the Financial Statements for the year ended 31 December 2017 (continued)

### 3 ADMINISTRATIVE EXPENSES

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Staff costs and directors' emoluments* (Note 5)	<b>1,257</b>	1,159
Provisions for bad debts	<b>24</b>	-
Amortisation	<b>3</b>	3
Management fees charged*	<b>659</b>	394
Administrative and other expenses*	<b>890</b>	729
	<b>2,833</b>	2,285

\* payable through/ to other group companies

The administrative expenses, and other expenses payable to/through group companies, include remuneration for the auditors. The fees payable to the auditors were £63,000 (2016: £70,000) for auditing the financial statements and £nil (2016: £nil) for other services.

The Company operates in one area, that of investment management in the United Kingdom.

### 4 INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable arises from monies deposited with Crown Agents Bank Limited, a fellow subsidiary.

**Notes to the Financial Statements for the year ended 31 December 2017 (continued)****5 STAFF COSTS AND DIRECTORS' EMOLUMENTS**

Staff Costs and Directors' Emoluments	2017 £'000	2016 £'000
Wages and salaries	794	794
Social security costs	120	104
Pension costs	53	53
Other costs (inc bonus accrual and external consultants)	290	208
	<b>1,257</b>	<b>1,159</b>

The aggregate emoluments and pension contributions of the directors were £20,833 (2016: 199,930) and key management were £189,319 (2016: £110,333).

The aggregate emoluments and pension contributions of the highest paid director were £20,833 (2016: £74,007) and £nil (2016: £26,038) respectively.

No retirement benefits (2016: £nil) accrued to directors under defined benefits pension schemes during the year.

Up until 31 March 2016, all employees and directors were paid by the then parent company, Crown Agents Limited, with which they had contracts of employment. From 1 April 2016, all employees and directors were contracted with, and paid by, a fellow subsidiary, Crown Agents Bank Limited and recharged accordingly.

The monthly average number of full time staff, including executive directors, was 13 (2016: 12).

From April 2015 all members were moved to the Crown Agents Limited group defined contribution pension plan. Up until 31 March 2016, employees were entitled to join the Crown Agents Limited group's defined contribution scheme. The Company contributed £nil (2016: £22,881) to this scheme during the year. No further contributions were made after 31 March 2016.

From 1 April 2016, a new defined contribution pension scheme was set up which all current and future employees were able to join. The Company contributed £53,109 (2016: £29,830) to this scheme during the year of which £4,681 (2016 - £2,629) was paid after the year end.

**Notes to the Financial Statements for the year ended 31 December 2017 (continued)****6 TAX ON PROFIT****A Analysis of Charge/ (Credit) for the Year**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Corporation tax based on the profit for the year at 19.25% (2016: 20.00%)	-	-
Deferred tax (Note 13)	<b>4</b>	(1)
Total tax charge/ (credit)	<b>4</b>	(1)

**B Factors Affecting Tax Charge/(Credit) for the Year**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Profit before taxation	<b>90</b>	92
Profit before taxation multiplied by standard rate of corporation tax of 19.25% (2016: 20.00%)	<b>17</b>	19
Other adjustments	<b>(3)</b>	1
Tax sheltered by group relief	<b>(14)</b>	(20)
Corporation tax	-	-
Deferred tax – timing differences	<b>4</b>	(1)
Total tax charge/ (credit)	<b>4</b>	(1)

**Notes to the Financial Statements for the year ended 31 December 2017 (continued)****7 INTANGIBLE ASSETS**

	<b>Software £000</b>
<b>Cost</b>	
At 1 January 2017	<b>13</b>
Additions	<b>109</b>
Disposals	-
At 31 December 2017	<b>122</b>
<b>Accumulated amortisation</b>	
At 1 January 2017	<b>7</b>
Charged in the year	<b>3</b>
Disposals	-
At 31 December 2017	<b>10</b>
<b>Net Book Value at 31 December 2017</b>	<b>112</b>
Net Book Value at 31 December 2016	<b>6</b>

