

Crown Agents

Investment Management Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2012



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CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012

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CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

Managing Director's Review for the year ended 31 December 2012

The economic and investment environment in the developed world since the 2007/8 financial crisis has been characterised by abnormally low interest rates, excess liquidity, political uncertainty and high market volatility. These factors have driven asset values, particularly bonds, well away from fundamentals and depressed real returns. Events in 2012 were a continuation on this theme although the Eurozone enjoyed a little more stability as the ECB injected more liquidity and the EU introduced banking sector reforms and provided further support to Greece and other highly-indebted member states. While growth in emerging economies, including China, slowed somewhat it remained strong enough to support the global economy and financial markets. International equities produced a roller-coaster performance but ended the year on a positive note while bonds remained fairly flat. Looking ahead, there is little on the horizon to suggest a radical change in this mixed and uncertain picture. In essence, monetary policy needs to remain accommodating for several more years while governments and households in the developed world reduce their debt levels and businesses feel sufficiently incentivised to invest their cash reserves in the real economy and create employment.

Despite a difficult year for most asset classes, I am pleased to report an excellent outcome for our clients. The Company's investment performance in 2012 was strongly positive, well above benchmarks and the best for more than a decade across almost all asset classes and fund types. Our experienced investment team worked tirelessly throughout the year to protect client portfolios, develop customised investment strategies, and generate incremental returns systematically and prudently. Our investment philosophy, which emphasises value, active management and risk control, has continued to serve us and our clients well in this environment.

The Company's financial results were less favourable than in more recent years, due to the loss of one of our largest central bank accounts following a radical restructuring of their international reserve portfolio and external manager arrangements (not related to investment performance or service) and temporary withdrawal of another to meet balance of payments needs. Our funds under management have therefore fallen over the year but should see an encouraging rise in 2013 as we won three new client mandates in the fourth quarter of 2012. Profit after tax, but before exceptional items, was slightly negative for the year but strongly positive with the inclusion of the substantial profit on the sale of our shareholding in Mauritius Commercial Bank Investment Management (MCBIM).

We remain confident in our ability to compete effectively in our markets, and in the growth of these markets, and are continuing to invest in more expertise and better systems. We have recruited an experienced Chief Operating Officer to help us develop a better service platform for our clients in years to come and will be investing in more business development resources during the course of 2013. We are continuing to see a strong demand for training and advisory services from Crown Agents clients and regions and are working closely with our colleagues in Crown Agents Bank and the parent company to meet such demand.

Managing Director

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

Directors for the year ended 31 December 2012

Paul Batchelor – Chairman and Non-Executive Director

Paul Batchelor is Chairman of Crown Agents, Chairman of Crown Agents Bank and a member of the Council of The Crown Agents Foundation. He is Director and Chairman of Oxford Policy Management and Fellow of the Institute of Business Consultants. He is also a Member of the UK and International Advisory Councils of Transparency International and Trustee of WaterAid. Previously, he was a Partner in Coopers & Lybrand/PricewaterhouseCoopers. He joined the Board in April 2011.

Terence Jagger CBE – Deputy Chairman and Non-executive Director

Terence Jagger was appointed to the Board in March 2011 following his appointment as Chief Executive of Crown Agents in the same month. He is a member of the Council of The Crown Agents Foundation and a Non-Executive Director of Crown Agents Bank. He has held various senior positions in the public and private sectors in the UK and abroad and previous appointments have included Director Financial Management at the Ministry of Defence, senior political advisor to ISAF in Afghanistan, and Director of the QinetiQ privatisation. He is currently President of the European Network of Implementing Development Agencies EEIG (EUNIDA) and a Director of the UK-Japan 21st Century Group.

Richard Jones – Managing Director

Richard Jones was an International Manager with HSBC for over 20 years. For much of that time he was based in and worked across Asia focussed on treasury and corporate banking. Latterly he moved back to Europe where his roles encompassed Investments, Insurance and Commercial Banking. Richard has a wealth of experience of financial services in challenging environments. He joined the company in June 2012 and was appointed to the Board in August 2012.

Steve Wiltshire – Senior Independent Non-executive Director

Steve Wiltshire was appointed to the Board in July 2011 having previously been a member of the company's Investment Advisory Panel. He is founder and principal of SWI Consulting, a specialist management consultancy, providing advice to institutional investment managers on best practices. Prior to establishing his own advisory firm, he had a distinguished career with the Russell Group spanning 21 years in senior positions including Chief Investment Officer, Director of Research and Director of Quantitative Services. He started his career in financial services as a fixed income analyst with Prudential Bache Securities in 1987. Steve holds a PhD in environmental science.

