

2016

Crown Agents Foundation
Annual Report & Financial Statements
for the year ended 31st December 2016

Company Registration Number: 03251167

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Company Information for the year ended 31 December 2016

Foundation Council Members

HRH The Duke of Gloucester, KG, GCVO, President
Francis I Sumner, Vice President
Paul A Batchelor
Jenny E Borden OBE
Beatrice Devlin
Dr Mohan Kaul
Chris Masters CBE ^{1 3}
Caroline Nursey OBE
Mary Reilly * ^{2 3}
Marie R Staunton CBE * ³
Keith G White CBE

* Denotes also a member of the Board of Crown Agents Limited

¹ Denotes member of the Audit and Risk Committee

² Denotes Chair of the Audit and Risk Committee

³ Denotes member of the Remuneration Committee

Company Secretary	Francesca Mohan
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Portland Building 25 High Street, Crawley, West Sussex RH10 1BG, United Kingdom
Registered Office	Blue Fin Building 110 Southwark Street London SE1 0SU United Kingdom
Registered Number:	03251167

Company Information for the year ended 31 December 2016 (continued)

Permanent Members

Aga Khan Foundation (Geneva)
Charities Aid Foundation
The Chartered Institute of Building
The Chartered Institute of Purchasing and Supply
Christian Aid
The Institute of Development Studies
International Chamber of Commerce UK
The Royal Commonwealth Society
The Royal Society for the Encouragement of Arts, Manufactures and Commerce

Elected Members

AMREF – African Medical and Research Foundation (Nairobi)
BBC Media Action
British Council
British Expertise
British Standards Institution
British Telecommunications plc.
CARE International UK
Caribbean Council
The Chartered Institute of Logistics & Transport (UK)
Concern Worldwide (Dublin)
First Caribbean International Bank
Practical Action
Standard Chartered Bank
Higher School of Economics National Research University (Moscow)
Transparency International (Berlin)
Unilever plc.

Incorporation

The Crown Agents Foundation ("the Foundation") is a company limited by guarantee incorporated by registration under the Companies Act on 12 September 1996 under registered number 03251167.

Background information

Crown Agents came into being in 1833 and became a Statutory Corporation in 1980. On 21 March 1997 the functions, assets and obligations of the Statutory Corporation were transferred to a new operating company, The Crown Agents for Oversea Governments and Administrations Limited (now Crown Agents Limited hereinafter "Crown Agents", which term includes its subsidiaries where appropriate) which adopted the balance sheet of the Statutory Corporation. Simultaneously ownership of this new company transferred from Her Majesty's Government to the Foundation which was established for this purpose.

The Foundation was established to hold the shares in Crown Agents Limited and to ensure that it meets the highest standards of honesty and integrity whilst developing relationships with clients and suppliers that are efficient and fair. The Foundation has an additional purpose; to relieve poverty and distress and to promote education and training.

Strategic Report for the year ended 31 December 2016

The Council presents its strategic report on the company and its subsidiaries ("the group") for the year ended 31 December 2016.

Our global impact

As a global social enterprise, we know that everything we do comes back to the impact we make. We are driven by the commitment to deliver positive impact to the poorest and the most vulnerable communities around the world in five key sectors: health, governance, economic growth, supply chain and humanitarian & stabilisation. Our ability to find creative solutions in complex situations sets us apart; be it providing essential maternal healthcare in South Sudan, tackling corruption through public procurement in Ukraine or supporting the development of human rights compliant counter terrorism strategy, legislation and co-ordination measures in Iraq.

Our impact in 2016

Crown Agents undertakes a wide variety of work, but certain projects stand out as demonstrations of our partnership approach, our attitude to problem-solving and our ethical commitment.

- In Nigeria, through our award-winning partnership with Sightsavers, we supported treatment for seven debilitating Neglected Tropical Diseases, improving the lives and livelihoods of some of Nigeria's most disenfranchised communities.
- In Ghana we built an adaptive programme of complementary basic education alongside local partners, getting 50,000 children who are otherwise unable to access the school system back into education.
- In Ukraine our commitment to international procurement standards has guided our attitude to tackling corruption and promoting transparency - in a ground-breaking programme for the Ministry of Health, Ukraine, we achieved a saving against budget of 38%, enabling an extra \$17 million to be re-invested in the country's healthcare system
- Alongside these exceptional projects, we have continued to support the UK government to deliver humanitarian aid in over 60 interventions over the last 5 years. Our expertise has also helped the UK to strengthen many nations' ability to prepare, plan and respond to future crises so that fewer lives and livelihoods are lost.

These projects are only a fraction of the work we delivered around the world in 2016, and many will continue into 2017.

Re-positioning our business

Although we are a non-profit Foundation, our operating subsidiary, Crown Agents Limited operates in a highly competitive environment. Delivering impact in a sustainable way means that Crown Agents must be profitable, continually securing business from existing and new customers by showing that we spend donor funds wisely and efficiently and by demonstrating how we help transform people's lives.

Strategic Report for the year ended 31 December 2016 (continued)

Re-positioning our business (continued)

Making an impact means being willing to do things differently, and in 2016 Crown Agents underwent a significant programme of change, targeted not just on efficiency savings, but also on how we can deliver in new and more innovative ways. Consultancy and Supply Chain Services were overhauled, focussing on strengthening the services that the group can deliver well, and underpinning our future growth.

The business support side of our business has been completely reorganised with the creation of a single team delivering end to end project accounting, international resourcing, invoice processing, banking and administrative support.

The most significant change to the group in terms of financial structure and liquidity has been the sale of 100% of the group's interest in Crown Agents Bank Limited (the Bank) and Crown Agents Investment Management Limited (CAIM). The sale to Helios Capital Partners completed on 31 March 2016 for consideration of £30.8m, with a further £1.0m deferred and received in October 2017. The Bank and CAIM are already benefiting from being a part of a group that has the resources and knowhow to invest and grow in the financial services market and we are delighted to see the positive direction they are taking under new ownership.

