

# Crown Agents

Investment Management Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2010



**Registered Number**

02169973

**Registered Office**

St Nicholas House  
St Nicholas Road  
Sutton  
Surrey SM1 1EL  
United Kingdom

Telephone  
Fax  
email

+44(0) 20 8643 3311  
+44(0) 20 8643 9113  
[caimlenquiries@crownagents.co.uk](mailto:caimlenquiries@crownagents.co.uk)

# **CROWN AGENTS INVESTMENT MANAGEMENT LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2010

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# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## Managing Director's Review

In 2010 concerns about rising interest and inflation rates, and excessive fiscal deficits, caused bond markets to weaken, whilst equities discounted a better outlook for both developed and emerging markets. Despite the difficult market and economic climate, Crown Agents Investment Management (CAIM) was able to produce good returns for its clients and protect the capital values of their £1,191 million investment portfolios. CAIM's clients – central banks, governments and pension funds – have always attached a relatively high importance to the capital preservation of their funds.

Capacity building remained a key aspect of CAIM's added value service offering and clients increasingly asked for assistance in this area. Dedicated relationship managers, fund managers and supporting teams, including resources in Crown Agents Commercial Training, provided training and mentoring programmes that were flexibly tailored to meet the specific requirements and expectation of clients. CAIM's annual Reserves Management Workshop in November focused on the liquidity tranche of central bank reserves, featured a guest speaker from the Bank for International Settlements (BIS), and attracted senior central bank delegates from four continents.

CAIM continued to improve its systems and controls and work carried out in 2010 will help to ensure the necessary capability to meet the expectations of clients in 2011 and beyond. Crown Agents also invested additional share capital to meet increased regulatory capital requirements.

The CAIM Investment Advisory Panel, with Steve Wiltshire and William Jensen as external members, has continued to provide excellent advice to senior management on investment and business development strategy, client support and product development.

Management has reviewed CAIM's business strategy to develop new products and to create a better focus, along with the Crown Agents group, on growth opportunities anticipated in 2011, which again looks to be another difficult year operationally due to the continuing fragile economic recovery and the ever-increasing burden and cost of regulation.

I am pleased to report that CAIM's pre-tax profit is higher than 2009, despite rising costs and the prevailing economic climate mitigating against clients increasing the value of funds under management. I am confident that CAIM has become better positioned to continue growth, innovation, fund performance and high service quality, that meets the needs of its clients, in 2011 and beyond.

I would thank my Directors, staff, colleagues in Crown Agents, and the external members of the Advisory Panel, for their support, commitment, enthusiasm and hard work in 2010 which, as predicted, was a challenging year.

**Iain Morrison**  
Managing Director

## **CROWN AGENTS INVESTMENT MANAGEMENT LIMITED**

### **Directors**

#### **Terence Jagger CBE – Non-executive Director**

Terence Jagger joined Crown Agents in March 2011 from one of the most senior civilian roles within the Ministry of Defence, Command Secretary of the RAF at their HQ in High Wycombe, UK. His 16-year career with the MoD included roles as the political advisor to the NATO commander in Kabul and head of the public finance initiative. He also led the privatisation of QinetiQ. Prior to this he spent several years in the private sector with companies such as Shell, American Express, Burmah Oil and Unigate. He is trustee of the London Library and sits on the board of the Met Office and DSG.

#### **Iain Morrison – Managing Director**

Iain Morrison worked for fifteen years in the Bank of England, his last seven years in Banking Supervision with responsibility for the smaller UK deposit-takers. He joined Crown Agents Bank in 1990 and became an executive director of the Bank on 1 April 2005. As the Bank's Director of Operations he was responsible for customer services and also the company's back office and systems. From 1 July 2007 he also deputised for the Managing Director and became Managing Director of Crown Agents Bank and Crown Agents Investment Management on 1 November 2008.

#### **Michael Naameh – Executive Director & 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 is Chief Investment Officer of the company with executive responsibility for fund management and client relations and chairs its Investment Advisory Panel. He 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 the Board of the company on 2 July 2007. He is responsible for client administration, operational systems and counterparty relationships. He is also an executive director 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.

### **Advisors**

#### **William Jensen – Member of the Investment Advisory Panel**

William Jensen has, since 1983, held senior research and portfolio management positions, at director level, with several City firms including stockbrokers Fleming Private Asset Management, and Grieg Middleton, which became Gerrard, where he was head of research for several years. He took responsibility for the charities investment business after Gerrard was acquired by Barclays. He is currently Finance & Estates Bursar and Official Fellow at Exeter College, Oxford with responsibility for College finances and for managing the College's endowment in international financial markets through various equity, property, fixed income and hedge funds. William is a regular contributor on investment markets to Charity Finance.