Michael Naameh - Chief Investment Officer

Michael Naameh was a senior consultant with an international firm of actuaries before he joined Crown Agents as a fund manager in 1989. He was appointed to the Board in 1995. He was Managing Director from September 2011 to August 2012 and is also Chief Investment Officer of the company with executive responsibility for fund management and client relations. Michael is a non-executive director of the MCB Investment Management Co Ltd. Michael has published widely on central bank reserves management, pension fund management, risk management and financial sector development issues.

Mike Symes - Executive Director & General Manager

Mike Symes joined Crown Agents in 1979 and was appointed to the Board of the company on 2 July 2007. He is responsible for client administration, operational systems counterparty relationships and some key client relationships. He is also Director, Treasury of Crown Agents Bank with responsibility for treasury which provides foreign exchange and money market services to Crown Agents clients worldwide. He has over 25 years international banking and business development experience and has worked closely with government and central bank clients and lectured on numerous financial training courses.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

Directors' Report for the year ended 31 December 2012

The directors submit their report and the audited financial statements of the company for the year ended 31 December 2012. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Principal Activity

The principal activity of the company is the provision of investment management services. The company is authorised and regulated by the Financial Services Authority (FSA).

The funds under management at the end of the year were £903,528,140 (2011: £1,237,170,050) of which £118,998,880 (2011: £143,037,360) were held in non-discretionary/custodial accounts.

Exceptional Item

The majority shareholder in the MCB Investment Management Co Ltd made an offer to purchase the shareholding held by the company for a cash consideration. They valued this at approximately £570,000 and the directors accepted this offer. The funds were received in May 2012 following the necessary legal clearance in Mauritius.

Business Review

(i) Review of Performance

- (a) The year saw an exceptionally good investment performance being generated across all client funds but slightly weaker financial results. Our investment team was able to produce positive returns, well above benchmarks, for all central bank and pension fund clients, against a very difficult financial market background while continuing to support clients' development plans by delivering high-quality, customised training programmes.
- (b) In the first half of the year, one of our largest central bank clients unfortunately closed its account with us and six other external managers following a major strategic review of its reserves management policy. This decision was not related to our investment performance, which had been above benchmark for the entire 4 ¼ year holding period, or any aspect of our service. Another central bank client also temporarily withdrew one of its funds to help meet a large current account deficit. Both of these events, together with delays in funding three new client mandates won in the second half of the year, have impacted negatively on our financial performance before exceptional items. Our long term investment in Mauritius Commercial Bank Investment Management was sold in the early part of the year realising a profit of £547,000 as the majority shareholders wished to take full control of the company and the other minority shareholder expressed a desire to sell. The inclusion of this exceptional item in the 2012 P&L helped to produce a strongly positive financial outcome.
- (c) The profit after taxation for the year ended 31 December 2012 amounted to £458,000 (2011: £34,000). No dividend (0.0p per share) (2011: £87,000, 6.7p per share) was paid with respect to the previous year. The directors propose that no dividend (0.0p per share) (2011: £Nil, 0.0p per share) should be paid with respect to 2012 to maintain the necessary level of regulatory capital within the company.

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.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

Directors' Report for the year ended 31 December 2012 (Continued)

(i) Review of Performance (continued)

Key Performance Indicators (Excluding exceptional item)	2012	2011
Turnover (£000)	2,234	2,544
(Loss)/Profit on Ordinary Activities before Tax (£000)	(119)	46
(Loss)/Profit on Ordinary Activities after Tax (£000)	(89)	34
Return on average capital employed (%)	(5.2)	3.1
Funds under Management (£m)	904	1,237

(ii) Employee Matters

(a) Employee Engagement Survey

From time to time The Crown Agents for Oversea Governments and Administrations Limited (CA) group carries out an Employee Engagement Survey. Through a company wide questionnaire and a series of focus groups, the group explores how it measures up to its stated values and how well engaged staff are with their jobs and CA group as a whole. The most recent survey, carried out in late 2012, concluded that the level of staff engagement is high and compares well with similar organisations.

(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 CA group continues. It is the policy of CA group 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 intervals through staff briefing meetings hosted by the Chief Executive, through the intranet and notices and via webinars and training programmes.