We have already begun using the funds released by the sale of the Bank and CAIM to invest in and grow those areas of the business that make the most positive and sustainable impact on the lives of people around the world. This investment in people and systems means Crown Agents is emerging more agile, yet more robust, to respond to market and customer demand, and strong enough to take advantage of the opportunities ahead.

Special mention also goes to our employees, past and present, who have worked through the changes of 2016, and whose dedication will play a critical role in delivering the more innovative and agile business we are to become in 2017.

Looking to the future

We will continue to offer the high-quality expertise and practical, high impact work our clients expect in the areas of health, economic development, governance and state building, supply chain services and humanitarian response, working to provide development and humanitarian assistance in some of the most difficult places on earth.

The majority of the significant one-off costs incurred in 2015 and 2016 have been focussed on creating the sustainable foundation that Crown Agents needs for its future success. Whether that has been greatly increasing liquidity through the sale of the Bank and CAIM, restructuring our business to be fit for the future, or addressing the pension deficit, these efforts will deliver the stability that our business needs if it is to thrive.

We look ahead to another year in which we partner with governments, aid organisations and the private sector to transform the future for people around the world.

Strategic Report for the year ended 31 December 2016 (continued)

Overview of performance

2016 was a year of significant change for the group, which included the completion of the sale of Crown Agents Bank and Crown Agents Investment Management, as well as undertaking a major organisational restructuring. During this period of transformation, the underlying business continued to deliver revenue and gross profit growth, but EBITDA before exceptional items was disappointing, partly as a result of one-off costs. The discussion below is focused on the continuing operations of the group.

The group's key financial performance indicators attributed to continuing operations during the year were as follows: -

	2016	2015	2014
	£'000	£'000	£'000
Turnover	88,476	79,981	70,980
Gross Profit	16,685	14,858	10,370
Gross Margin %	19%	19%	15%
EBITDA prior to exceptional items ¹	3	2,070	(4,304)
Loss on continuing operations	(6,510)	(2,465)	(8,837)

Turnover has increased from £80.0m to £88.5m as the group continues to see revenue growth, with most of our key strategic pillars growing, and Supply Chain services the best performer. The gross margin percentage was maintained at 19%. Astute bid selection and selective investment in the more profitable parts of the business continue to be key elements of Crown Agents' strategy.

EBITDA before exceptional items was disappointing. A combination of factors has contributed to the poor EBITDA result. Some costs are unlikely to recur, such as exchange losses of £1.3m in part caused by the fall in value of sterling following Brexit. However, cost increases associated with the defined benefit pension scheme, such as the PPF levy at £0.5m per year and professional fees of £0.4m, will remain high until the deficit can be reduced. Management are critically focused on continuing to drive up gross profit whilst maintaining tight control of costs.

The restructuring carried out in the second half of 2016 was phased across a number of months, and accordingly the achieved savings will have a greater financial impact during 2017. The restructuring was focussed on creating a Crown Agents fit for the future; building on our international development expertise, working to develop new business winning initiatives, and at the same time introducing more agile ways of working and cutting costs.

The restructuring will also deliver efficiency improvements across the support services, and (through continued investment in people and systems) we expect further efficiency gains to be made in 2017 and beyond.

The loss for the year of £6.5m includes exceptional costs of £3.9m (which includes £2.9m of restructuring) and non-cash pension finance costs of £1.5m. The loss for the year including discontinued operations was £5.4m (2015: loss £2.0m).

¹ EBITDA, earnings before interest, tax, depreciation and amortisation

Strategic Report for the year ended 31 December 2016 (continued)

Financial position

The strong cash balance of £63.1m (2015: £47.8m) underpins the financial performance of Crown Agent's core operations. The year-end pension deficit of £30.9m is a significant long-term liability. The directors remain committed to reducing the deficit by taking various actions including moving the scheme from an RPI to a CPI basis (thereby reducing the liabilities of the scheme and making it more sustainable), increasing corporate funding contributions and further reducing liabilities through flexible member options.

Events after the balance sheet date

After the balance sheet date USD 2.3m was received by Crown Agents USA from USAID. This was settlement of an historic under-recovery of overheads in previous years. No asset was recognised in respect of this amount at 31 December 2016 as the conditions for its recovery had not been met. Accordingly, the recovery is recognised in the profit and loss of the group in 2017.

On 30 September 2017, the conditions were satisfied for the payment of £1.0m deferred consideration on the sale of Crown Agents Investment Management Limited. During October 2017 £1.0m was released from escrow and received by Crown Agents Limited.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the group's long term performance.

(i) Global, political and economic conditions

Crown Agents provides services in over 100 countries around the world with its main activities focused on developing countries. While benefiting from the opportunities and growth potential in these countries, the group is exposed to the economic, political and business risks associated with such international operations. Political risk can include sudden changes in regulations, imposition of trade barriers and wage controls, nationalisation of commercial and social enterprises, limits on the export of currency and volatility of prices, taxes and currencies. The Board and management monitor such risks and have business procedures in place to mitigate any exposure.

In 2016, significant political events in the United Kingdom and the United States, namely the EU Referendum result and the election of Donald Trump, have the potential to bring about changes in approach from key donors and to trigger other impacts. To date, the group has incurred exchange losses and an increased risk in its pension liabilities, but the business has also identified a number of opportunities. Increased scrutiny on development assistance in the United Kingdom is welcomed by Crown Agents, as we aim to be one of the most transparent and principled operators in the development space. In the United States, the geo-political importance of much of the work we do for USAID means that it is likely to continue, although potentially under a different agency or department of the United States Government. The group continues to monitor the impact of these events.

(ii) Commercial relationships

Crown Agents benefits from close commercial relationships with a number of key clients, partners and suppliers. The loss of any of these key clients, partners or suppliers, the loss of a major contract or a significant worsening in commercial terms, could have a material impact on the group's results. Crown Agents continues to invest significant time supporting these relationships.

Strategic Report for the year ended 31 December 2016 (continued)

Principal risks and uncertainties (continued)

(iii) Commercial risks

Crown Agents is reliant on continuing to win new contracts to replace those that are coming to an end. This is seen as a key risk for Crown Agents and one which has seen additional focus since 2015 with the establishment of the Partnerships, Growth and Impact Directorate. Crown Agents reviews its pipeline of opportunities and contracted work on a monthly basis to assess future prospects and performance, further mitigating commercial risks.