#### **Steve Wiltshire – Member of the Investment Advisory Panel**

Steve Wiltshire is founder and managing director 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 and is a registered representative of the London Stock Exchange.

# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## Directors' Report for the year ended 31 December 2010

The directors submit their report and the audited financial statements for the year ended 31 December 2010

### 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 £1,190,952,330 (2009 £1,164,432,980) of which £99,733,220 (2009 £70,953,800) were held in non-discretionary/custodial accounts

### Business Review

#### (i) Review of Performance

The profit after taxation for the year ended 31 December 2010 amounted to £117,000 (2009 £82,000). A dividend of £82,000 (8.2p per share) (2009 £232,000, 23.2p per share) was paid with respect to the previous year and a dividend of £87,000, 6.7p per share, (2009 £82,000, 8.2p per share) has been proposed with respect to 2010 to maintain the necessary level of regulatory capital. During the year the company issued 300,000 shares at par in order to meet Financial Services Authority Individual Capital Guidance dated 10 March 2010.

The result for the year was more than for 2009. This was due mainly to increased management fee income, arising from increased funds under management partly offset by a shortfall in meeting new business targets and increased staff costs, reflecting a full complement of staff, and higher operational costs arising from increased transaction volumes.

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.

Key Performance Indicators	2010	2009	% Change
Turnover (£000)	2,606	2,390	9.0
Profit before Tax (£000)	165	114	44.7
Profit after Tax (£000)	117	82	42.7
Return on average capital employed (%)	12.1	9.0	34.4
Funds under Management (£m)	1,191	1,164	2.3

#### (ii) Employee Matters

##### (a) Investors in People (IIP)

The company participates in the Crown Agents group (CA group) IIP accreditation programme. The CA group first achieved IIP recognition in 1997 and, following a review against the revised standards during 2008, CA group retained its accreditation for a further period of three years.

## CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

Directors' Report for the year ended 31 December 2010 (continued)

### (ii) Employee Matters (continued)

#### (b) Employee Engagement Survey

From time to time 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 2009, concluded that the level of staff engagement is high and compares well with similar organisations.

#### (c) 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.

#### (d) Employee Involvement

The company participates in the CA group team briefing system which is used 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, notices 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.

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. The company's Investment Advisory Panel provides strategic support, business and product development advice and assistance in forging links to centres of excellence and international business partners. The Panel includes two external members.

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](http://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 hedges part of the expected net USD income for the following year. Such hedging is undertaken using forward foreign exchange deals and/or options to cover the anticipated net cash inflows.

## CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

### Directors' Report for the year ended 31 December 2010 (continued)

#### Risk Management (continued)

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

T Jagger CBE*	(Appointed 18 March 2011)
I Morrison	(Managing Director)
M Naameh	
M Symes	
K G White CBE*	(Resigned 18 March 2011)

\* non-executive and Member of the Council of The Crown Agents Foundation

#### 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 elected to prepare 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 period. In preparing those 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.

## CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

Directors' Report for the year ended 31 December 2010 (continued)

### Statement of Directors' Responsibilities (continued)

#### 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.

#### 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.

By order of the Board,



Lynn Hale

Secretary

5 April 2011



# 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 2010 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 statement of directors' responsibilities set out on pages 8-9 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.

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 2010 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

F. Meijs

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

5 April 2011

# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £'000	2009 £'000
<b>TURNOVER</b>	2	2 606	2,390
Administrative expenses		<u>(2,497)</u>	<u>(2 301)</u>
<b>OPERATING PROFIT</b>	3	109	89
Income from fixed asset investments	9	54	24
Interest receivable and similar income	4	<u>2</u>	<u>1</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		165	114
Tax on profit on ordinary activities	6	<u>(48)</u>	<u>(32)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	15	<u>117</u>	<u>82</u>

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 13 to 20 form part of these financial statements

# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## BALANCE SHEET AT 31 DECEMBER 2010