(iii) Environmental Issues

The company complies with CA group environmental policies which have two separate components. The first addresses how it relates to third parties and the impact that they have upon the environment, where its policy is not to buy goods on behalf of its clients that have been sourced in illegal or environmentally unsustainable ways. The second part addresses how CA group itself operates and aims to reduce the negative impact it has upon the environment.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

Directors' Report for the year ended 31 December 2012 (Continued)

(iii) Environmental Issues (continued)

CA group's environmental working group is responsible for improving the company's environmental impact. The group's aim is to operate and further develop the corporate environmental policy with clear and achievable objectives to reduce the company's carbon footprint.

Risk Management

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 FSA Pillar 3 Capital Adequacy disclosure requirements, has performed a review of these requirements and the updated information, including remuneration, can be found on the company website www.caiml.com.

Day to day management of risk is undertaken by the company's management committee assisted by the Risk Management Division of fellow subsidiary Crown Agents Bank Limited. 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.

Directors

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

P A Batchelor*

R P Jones (Appointed 3 August 2012)

M Naameh

G J Hopcroft* (Resigned 31 December 2012)

T Jagger CBE**

M Symes

S Wiltshire*

* Non-Executive Director

* Member of the Council of The Crown Agents Foundation

+ Member of the Crown Agents' group Audit and Risk Committee

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

Directors' Report for the year ended 31 December 2012 (Continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the 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' 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.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

Directors' Report for the year ended 31 December 2012 (continued)

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 company in general meeting.

Independent auditors

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

By order of the Board,



L Hale
Company Secretary

18 April 2013

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements of Crown Agents Investment Management Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

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

The maintenance and integrity of Crown Agents Investment Management Limited's website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

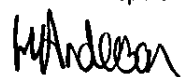
Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.



Hamish Anderson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 April 2013

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £'000	2011 £'000
TURNOVER	2	2,234	2 544
Administrative expenses		(2,391)	(2 550)
OPERATING LOSS	3	(157)	(6)
Income from current asset investments	9	29	49
Exceptional item - gain on sale of investment	9	547	-
Gain on sale of fixed asset	8	5	-
Interest receivable and similar income	4	4	3
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		428	46
Tax on profit on ordinary activities	6	30	(12)
PROFIT FOR THE FINANCIAL YEAR	15	458	34


The results for the year are wholly attributable to continuing operations. There are no recognised gains or losses other than those set out above. There are no differences between the profit of the company set out above and the profit on an unmodified historical cost basis. A reconciliation of movements in shareholders' funds is given in Note 15 to the financial statements.

The notes on pages 14 to 21 form part of these financial statements

BALANCE SHEET

AS AT 31 DECEMBER 2012

The Board of Directors approved the financial statements on 18 April 2013


Michael Namer

DIRECTORS

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012		2011	
		£'000	£'000	£'000	£'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	17A		38		(20)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received	4	4		3	
Dividends received	9	29		49	
			33		52
TAXATION					
Corporation tax and group relief received/(paid)			(3)		(21)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Profit on sale of tangible fixed asset			5		-
Reclassification of fixed asset investment			-		14
Profit on sale of current asset investment	9		547		-
EQUITY SHARES ISSUED	15		-		-
EQUITY DIVIDENDS PAID	7		-		(87)
INCREASE/(DECREASE) IN CASH IN THE YEAR	17B		620		(62)

The notes on page 14 to 21 form part of these financial statements

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

I STATEMENT OF ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom under the historical cost convention. The principal accounting policies are set out below and have been consistently applied throughout the year.

(b) Recognition of income

Interest receivable and fee income are credited to the profit and loss account on an accruals basis. Dividend income is recognised when the right to receive payment has been established.

(c) Foreign currency translation

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Foreign currency transactions are translated at month end rates. Currency gains and losses are included in profit on ordinary activities.

(d) Deferred tax

Deferred taxation is provided at anticipated tax rates, using the full provision method, on all timing differences that have not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable. Deferred tax is measured on an undiscounted basis.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are stated in the balance sheet at historic purchase cost less accumulated depreciation. Assets are depreciated from the date they are brought into use. Depreciation is calculated to write down assets to their residual value in equal instalments over their estimated useful lives, which are:

Computer equipment and software	3 - 5 years
Motor cars	4 years

(f) Fixed Asset Investments

Equity shares in unquoted companies are valued at cost less any permanent diminution in value.

(g) Derivatives

Forward foreign exchange contracts are only used to hedge expected fee income receivable in currencies other than sterling. Profit and losses relating to hedges are deferred and are only recognised in the profit and loss account when the hedge transaction occurs.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (Cont'd)

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

(h) Pension Contributions

All pension contributions are accounted for as defined contributions at rates specified by CA and paid over on a monthly basis. No liability for pension entitlement accrues to the company.