	<b>2017 £'000</b>	2016 £'000
<b>8 DEBTORS, PREPAYMENTS AND ACCRUED INCOME</b>		
Trade debtors	<b>191</b>	66
Deferred tax (Note 13)	-	2
Prepayments	<b>58</b>	48
Accrued income	<b>741</b>	663
	<b>990</b>	779

## Notes to the Financial Statements for the year ended 31 December 2017 (continued)

### 9 DERIVATIVES

A proportion of the US dollar management fee income received quarterly is economically hedged using a series of forward foreign exchange contracts with a notional value of US\$ 893,000 (2016: US \$1,000,000) as at 31 December 2017. The positive fair value of the remaining outstanding forward deals at 31 December 2017 was £34,249 (2016: £nil). The negative fair value of the remaining outstanding forward deals at 31 December 2017 was £nil (2016: £82,332). Such gain/losses are reported net of foreign exchange (profit)/ loss arises from gains/ losses on holding US dollar balances which are revalued monthly. The resulting profit (2016: loss) is included within Currency Gain /Loss in the Income statement.

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

#### **Level 1 - Quoted price for an identical asset in an active market**

Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis. The Company did not have any such instruments.

#### **Level 2 – Price of a recent transaction for an identical asset**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Derivatives contracts are included in level 2.

#### **Level 3 – Valuation technique (ie internal models with significant unobservable market parameters)**

Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The Company did not have any such instruments.

### 10 CASH AT BANK

The amounts relate to call accounts with a fellow subsidiary, Crown Agents Bank Limited.

**Notes to the Financial Statements for the year ended 31 December 2017 (continued)****11 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Amounts owed to group undertakings	<b>304</b>	209
Deferred tax (Note 13)	<b>2</b>	-
Other creditors, accrued expenses and deferred income	<b>422</b>	368
	<b><u>728</u></b>	<u>577</u>

**12 CALLED UP SHARE CAPITAL**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
<b>Issue, allotted and fully paid (ordinary shares of £1 each)</b>		
As at 1 January	<b>1,650</b>	1,300
New shares issued 31 March 2016	-	350
As at 31 December	<b><u>1,650</u></b>	<u>1,650</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

**13 DEFERRED TAX**

The deferred tax liability (2016 – asset) recognised in the financial statements, calculated at 19% (2016: 20%) is:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Capital allowances in excess of depreciation (Note 11)	<b>(2)</b>	-
Depreciation in excess of capital allowances (Note 8)	-	2

There was a charge of £4,000 to the income statement during the year (2016: £1,000 credit). There are no un-provided deferred tax assets or liabilities (2016: nil).

**Notes to the Financial Statements for the year ended 31 December 2017 (continued)****14 RISK MANAGEMENT**

(i) Liquidity Risk: the Company seeks to ensure that, at all times, it has sufficient cash resources to meet its liabilities as they fall due. The liquidity position is monitored on a daily basis.

The liquidity profile of the Company is as follows:

Assets 2017	<b>Less than 3 months £'000</b>	<b>More than 3 months less than 1 year £'000</b>	<b>Total £'000</b>
Debtors	990	-	990
Derivatives	12	22	34
Cash at bank	2,333	-	2,333
	<u>3,335</u>	<u>22</u>	<u>3,357</u>
Intangible assets			112
			<u><u>3,469</u></u>
Liabilities 2017	<b>Less than 3 months £'000</b>	<b>More than 3 months less than 1 year £'000</b>	<b>Total £'000</b>
Creditors	728	-	728
Total Shareholders' funds			2,741
			<u><u>3,469</u></u>

**Notes to the Financial Statements for the year ended 31 December 2017 (continued)****14 RISK MANAGEMENT (continued)**

Assets 2016	Less than 3 months £'000	More than 3 months less than 1 year £'000	Total £'000
Debtors	779	-	779
Cash at bank	2,529	-	2,529
	<u>3,308</u>	<u>-</u>	<u>3,308</u>
Intangible assets			6
			<u>3,314</u>
Liabilities 2016	Less than 3 months £'000	More than 3 months less than 1 year £'000	Total £'000
Creditors	577	-	577
Derivatives	29	53	82
	<u>606</u>	<u>53</u>	<u>659</u>
Total Shareholders' funds			2,655
			<u>3,314</u>

**Notes to the Financial Statements for the year ended 31 December 2017 (continued)****14 RISK MANAGEMENT (continued)**

(ii) Currency Risk: the Company's currency risk is largely hedged by forward foreign exchange contracts (see note 9).