(iv) Competitor risk

The group operates in highly competitive markets. Significant product innovations, technical advances or the intensification of price competition could all adversely affect the group's results. The group continually works to streamline its cost base and business processes to ensure it remains competitive.

(v) Legal, Compliance and Contractual Risks

The focus of the group's operations is in developing countries, many of which are perceived as presenting a high risk of corruption. This presents the group with significant anti-fraud, bribery and corruption challenges. To counter these risks, the group has in place a Global Ethical and Compliance System, together with its established Operations and Group Finance controls and procedures.

In addition to anti-fraud, bribery and corruption laws, in the ordinary course of its business the group is subject to a broad range of legislation, regulations and standards in each of the many jurisdictions we work in. Also, in the ordinary course of its business, the group enters into a broad range of contractual commitments, using a variety of contracting structures including joint ventures and consortia. It provides a range of guarantees and sureties, which are subject to interpretation and enforcement under the laws and rules of a broad range of jurisdictions, including those of the multilateral development banks. Failure to strictly comply with all such applicable laws, regulations, standards and contractual commitments has the potential to cause significant cost to the group (in terms of fines, penalties and legal and related costs) and serious harm to the group's reputation and eligibility to continue to bid for and undertake projects.

The group seeks to restrict and manage these risks through the combined efforts of its Executive leadership; its Operations, Legal Services and Compliance teams; and its bid and contractual review processes and other control procedures. The Board regularly receives and reviews reports on risk management and compliance.

(vi) Financial Services Regulatory Risk

The group included (until 31 March 2016) Crown Agents Bank Limited (the Bank) and Crown Agents Investment Management Limited (CAIM), both of which are subject to UK financial services regulation. In recent years the regulatory compliance burden on UK financial services businesses has increased significantly in terms of cost, resource and complexity. The Bank and CAIM Boards regularly receive and review reports on risk management and compliance and have a daily monitoring system to ensure regulatory compliance. The Bank and CAIM were both sold on the 31 March 2016 at which point this financial services regulatory risk ceased to apply.

Strategic Report for the year ended 31 December 2016 (continued)

(vii) Pensions

The last full triennial actuarial valuation was completed as at 31 March 2014, at which point Crown Agents' defined benefit pension scheme had a surplus of £2.2m. However, the scheme is exposed to the risk of changes in interest rates, return on investments, inflation and increasing longevity of the members. These risks are mitigated by paying appropriate contributions into the fund and by the Trustees maintaining an investment asset allocation policy which has the objective of avoiding a material deficit.

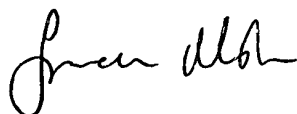
It is the Company's intention that these risks will be further mitigated by moving the scheme from RPI to CPI by 2018, greatly reducing the liabilities and the impact of changes in liabilities due to market conditions.

Environmental issues

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

Crown Agents group's environmental working group is responsible for improving the group's environmental impact. The group's aim is to operate and further develop the corporate environmental policy with clear and achievable objectives.

Approved by the Council on 31 October 2017 and signed by order of the Council on 31 October 2017 by:



Francesca Mohan
Company Secretary

Directors' Report for the year ended 31 December 2016

The Council presents its report and the audited financial statements of the company and its subsidiaries ("the group") for the year ended 31 December 2016.

Council members

The Members of the Council of the Foundation are listed on pages 2 and 3.

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 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.

Corporate Responsibility Statement

A Corporate Responsibility Statement has been approved by the Board of Crown Agents. The Statement is an umbrella framework for the Crown Agents Group which is intended to address the growing demands and expectations related to corporate social responsibility of our businesses, NGOs, donors and stakeholders. It encompasses our Ethical, Equal Opportunities, HIV/AIDs and other policies and has been communicated to all staff.

Branches in the EU

The group has a branch in Bulgaria.

Research and Development

No amounts were spent on research and development during the year.

Employees

(i) Employee Involvement

The group seeks to actively engage with all its employees across all offices. 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. The Chief Executive Officer gives quarterly staff briefing meetings which are also recorded and available on the intranet. Webinars are held on matters of special significance. In addition, further information is given through intranet notices and training programmes.

In March 2016 a staff council was launched to further facilitate a dialogue between employees and senior management.

(ii) 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 Crown Agents Group continues.

(iii) Gender Diversity

The proportion of women and men employed by the business is 52% and 48% respectively.

Directors' Report for the year ended 31 December 2016 (continued)

Employees (continued)

(iv) Modern slavery

Crown Agents supports the UK Modern Slavery Act 2015 and endeavours to ensure that slavery and human trafficking is not taking place in any of our supply chains and any parts of our own business. We have also partnered with Stronger Together, a multi-stakeholder initiative aiming to reduce modern slavery. Further information can be found on our website.

Future developments

Future developments have been referred to in the strategic report on pages 4 to 9.

Financial risk management

Financial risk management is described on pages 59 to 61.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Independent auditors

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

Going Concern

The directors note that the group has an excess of assets over liabilities on the consolidated balance sheet as at 31 December 2016. The single largest liability is the pension deficit, which represents a long term non-cash actuarial deficit which the directors are taking concrete action to address. Following the sale of Crown Agents Bank and Crown Agents Investment Management, the group has greatly increased liquidity. As stated in the accounting policies on page 23, the directors have considered the financial position of the group. Noting a strong net current asset position and estimated future cash flows the directors have concluded that preparing the financial statements on the going concern basis is appropriate.