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' locations is

	2012 %	2011 %
Africa	33	38
Asia and Pacific	-	4
Caribbean, Atlantic and the Americas	25	21
U K	21	18
Rest of Europe	21	19
	<u>100</u>	<u>100</u>

3 OPERATING LOSS

Operating loss is stated after charging/(crediting)

	2012 £'000	2011 £'000
Foreign exchange gain	(22)	(27)
Depreciation	1	3
Administrative and other expenses payable to/through the holding company	<u>2,391</u>	<u>2,547</u>

The administrative and other expenses payable to/through the holding company include remuneration for the auditors. The fees payable to the auditors were £20,500 (2011: £18,000) for auditing the financial statements and £24,500 (2011: £21,000) for other services.

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

A significant part of the foreign exchange gain arises on forward foreign exchange deals taken out to hedge the substantial US dollar management fee income each year (see note 16). The remainder arises from holding US dollar balances, which are revalued monthly.

4 INTEREST RECEIVABLE AND SIMILAR INCOME

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

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (Cont'd)

5 STAFF COSTS AND DIRECTORS' EMOLUMENTS

All employees and directors were paid by the holding company, with which they have contracts of employment. The monthly average number of full time staff, including executive directors, was 14.7 (2011: 14.5).

Employees and executive directors who joined the company before 1 April 2006 were entitled, after a qualifying period, to be members of the CA defined benefit superannuation scheme, details of which are set out in the financial statements of The Crown Agents for Oversea Governments and Administrations Limited. This is a scheme for the CA group as a whole and the assets and liabilities cannot be attributed to the company. Contributions are based on pension costs across the group as a whole. The CA group accounts for pensions in accordance with FRS 17, "Retirement Benefits" and details of the actuary's FRS17 valuation are disclosed in the CA group financial statements. The triennial actuarial valuation of the scheme as at 31 March 2011, based upon reasonable actuarial assumptions, showed a scheme surplus of £23,000,000. The company has accounted for the scheme as if it were a defined contribution scheme and the contributions made in the year were £68,000 (2011: £68,000).

The above mentioned defined benefit scheme is now closed to new joiners. Employees who joined the company after 31 March 2006 are entitled to join the CA group's defined contribution scheme. The company contributed £57,000 (2011: £34,000) for eligible staff to this scheme during the year, all of which was paid within the year.

Staff Costs and Directors' Emoluments	2012 £'000	2011 £'000
Wages and salaries	806	837
Social security costs	87	91
Pension costs	125	102
	<u>1,018</u>	<u>1,030</u>

The aggregate emoluments of the directors were £184,993 (2011: £187,301).

Retirement benefits are accruing to 2 directors (2011: 3) under defined benefits pension schemes.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (Cont'd)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

A Analysis of Charge in Year

	2012 £'000	2011 £'000
Corporation tax based on the (loss)/profit for the year at 24.5% (2011: 26.5%)	(31)	11
Deferred tax charge (Note 13)	1	1
Total tax (credit)/charge (Note 6B)	<u>(30)</u>	<u>12</u>

B Factors Affecting Tax Charge for the Year

The tax assessed for the year is lower (2011: lower) than the standard rate of corporation tax in the UK 24.5% (2011: 26.5%)

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	<u>428</u>	<u>46</u>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax of 24.5% (2011: 26.5%)	105	12
Exceptional item not subject to tax (Note 9)	(134)	-
Origination and reversal of timing differences	<u>(2)</u>	<u>(1)</u>
Current tax (credit)/charge for the period (Note 6A)	<u>(31)</u>	<u>11</u>

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 24.5%.

7 DIVIDEND PAID

No dividend was paid from the previous year's profit after tax (2011: £87,000, 74%) and is the equivalent of 0.0p per share (2011: 6.7p). The directors propose that no dividend (£0.0p per share) is paid in 2013.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (Cont'd)

8 TANGIBLE FIXED ASSETS

	Computer Equipment and Software £000	Motor Cars £000	Total £000
Cost at 1 January	146	16	162
Disposal	-	(16)	(16)
Cost at 31 December 2012	146	-	146
Accumulated depreciation at 1 January 2012	145	16	161
Disposal	-	(16)	(16)
Charge for the year	1	-	1
Accumulated depreciation at 31 December 2012	146	-	146
Net book value at 31 December 2012	-	-	-
Net book value at 31 December 2011	1	-	1