The foreign currency profile of the Company is as follows:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Assets		
Denominated in sterling	<b>3,378</b>	3,196
Denominated in other currencies	<b>91</b>	118
	<b>3,469</b>	3,314
Liabilities and equity		
Denominated in sterling	<b>3,469</b>	3,314
Denominated in other currencies	-	-
	<b>3,469</b>	3,314

**15 FINANCIAL INSTRUMENTS**

The carrying value of the Company's financial assets and liabilities is as follows:

<b>Financial assets</b>		Assets at	Financial	
	Note	FVTPL <sup>1</sup>	assets at	Total
		£'000	amortised	£'000
			cost	£'000
<b>2017</b>				
Trade debtors	8	-	<b>191</b>	<b>191</b>
Derivatives	9	<b>34</b>	-	<b>34</b>
Cash at bank and in hand	10	-	<b>2,333</b>	<b>2,333</b>
		<b>34</b>	<b>2,524</b>	<b>2,558</b>
<b>2016</b>				
Trade debtors	8	-	66	66
Cash at bank and in hand	10	-	2,529	2,529
		-	2,595	2,595

**Notes to the Financial Statements for the year ended 31 December 2017 (continued)****15 FINANCIAL INSTRUMENTS (continued)**

<b>Financial liabilities</b>	Note	Liabilities at FVTPL <sup>1</sup>  £'000	Financial liabilities at amortised cost  £'000	Total  £'000
<b>2017</b>				
Amounts owed to group undertakings	11	-	<b>304</b>	<b>304</b>
Derivative financial instruments	9	-	-	-
Other creditors, accrued expenses and deferred income	11	-	<b>422</b>	<b>422</b>
		<u>-</u>	<u><b>726</b></u>	<u><b>726</b></u>
2016				
Amounts owed to group undertakings	11	-	209	209
Derivative financial instruments	9	82	-	82
Other creditors and accrued expenses	11	-	368	368
		<u>82</u>	<u>577</u>	<u>659</u>

<sup>1</sup> FVTPL – Fair value through profit or loss

**16 NOTES TO THE CASH FLOW STATEMENT****Reconciliation of profit before taxation to net cash flow from operating activities**

	<b>2017</b> <b>£'000</b>	2016 £'000
Profit before taxation	<b>90</b>	92
Less - interest receivable	<b>(6)</b>	(4)
Effect of currency exchange rate changes	<b>(107)</b>	(71)
Amortisation of intangible assets	<b>3</b>	3
(Increase)/ decrease in debtors	<b>(213)</b>	419
Increase in creditors	<b>150</b>	233
Net cash (outflow)/ inflow from operating activities	<u><b>(83)</b></u>	<u>672</u>

## Notes to the Financial Statements for the year ended 31 December 2017 (continued)

### 17 HOLDING COMPANY

Up until 31 March 2016, the immediate parent undertaking was Crown Agents Limited. The ultimate parent undertaking and controlling party was The Crown Agents Foundation, which was the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 March 2016.

Copies of both companies' financial statements may be obtained from 110 Southwark Street, London SE1 0SU.

From 1 April 2016, the immediate parent undertaking has been CABIM Limited which is the smallest and largest group to consolidate these financial statements as at 31 December 2017. The ultimate parent undertaking and controlling party has been Helios Investors III LP, acting through its general partner Helios Investors Genpar III LP. Helios Investors Genpar III LP is registered in the Cayman Islands with its registered office at PO Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands KY1-1104.

Copies of the financial statements of CABIM Limited may be obtained from St Nicholas House, St Nicholas Road, Sutton, Surrey SM1 1EL.

### 18 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided under section 33.1A of FRS 102 "Related party transactions", because it was/is a wholly owned subsidiary of Crown Agents Limited/CABIM Limited, as appropriate.

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