Statement of directors' responsibilities in respect of the financial statements

The members of the Council, as directors are responsible for preparing the Annual Report and the group and parent company financial statements (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 group and company 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 group and company and of the profit or loss of the group and 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

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

Approved by the Council on 31 October 2017 and signed by order of the Council on 31 October 2017 by:



Francesca Mohan
Company Secretary

Independent auditors' report to the members of The Crown Agents Foundation

Report on the financial statements

Our opinion

In our opinion, The Crown Agents Foundation's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's loss 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated and Company Statement of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of The Crown Agents Foundation(continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of the Directors' Responsibilities set out on page 12, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

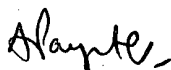
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
31 October 2017

Consolidated Income Statement for the year ended 31 December 2016

	Notes	2016			2015		
		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	1	88,476	2,303	90,779	79,981	9,738	89,719
Cost of sales		(71,791)	(102)	(71,893)	(65,123)	(317)	(65,440)
Gross profit		16,685	2,201	18,886	14,858	9,421	24,279
Administrative expenses before exceptional costs, depreciation and amortisation		(16,682)	(2,283)	(18,965)	(12,788)	(7,665)	(20,453)
EBITDA* prior to exceptional items		3	(82)	(79)	2,070	1,756	3,826
Administrative expenses - exceptional items	2	(3,935)	-	(3,935)	(2,831)	(712)	(3,543)
EBITDA*		(3,932)	(82)	(4,014)	(761)	1,044	283
Depreciation and amortisation		(895)	(113)	(1,008)	(1,066)	(460)	(1,526)
Gain on disposal of fixed assets		48	-	48	371	-	371
Total administrative expenses		(21,464)	(2,396)	(23,860)	(16,314)	(8,837)	(25,151)
Operating loss		(4,779)	(195)	(4,974)	(1,456)	584	(872)
Share of operating profit of joint ventures and associates		13	-	13	146	-	146
Gain on disposal of subsidiary undertakings less costs to sell	4	-	1,012	1,012	-	-	-
Total operating loss including share of joint ventures and associates		(4,766)	817	(3,949)	(1,310)	584	(726)
Net interest receivable/(payable)		17	-	17	(24)	-	(24)
Other finance costs	5	(1,460)	-	(1,460)	(1,622)	-	(1,622)
Loss before taxation		(6,209)	817	(5,392)	(2,956)	584	(2,372)
Tax on (loss)/profit	7	(301)	296	(5)	490	(96)	394
Loss for the financial year		(6,510)	1,113	(5,397)	(2,465)	487	(1,978)
Loss for the financial year attributable to members of the group		(7,193)	1,113	(6,080)	(2,836)	487	(2,349)
Profit for the financial year attributable to minority interests		683	-	683	371	-	371
		(6,510)	1,113	(5,397)	(2,465)	487	(1,978)

The results for the current and prior year are attributable to the continuing operations of the group.

In accordance with the exemption permitted by S408 of the Companies Act 2006, the income statement of the Company is not separately presented. The result attributable to the shareholders, dealt with in the financial statements of the Company, is £nil (2015: £nil).

The notes on pages 22 to 61 form an integral part of these financial statements.

**Consolidated Statement of Comprehensive Income for the year ended
31 December 2016**

		2016	2015
	Note	£'000	£'000
Loss for the financial year		(5,397)	(1,978)
Other comprehensive income:			
Exchange differences on translating foreign operations		960	(36)
Impairment of fixed assets		(745)	-
Actuarial gain recognised on defined benefit pension scheme	18	1,745	10,480
Deferred tax on actuarial gain or loss recognised on defined benefit pension scheme	11	(738)	(2,087)
Other comprehensive income for the year, net of tax		1,222	8,357
Total comprehensive income for the year		(4,175)	6,379
Total comprehensive income for the financial year attributable to members of the group		(4,858)	6,008
Total comprehensive income for the financial year attributable to minority interests		683	371
		(4,175)	6,379

The notes on pages 22 to 61 form an integral part of these financial statements.

Consolidated Balance Sheet at 31 December 2016

		2016		2015	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	8		992		3,817
Tangible assets	9		6,444		7,587
Investments in associated undertakings	10		72		85
			<u>7,508</u>		<u>11,489</u>
Current assets					
Debtors	11	30,066		26,754	
Money market deposits and securities	12	-		590,257	
Cash at bank and in hand	13	63,084		47,751	
		<u>93,150</u>		<u>664,762</u>	
Creditors: Amounts falling due within one year					
Creditors	14	(68,966)		(49,959)	
Customers' deposits	15	-		(590,257)	
		<u>(68,966)</u>		<u>(640,216)</u>	
Net current assets			24,184		24,546
Total assets less current liabilities			31,692		36,035
Provisions for liabilities	17		(166)		(687)
Net assets excluding pension liability			<u>31,526</u>		<u>35,348</u>
Net pension liability	18		(30,957)		(30,604)
Net assets			<u>569</u>		<u>4,744</u>
Capital and reserves					
Capital reserve	19	8,020		8,020	
Revaluation reserve		149		894	
Profit and loss account		(9,205)		(4,691)	
Total Shareholders' funds/(deficit)		<u>(1,036)</u>		<u>4,223</u>	
Minority Interest		<u>1,605</u>		<u>521</u>	
Capital employed			<u>569</u>		<u>4,744</u>

The financial statements on pages 15 to 21 were approved by the Council on 31 October 2017 and signed on its behalf on 31 October 2017 by:



Francis I Sumner
Vice President

The notes on pages 22 to 61 form an integral part of these financial statements.

Company Balance Sheet at 31 December 2016

Registration Number: 03251167

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Investments	10	<u>2,000</u>	<u>2,000</u>
Capital and reserves			
Capital reserve	19	<u>2,000</u>	<u>2,000</u>

The financial statements on pages 15 to 21 were approved by the Council on 31 October 2017 and signed on its behalf on 31 October 2017 by:



Francis I Sumner
Vice President

The notes on pages 22 to 61 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