Profit on the disposal of the motor car amounted to £4,726

9 CURRENT ASSET INVESTMENT

Dividends totalling £29,408 (2011 £49,113) were received during the year from the following investment -

	Country of Incorporation	Description of Holding	Proportion Held
MCB Investment Management Co Ltd (MCBIM)	Mauntius	A Ordinary Shares	13.2%
		2012 £'000	2011 £'000
Cost at 1 January		14	14
Disposal of investment		(14)	-
Cost at 31 December		-	14

The investment in the shareholding in MCBIM was sold during 2012 and a profit of £547,000 was realised. This has been treated as an exceptional item. As the investment qualifies for the Substantial Shareholding tax exemption, the resultant chargeable gain is exempt from UK corporation tax.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (Cont'd)

10 DEBTORS

	2012 £'000	2011 £'000
Trade debtors	522	601
Current taxation including group taxation relief	31	-
Prepayments and accrued income	90	140
Deferred tax (Note 13)	1	2
	<u>644</u>	<u>743</u>

11 CASH AT BANK AND IN HAND

	2012 £'000	2011 £'000
Cash placed with a fellow subsidiary - Crown Agents Bank Limited	1,599	957
	<u>1,599</u>	<u>957</u>

12 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Current taxation including group taxation relief	-	2
Amounts owed to holding company	147	65
Other creditors and accrued expenses	165	175
	<u>312</u>	<u>242</u>

13 DEFERRED TAX

Net deferred tax asset recognised in the financial statements, calculated at 23% (2011 25%) is

	2012 £'000	2011 £'000
Capital allowances	<u>1</u>	<u>2</u>

There was a charge to the profit and loss account of £1,000 during the year resulting in a reduction in the deferred tax asset of £1,000 (2011 £1,000)

There are no unprovided deferred tax assets or liabilities (2011 Nil)

A number of changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement and the November 2012 UK Autumn statement. The latest, enacted, reduction is to 23% from 1 April 2013. A further reduction to the main rate of corporation tax is proposed to reduce the rate to 21% from 1 April 2014. This further change has not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (Cont'd)

14 SHARE CAPITAL

	2012 £'000	2011 £'000
Authorised		
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted and fully paid		
Ordinary shares of £1 each	<u>1,300</u>	<u>1,300</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Profit after taxation for the financial year	458	34
Dividends	<u>-</u>	<u>(87)</u>
Net increase in shareholders' funds	458	(53)
Opening total shareholders' funds	<u>1,473</u>	<u>1,526</u>
Closing total shareholders' funds	<u>1,931</u>	<u>1,473</u>

The directors recommend no dividend, with respect to 2012, is paid in 2013 (2011: £Nil paid in 2012)

16 HEDGING

No hedging has been undertaken in 2012 of the budgeted net US dollar management fee income arising quarterly during 2013 (2011: notional value \$1,500,000 hedging approximately 63% of such income). The fair value of the remaining forward deals hedging 2012 income at 31 December 2012 is an unrealised gain of £8,165 (2011: unrealised gain of £1,088). Any such gains or losses are recognised when the income is received.

CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (Cont'd)

17 NOTES TO THE CASH FLOW STATEMENT

A Reconciliation of operating profit to operating cashflow

	2012 £'000	2011 £'000
Operating (loss)	(157)	(6)
Exchange gain	(22)	(27)
Depreciation	1	3
Sale/Reclassification of investment	14	(14)
Decrease in debtors	130	-
Increase in creditors	72	24
Cash inflow/(outflow) from operating activities	<u>38</u>	<u>(20)</u>

B Changes in cash at bank

	2012 £'000	2011 £'000
Cash at bank at 1 January	957	992
Exchange gain	22	27
Net cash (inflow)/outflow	<u>620</u>	<u>(62)</u>
Cash at bank at 31 December	<u>1 599</u>	<u>957</u>

18 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption provided under Paragraph 3(c) of FRS 8 "Related party transactions", because it is a wholly owned subsidiary of The Crown Agents for Oversea Governments and Administrations Limited

19 HOLDING COMPANY

The immediate parent undertaking is The Crown Agents for Oversea Governments and Administrations Limited. The ultimate parent undertaking and controlling party is The Crown Agents Foundation, which is the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 December 2012.

Copies of both companies' financial statements may be obtained from the Secretary at St Nicholas House, St Nicholas Road, Sutton, Surrey SM1 1EL.