		2010		2009	
	Note	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	8		4		10
Investment	9		14		14
			<u>18</u>		<u>24</u>
<b>CURRENT ASSETS</b>					
Debtors	10	744		712	
Cash at bank and in hand	11	992		618	
		<u>1 736</u>		<u>1 330</u>	
CREDITORS – amounts falling due within one year	12	(228)		(163)	
NET CURRENT ASSETS			<u>1 508</u>		<u>1 167</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1 526</u>		<u>1 191</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		1,300		1,000
Profit and loss account			226		191
TOTAL SHAREHOLDERS' FUNDS	15		<u>1 526</u>		<u>1 191</u>

The Board of Directors approved the accounts on 5 April 2011

*I Morrison*  
George I. Morrison)  
*Mine Ford*  
Michael Symes

DIRECTORS

# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010		2009	
		£'000	£'000	£'000	£'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	17A		102		189
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest received	4	2		1	
Dividends received	9	54		24	
			56		25
<b>TAXATION</b>					
Corporation tax and group relief paid			(40)		(70)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Purchase of fixed assets			-		(3)
<b>EQUITY SHARES ISSUED</b>	15		300		-
<b>EQUITY DIVIDENDS PAID</b>	7		(82)		(232)
<b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>	17B		336		(91)

The notes on page 13 to 20 form part of these financial statements

# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

### 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

#### (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 - 31 DECEMBER 2010 (Continued)

### 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

	2010 %	2009 %
Africa	36	37
Asia and Pacific	7	7
Caribbean, Atlantic and the Americas	24	24
U K	17	16
Rest of Europe	16	16
	<u>100</u>	<u>100</u>

### 3 OPERATING PROFIT

Operating profit is stated after charging

	2010 £'000	2009 £'000
Foreign exchange gain/(loss)	38	(132)
Depreciation	6	4
Administrative and other expenses payable to holding company	<u>2 491</u>	<u>2 297</u>

The administrative and other expenses payable to the holding company include remuneration for auditing the financial statements of £24,000 (2009 £22,000) and £18,000 (2009 £2,000) was payable to the auditors 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/loss arises on forward foreign exchange deals taken out to hedge the substantial USD management fee income each year (see note 16). The remainder arises from holding USD balances, which are revalued monthly. In 2009 the large and unexpected depreciation in GBP/USD rates resulted in substantial book losses (approximately £100,000) on the hedge transactions (entered into in 2008) however these were more than offset by the increased GBP equivalent management fees.

### 4 INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable arises from monies deposited with Crown Agents Bank Limited, a fellow subsidiary, and from Barclays Bank PLC where monies are deposited in call accounts.

### 5 STAFF COSTS AND DIRECTORS' EMOLUMENTS

All employees and directors were paid by the holding company, with which they have contracts of employment. The average number of full time staff, including executive directors, was 14 (2009 14).

# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (Continued)

### 5 STAFF COSTS AND DIRECTORS' EMOLUMENTS (Continued)

Employees and executive directors who joined the company before 1 April 2006 were entitled, after a qualifying period, to be members of the Crown Agents defined benefit superannuation scheme, details of which are set out in the accounts of The Crown Agents for Oversea Governments and Administrations Limited. This is a scheme for the 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 group accounts for pensions in accordance with FRS 17, "Retirement Benefits" and details of the actuary's FRS17 valuation are disclosed in the group financial statements. The triennial actuarial valuation of the scheme as at 31 March 2008, based upon reasonable actuarial assumptions, showed a scheme surplus of £22,500,000. The company has accounted for the scheme as if it were a defined contribution scheme and the contributions made in the year were £66,000 (2009 £75,000).

The above mentioned defined benefit scheme is now closed to new joiners. Employees who joined the company after 31 March 2006 are entitled, after a two year qualifying period, to join the group's defined contribution scheme. The company contributed £33,000 (2009 £24,000) for eligible staff to this scheme during the year.

Staff Costs and Directors' Emoluments	2010 £'000	2009 £'000
Wages and salaries	837	772
Social security costs	86	78
Pension costs	99	99
	<u>1,022</u>	<u>949</u>

The aggregate emoluments of the directors were £189,531 (2009 £170,959)

Retirement benefits are accruing to 4 directors (2009 4) under defined benefits pension schemes

### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

#### A Analysis of Charge in Period

	2010 £'000	2009 £'000
Total current tax charge (Note 6B)	<u>48</u>	<u>32</u>

#### B Factors Affecting Tax Charge for the Period

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	<u>165</u>	<u>114</u>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax of 28% (2009 28%)	46	32
Disallowed expenses	<u>2</u>	<u>-</u>
Current tax charge for the period (Note 6A)	<u>48</u>	<u>32</u>

# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (Continued)

### 7 DIVIDEND PAID

The dividend paid of £82,000, represents 100% of the previous year's profit after tax (2009 £232,000, 100%) and is the equivalent of 8 2p per share (2009 23 2p). The recommended dividend payable, £87,000 (74% of profit after tax), in 2011 is the equivalent of 6 7p per share.