Group	Note	Capital reserve	Revaluation reserve	Profit and loss account	Shareholders' Funds/(Deficit)	Minority interest	Capital Employed
		£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2015		8,020	894	(10,699)	(1,785)	150	(1,635)
(Loss)/profit for the year		-	-	(2,349)	(2,349)	371	(1,978)
Foreign currency translation losses		-	-	(36)	(36)	-	(36)
Actuarial gain on pension scheme	18	-	-	10,480	10,480	-	10,480
Deferred tax relating to actuarial gain on pension scheme	11	-	-	(2,087)	(2,087)	-	(2,087)
Total comprehensive income for the year		-	-	6,008	6,008	371	6,379
Balance as at 31 December 2015		8,020	894	(4,691)	4,223	521	4,744
Loss for the year		-	-	(6,080)	(6,080)	683	(5,397)
Foreign currency translation losses		-	-	960	960	-	960
Actuarial gain on pension scheme	18	-	-	1,745	1,745	-	1,745
Deferred tax relating to actuarial loss on pension scheme	11	-	-	(738)	(738)	-	(738)
		-	(745)	-	(745)	-	(745)
Transfer of property during the year		-	-	(401)	(401)	401	-
Transactions with the owners		-	-	(401)	(401)	401	-
Total comprehensive income for the year		-	(745)	(4,514)	(5,259)	1,084	(4,175)
Balance as at 31 December 2016		8,020	149	(9,205)	(1,036)	1,605	569

The notes on pages 22 to 61 form an integral part of these financial statements.

Company Statement of Changes in Equity for the year ended 31 December 2016

Company	Capital reserve
	£'000
Balance as at 1 January 2015	2,000
Result for the year	-
Total comprehensive income for the year	-
Balance as at 31 December 2015	2,000
Result for the year	-
Total comprehensive income for the year	-
Balance as at 31 December 2016	2,000

The notes on pages 22 to 61 form an integral part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 December 2016

	2016	2015
	£'000	£'000
Net cash inflow from operating activities	10,106	15,517
Taxation	(120)	(256)
Net cash generated from operating activities	9,986	15,261
Cash flow from investing activities		
Interest received	46	16
Dividends received	26	31
Purchase of tangible fixed assets	(701)	(372)
Purchase of intangible fixed assets	(255)	(317)
Sale of tangible fixed assets	461	457
Net receipt from disposal of investments	3,464	-
Net cash generated from/(used in) investing activities	3,041	(185)
Cash flow from financing activities		
Interest paid	(29)	(40)
Net cash used in financing activities	(29)	(40)
Net increase in cash and cash equivalents	12,998	15,036
Cash and cash equivalents at the beginning of the year	47,710	32,464
Exchange gains on cash and cash equivalents	(51)	210
Cash and cash equivalents at the end of the year	60,657	47,710
Cash and cash equivalents consists of:		
Cash at bank and in hand	63,084	47,751
Bank overdrafts	(2,427)	(41)
Money market deposits and securities	-	590,257
Customers' deposits	-	(590,257)
	60,657	47,710

The notes on pages 22 to 61 form an integral part of these financial statements.

Notes to the Consolidated Cash Flow Statement for the Year Ended 31 December 2016

Net cash inflow/(outflow) from operating activities

	2016	2015
	£'000	£'000
Loss after tax	(5,397)	(1,978)
Tax charge/(credit)	5	(394)
Foreign currency translation	1,316	(258)
Depreciation, amortisation and impairment charges	1,009	1,526
Profit on disposal of fixed assets	(48)	(371)
Profit on disposal of investments	(1,012)	-
(Increase)/decrease in debtors	(3,156)	8,098
Increase in creditors	16,580	7,973
Decrease in provisions	(521)	(1,657)
Difference between defined benefit pension charge and cash contributions	(100)	786
Net interest (payable)/recoverable	(17)	24
Other finance costs	1,460	1,622
Share of operating profit of joint ventures and associates	(13)	146
Net cash inflow from operating activities	10,106	15,517

The increase in creditors is a largely the result of two advance payments. The first is an increase in the advance payment received from the Ukrainian Ministry of Health of £11.8m compared with 31 December 2015. Secondly, £11.3m has been received from a key client in advance of a major emergency food procurement operation.

Notes to the Financial Statements for the Year Ended 31 December 2016

Accounting Policies

General information

The Foundation is limited by guarantee and is incorporated in the United Kingdom. The address of its registered office is the Blue Fin Building, 110 Southwark Street, London SE1 0SU.

Crown Agents is an international development organisation that combines expertise in consultancy and supply chain management to transform the future for men, women and children around the world.

Statement of compliance

The Group and the individual financial statements of The Crown Agents Foundation 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.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of long leasehold properties in accordance with the Companies Act 2006 and Applicable Accounting Standards in the United Kingdom.

b) Going concern

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

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. 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.

As a qualifying entity, the Foundation has taken advantage of the following exemption:

- i) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period;
- ii) from the requirement to present a Company cash flow statement;
- iii) disclosure of related party transactions with and between wholly-owned subsidiaries.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

d) Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 31 December.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively. Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

e) Foreign currency

(i) Functional and presentation currency

The Group and Company's financial statements are presented in pound sterling and rounded to thousands.

(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 consolidated income statement.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

e) Foreign currency (continued)

(iii) Translations

The trading results of Group's overseas operations are translated into sterling at the exchange rate for the period in which the transaction occurred. The assets and liabilities of overseas operations are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interest as appropriate.

f) Revenue recognition

(i) Long term contracts

Revenue from long term contracts is recognised when the outcome of the contract involving the rendering of services can be estimated reliably. Revenue is recognised in accordance with the contract by either:

- a) The stage (or percentage) of completion, this is when services are performed by an indeterminate number of acts over a specified period of time. This calculation is further refined by the use of delivery milestones where appropriate.
- b) Where the contract is chargeable on a time and materials basis revenue is recognised based on days worked, calculated at the appropriate contract charge out rate.

(ii) Procurement contracts

Procurement income is recognised as a percentage on order placement, shipment, delivery, or acceptance depending on the terms and conditions of the contract.

(iii) Freight forwarding

Freight forwarding income is recognised with reference to the applicable Incoterms attached to the contract, which reflects the point at which the significant risks and rewards of ownership have been transferred to the buyer or recipient of the freight.

(iv) Financial services

Financial Services income comprises of interest receivable less interest payable and fees and commission earned.

For all revenue streams if the amounts billed are greater than the amount earned, then income is deferred. If the amounts earned are greater than the amounts billed, then income is accrued. All revenue is calculated excluding VAT.

g) Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

h) EBITDA

EBITDA is an acronym for Earnings Before Interest, Tax, Depreciation and Amortisation. The group uses EBITDA before exceptional items as a key performance indicator.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

i) Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, annual leave arrangements, termination benefits and defined benefit and defined contribution pension plans.

(i) 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.

(ii) Termination benefits

Termination benefits are recognised as an expense in the period in which the termination takes place.

(iii) Defined contribution pension plans

UK staff joining on or after 1 April 2006 are eligible to join the Crown Agents Group Personal Pension Plan, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. Amounts charged in respect of defined contribution schemes are the contributions payable in the year.

(iv) Defined benefit pension plans

For defined benefit schemes, the service cost of pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the consolidated income statement. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the group's long-term expected return on assets (based on the market value of the scheme assets at the start of the period) are included in the consolidated income statement under 'other finance income or costs'.

The difference between the market value of the assets of the scheme at current bid price and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Scheme liabilities are measured using the projected unit actuarial method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability. Any difference between the expected return on assets and that actually achieved is recognised in the consolidated statement of comprehensive income along with differences which arise from experience or assumption changes.

The Company decided to close the defined benefit pension fund to future accruals from 30 April 2015. All members were eligible to join the group personal pension plan from that time.

j) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the consolidated 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.

(i) Current tax

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.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

j) Taxation (continued)

(ii) Deferred tax

Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely to occur than not.

The group has substantial trading losses which are not currently recognised as a deferred tax asset. An asset will be recognised at the point at which their future utilisation becomes probable.

Deferred tax is measured at the average tax rates that are expected to apply in periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

k) Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. 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 – 3 to 10 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 Group 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.

FRS 102 requires judgement to be exercised when determining whether software costs should be recognised as tangible or intangible assets. Where software is regarded an integral part of the related hardware and the hardware cannot operate without the particular piece of software, it is to be treated as a tangible asset. However, where the software is not an integral part of the related hardware, software is to be treated as an intangible asset. Management have decided that the software costs are not an integral part of the related hardware and so have classified these costs as an intangible asset.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

I) Tangible fixed assets

Tangible fixed assets, except for long leasehold property, are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Assets are depreciated from the month following that in which they are brought into use. Tangible fixed assets include assets in the course of construction, which represents the cost of purchasing, constructing and installing tangible fixed assets ahead of their productive use. The cost of construction includes directly attributable costs such as professional fees, external consultants' costs and internal staff time spent bringing the asset into working condition for its intended use. Staff training costs are not capitalised.

Depreciation is calculated to write off the original cost or subsequent valuation of the assets in equal annual instalments over their estimated useful lives.

Long leasehold land and buildings are subject to regular revaluation, in accordance with the provisions of section 17 of FRS 102, on the basis of open market value for existing use. Any increase in the value of the asset as a result of revaluation is recognised in other comprehensive income and accumulated in equity. Any decrease of an asset's carrying value as a result of a revaluation is recognised in other comprehensive income only to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a decrease of an asset's carrying value as a result of revaluation exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess is recognised in the consolidated income statement. Long leasehold land and buildings are included at fair value less accumulated depreciation.

Asset class	Depreciation rate
Long leasehold land and buildings	Over the remaining life of the lease or 50 years, whichever is shorter
Fixtures and fittings	3 – 10 years
Computer equipment – General	3 – 5 years
Computer equipment – Enterprise costs	10 years
Motor vehicles	4 years

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

m) Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(iii) Lease incentives

Incentives received to enter into an operating lease are credited to the consolidated income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

n) 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.

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 consolidated income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the consolidated income statement.

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

n) Impairment of non-financial assets (continued)

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 consolidated income statement.

o) Fixed asset investment

Investments in associated undertakings (an undertaking is an associate where the Group has a participating interest and exercises significant influence, but it is not a subsidiary) are the group's share of the net assets of those interests. Investments in joint ventures are stated at cost. There was one jointly controlled entity throughout the period, PTG Statesman Travel Limited. A second jointly controlled entity, ES-KO (UK) Limited, was disposed of in January 2015. Investments in group undertakings are stated at cost less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, money market deposits and securities, customers' deposits and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

q) Financial Instruments

The Group and Company has chosen to adopt the recognition and measurement provisions of IAS 39 (as amended following the publication of IFRS 9) and disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Classification

The group classifies its financial assets in the following categories:

- measured at fair value through profit or loss (FVTPL);
- measured at fair value through other comprehensive income (FVOCI); and
- measured at amortised cost

Financial liabilities are classified in the following categories:

- measured at fair value through profit or loss (FVTPL); and
- measured at amortised cost

(ii) Measurement

At initial recognition, the group measures a financial asset and liability at its fair value. In the case of a financial asset or liability measured at amortised cost, transaction costs that are directly attributable to the acquisition of the financial asset are added to the value of the asset or liability. The transaction costs of financial assets or liabilities carried at fair value through profit or loss or at fair value through other comprehensive income are expensed in the income statement.

In respect of assets classified as measured at amortised cost, the effective interest method is applied and the interest revenue, expected credit losses and foreign exchange gains or losses are recognised in profit or loss. On de-recognition, any gain or loss is recognised in the income statement.

In respect of assets classified as measured at fair value through other comprehensive income, the interest revenue, expected credit losses and foreign exchange gains or losses are recognised in profit or loss. Other gains and losses on re-measurement to fair value are recognised in other comprehensive income. On de-recognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

In respect of assets classified as subsequently measured at fair value through profit and loss, all gains and losses are recognised in profit or loss.

Financial liabilities held for trading, derivatives, and financial liabilities designated as at fair value through profit or loss on initial recognition are subsequently measured at fair value with all gains and losses being recognised in profit or loss.

Financial liabilities that are not classified at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Debt Securities and Certificates of Deposit are purchased by Crown Agents Bank Limited for liquidity purposes and are generally held to maturity. As such they are stated at amortised cost on an effective interest rate basis.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

q) Financial Instruments (continued)

(iii) Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 15 to the financial statements.

(iv) Impairment

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 consolidated 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 consolidated income statement.

(v) De-recognition

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) despite having retained some significant risks and rewards of ownership, 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.