### 8 TANGIBLE FIXED ASSETS

	Computer Equipment and Software £000	Motor Cars £000	Total £000
Cost at 1 January	146	16	162
Additions	-	-	-
Cost at 31 December	146	16	162
Accumulated depreciation at 1 January	142	10	152
Charge for the year	2	4	6
Accumulated depreciation at 31 December	144	14	158
Net book value at 31 December 2010	2	2	4
Net book value at 31 December 2009	4	6	10

### 9 FIXED ASSET INVESTMENT

Dividends totalling £54,060 (2009 £24,339) were received during the year from the following investment -

	Country of Incorporation	Description of Holding	Proportion Held
MCB Investment Management Co Ltd (MCBIM)	Mauritius	A Ordinary Shares	13.2%

	2010 £'000
Cost at 1 January and 31 December 2010	14

The investment is valued at historical cost and the directors believe that it does not need to be impaired as the carrying value of the investment is supported by the underlying assets.



# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (Continued)

### 10 DEBTORS

	2010 £'000	2009 £'000
Trade debtors	637	606
Prepayments and accrued income	104	103
Deferred tax (Note 13)	3	3
	<u>744</u>	<u>712</u>

### 11 CASH AT BANK AND IN HAND

	2010 £'000	2009 £'000
Cash placed with external bank		
- Barclays Bank PLC	-	436
Cash placed with a fellow subsidiary		
- Crown Agents Bank Limited	992	182
	<u>992</u>	<u>618</u>

### 12 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Current taxation including group taxation relief	12	4
Amounts owed to holding company	74	31
Other creditors and accrued expenses	142	128
	<u>228</u>	<u>163</u>

### 13 DEFERRED TAX

Net deferred tax asset recognised in the financial statements, calculated at 27% (2009 28%) is

	2010 £'000	2009 £'000
Capital allowances	<u>3</u>	<u>3</u>

There were no movements in the deferred tax asset (2009 Nil)

There are no unprovided deferred tax assets or liabilities (2009 Nil)

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes to reduce the rate to 27% had been substantively enacted at the balance sheet date and, therefore, are included in these financial statements. Please note the changes to reduce the rate further have not been included as these have not been substantively enacted at the balance sheet date.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year.

# CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (Continued)

### 14 SHARE CAPITAL

	2010 £'000	2009 £'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>1,000</u>

During the year 300,000 ordinary shares were issued at par to meet increased regulatory capital requirements

### 15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
Profit after taxation for the financial year	117	82
Dividends	<u>(82)</u>	<u>(232)</u>
Net increase/(decrease) in shareholders' funds	35	(150)
Shares issued during the year	300	-
Opening total shareholders' funds	<u>1 191</u>	<u>1 341</u>
Closing total shareholders' funds	<u>1 526</u>	<u>1,191</u>

The directors recommend a dividend of £87,000 for payment in 2011 (£82,000 paid in 2010)

### 16 HEDGING

8 outright forward currency exchange deals with a notional value \$1,600,000 in total, have been transacted (2009 4, notional value \$700,000) to hedge approximately 77% (2009 39%) of budgeted net US dollar management fee income arising quarterly during 2011. The fair value of these forwards as at 31 December 2010 shows an unrealised gain of £4,177 (2009 unrealised gain of £42,330). The realised gains or losses will be recognised only when the income is received.

## CROWN AGENTS INVESTMENT MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (Continued)

#### 17 NOTES TO THE CASH FLOW STATEMENT

##### A Reconciliation of operating profit to operating cashflow

	2010 £'000	2009 £'000
Operating profit	109	89
Exchange (gain)/loss	(38)	132
Depreciation	6	4
Increase in debtors	(32)	(36)
Increase in creditors	57	-
Cash flow from operating activities	<u>102</u>	<u>189</u>

##### B Changes in cash at bank

	2010 £'000	2009 £'000
Cash at bank at 1 January	618	841
Exchange gain/(loss)	38	(132)
Net cash inflow/(outflow)	<u>336</u>	<u>(91)</u>
Cash at bank at 31 December	<u>992</u>	<u>618</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 2010.

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