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

(vi) 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.

r) Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

s) Share capital and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

t) Critical judgements and estimates in applying the accounting policies

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, income 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 estimates are revised and in any future periods affected.

u) Judgement and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

(i) Pension and other post-employment benefits

The cost of the defined benefit pension scheme is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the United Kingdom. Future pension increases are based on expected future inflation rates for the United Kingdom at the balance sheet date. Further details are given in note 18.

(ii) Long term contracts

Long term contracts involve estimating the cost to completion of a contract or milestones. Judgement is involved in preparing suitable estimates of the forecast costs and revenue on contracts, which has the potential to result in material variances to the revenue recognised in the income statement.

(iii) Provisions

Provisions require management to make judgements with respect to the size and probability of an obligation being settled in the future. The estimate of provisions has the potential to impact the balance sheet and income statement at the reporting date.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

1 Turnover

Turnover is reported based on the country in which the order is delivered.

	2016	2015
	%	%
Africa	49	62
Europe and the Middle East	22	28
Asia and the Pacific	9	7
Caribbean, Atlantic and the Americas	20	3
	<u>100</u>	<u>100</u>

Discontinued operations were all performed in the United Kingdom

An analysis of turnover by class of business is given below:

	2016	2015
	£'000	£'000
Continuing operations		
Supply Chain	35,318	28,457
Health	19,995	14,329
Humanitarian and Stabilisation	16,883	18,191
Governance	8,600	9,412
Economic Growth	3,916	7,971
Training and Professional Development	2,372	1,397
Other turnover	1,392	224
	<u>88,476</u>	<u>79,981</u>
Discontinued operations		
Financial Services	2,303	9,738
Total	<u>90,779</u>	<u>89,719</u>

2 Exceptional items

	2016	2015
	£'000	£'000
Continuing Operations		
Restructuring costs	2,910	1,180
Loss on contract	1,025	-
Costs to sell subsidiary investments	-	1,651
	<u>3,935</u>	<u>2,831</u>
Discontinued Operations		
Crown Agents Bank Limited remediation costs	-	712
	<u>-</u>	<u>712</u>
Total recognised in arriving at operating profit	<u>3,935</u>	<u>3,543</u>
Recognised below operating profit		
Profit on disposal of discontinued operations less costs to sell	(1,012)	-
	<u>2,923</u>	<u>3,543</u>

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

Restructuring costs

During the year, the group underwent a significant restructuring, with the establishment of a new Business Support Team, centralising and standardising key business functions. At the same time, both our Consultancy and Supply Chain Services teams have been reshaped, with a focus on our five pillars of strength in delivery. During the year costs of £2.9m (2015: 1.2m) were incurred, including compensation paid to employees, professional fees and related consultancy costs, and have been classified as exceptional.

Loss on contract

During the year a major contract in the final stages of delivery has run into difficulties. The group has incurred significant additional costs to meet client demands, however the outcome remains in dispute and full recovery of the project revenues remains in doubt. Costs incurred in 2016 and the provision for the revenue already recognised amount to £1.0m. Due to the size of the loss, it's non-recurring nature, and its impact on 2016 trading results, the cost has been classified as exceptional.

Remediation costs

In order to ensure that the Bank is able to meet its regulators requirements, particularly in relation to combatting financial crime, during the prior year the Bank invested £0.7m reviewing all of its customer files and processes to ensure they meet the required standards.

3 Operating loss

Operating loss is stated after charging/(crediting):

	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000
2016			
Depreciation	478	34	512
Amortisation of intangible assets	417	79	496
Operating lease charges	1,547	9	1,556
Profit on disposal of tangible fixed assets	(48)	-	(48)
Foreign currency losses / (gains)	1,323	(8)	1,315
Profit on disposal of discontinued operations	-	1,012	1,012
2015			
Depreciation	838	182	1,020
Amortisation of intangible assets	228	278	506
Operating lease charges	1,287	50	1,337
Profit on sale of tangible fixed assets	(371)	-	(371)
Foreign currency gains	(2)	1	(1)

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

3 Operating loss (continued)

Services provided by the company's auditors' and its associates

During the year the group (including its overseas subsidiaries) obtained the following services from the company's auditors and its associates

	£'000	£'000
Fees payable to the company's auditors and its associates for other services:		
The audit of the company's subsidiaries' annual financial statements	167	442
Tax compliance services	11	18
Other non-audit services	424	41
	<u>602</u>	<u>501</u>

Non-audit services include professional advice in relation to the defined benefit pension scheme.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

4 Disposal of subsidiary

During 2015 the Group commenced proceedings to sell three of its subsidiaries, Crown Agents Bank Limited and Crown Agents Investment Management Limited and JCF Nominees Limited. A buyer was identified and heads of terms agreed during 2015 and the sale completed on 31 March 2016. The total consideration for the disposal was £31.8m, consisting of £32.3m received in cash on completion and £1.5m returned to the buyer following agreement of the completion accounts, with a further £1.0m consideration becoming payable on 30 September 2017 as Crown Agents Investment Management Limited held sufficient assets under management to satisfy the deferred consideration clause in the Share Purchase Agreement.

The 2016 proceeds of £30.8m, less the total net assets of the three entities at the time of disposal of £29.5m, less £0.3m costs to sell, gives rise to a profit on disposal of £1.0m in 2016.

Presented below is a summary of the balances disposed of at 31 March 2016.

	At 31 March 2016	
	£'000	£'000
Fixed assets		
Intangible assets		2,707
Tangible assets		25
		<u>2,732</u>
Current assets		
Debtors	1,177	
Money market deposits and securities	654,637	
Cash at bank and in hand	27,364	
	<u>683,178</u>	
Creditors: Amounts falling due within one year		
Creditors	(1,732)	
Customers' deposits	(654,637)	
	<u>(656,369)</u>	
Net current assets		<u>26,809</u>
Net assets disposed of		<u><u>29,541</u></u>

5 Other finance costs

	2016	2015
	£'000	£'000
Pension scheme (see note 18)		
Interest cost	9,597	9,488
Expected return on scheme assets	<u>(8,137)</u>	<u>(7,866)</u>
	<u><u>1,460</u></u>	<u><u>1,622</u></u>

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

6 Particulars of employees

The monthly average number of persons employed by the group (including Directors) during the year, analysed by department was as follows:

	Continuing Operations	Discontinued Operations	Total
2016	No.	No.	No.
Operations	434	55	489
Administration	108	14	122
	542	69	611

2015			
Operations	466	56	522
Administration	117	10	127
	583	66	649

	Continuing Operations	Discontinued Operations	Total
2016	£'000	£'000	£'000
Wages and salaries	19,608	925	20,533
Social security costs	2,383	103	2,486
Other pension costs	1,789	99	1,888
Termination payments	2,482	1	2,483
	26,262	1,128	27,390

2015			
Wages and salaries	21,825	3,275	25,101
Social security costs	1,920	370	2,290
Other pension costs	2,291	255	2,546
Termination payments	1,398	-	1,398
	27,435	3,900	31,335

Directors' remuneration

No directors received any remuneration in respect of services to the Company (2015: Nil).

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

7 Tax on loss on ordinary activities

	2016 £'000	2015 £'000
Current Tax		
Corporation tax charge at 20% (2015: 20.25%)	104	12
Adjustments in respect of prior years	-	(281)
UK Corporation tax credit	104	(269)
Foreign Tax		
Corporation taxes	246	437
Adjustment in respect of prior years	-	(118)
Foreign tax charge/(credit)	246	319
Total current tax charge/(credit)	350	50
Deferred Tax		
Origination and reversal of timing differences	(33)	(38)
Deferred tax adjustment relating to previous years	37	76
Pension cost relief less pension cost charge	(349)	(482)
Total deferred tax credit	(345)	(444)
Total tax charge/(credit) on loss on ordinary activities	5	(394)

Factors affecting current tax credit for the year

Tax on loss on ordinary activities for the year is higher (2015: higher) than the standard rate of corporate tax in the UK of 20% (2015: 20.25%).

The differences are reconciled below:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(5,392)	(2,372)
UK Corporation tax at standard rate 20% (2015: 20.25%)	(1,078)	(480)
Capital allowances (less than)/in excess of depreciation	(16)	116
Pension contribution relief less pension cost charge	(15)	(28)
Other timing differences	92	(478)
Expenses not deductible for tax purposes	(30)	-
Income not subject to tax	(292)	(326)
Adjustment in respect of foreign tax rates	33	120
Adjustments in respect of prior years	125	(323)
Adjustments due to unrelieved losses	1,186	1,049
Withholding tax (recovered) / irrecoverable	-	(44)
Total tax charge/(credit)	5	(394)

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

7 Tax on loss on ordinary activities (continued)

At the balance sheet date, the Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate will reduce from the current rate of 20% to 19% from 1 April 2017 and 17% from 1 April 2020. At 31 December 2016, deferred tax assets have been calculated based on rates to reflect the expected timing of the reversal of the temporary differences. The financial effect of this change is not expected to be significant.

8 Intangible fixed assets

Group

	Software
	2016
	£'000
Cost	
At 1 January 2015	6,500
Additions	255
Disposals	(3,856)
At 31 December 2016	<u>2,899</u>
Accumulated Amortisation	
At 1 January 2016	2,683
Charge	497
Eliminated on disposals	(1,273)
At 31 December 2016	<u>1,907</u>
Net book value	
At 31 December 2016	<u>992</u>
At 31 December 2015	<u>3,817</u>

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

9 Tangible fixed assets

Group

	Long Leasehold land & buildings £'000	Motor vehicles, fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 January 2016	6,125	2,983	4,593	13,701
Exchange	-	144	(1)	143
Additions	58	490	153	701
Impairment	(745)	-	-	(745)
Disposals	-	(956)	(198)	(1,154)
At 31 December 2016	5,438	2,661	4,547	12,646
Accumulated Depreciation				
At 1 January 2016	18	2,168	3,928	6,114
Exchange	26	152	(11)	167
Charge for the year	10	193	309	512
Eliminated on disposals	-	(421)	(170)	(591)
At 31 December 2016	54	2,092	4,056	6,202
Net Book Value				
At 31 December 2016	5,384	569	491	6,444
At 31 December 2015	6,107	815	665	7,587

Revaluations

Long leasehold land and buildings are held at open market value.

The long leasehold interest in the Group's head office, St Nicholas House, has been held by Crown Agents Limited since 29 February 2016. Prior to this the long leasehold interest was held by Crown Agents Bank. Immediately following the transfer of the lease to Crown Agents Limited, the Crown Agents Limited recognised an impairment charge of £5.9m. This impairment charge had previously been recognised in the group financial statements and therefore did not result in a charge to the group income statement during the year.

Crown Agents Limited has actively begun marketing the building with a view to completing a sale in 2018. Based on historical sales values for similar buildings and plots in the Borough of Sutton, the directors estimate the fair value less costs to sell of the building at £5.2m, and have accordingly recognised an additional impairment charge of £0.7m in the property revaluation reserve, and reducing the carrying value of the asset to £5.2m.

The group's other long leasehold property, comprising office premises in Liverpool, was valued on 31 December 2011, in accordance with the RICS Appraisal and valuation Standards (5th Edition), by a qualified professional valuer working for Matthews & Goodman LLP. It was purchased by the Company on 29 February 2016 for £263,000. Subsequent to year end the building was sold for £200,000. The carrying value of the building was therefore reduced to £200,000 at the balance sheet date with an impairment charge through the revaluation reserve.

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

9 Tangible fixed assets (continued)

The Directors have reviewed these valuations and the underlying assumptions and are of the opinion that there has been no material change in values since the balance sheet date.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets.

Long leasehold property at historical costs

	2016	2015
	£'000	£'000
Cost at 1 January and 31 December	7,113	7,113
Accumulated depreciation	(2,055)	(1,913)
Net book value at 31 December	<u>5,058</u>	<u>5,200</u>

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

10 Investments held as fixed assets

Group	Interest in associates	
	2016	2015
	£'000	£'000
Cost		
At 1 January	38	101
Disposals	-	(63)
At 31 December	38	38
Share of post-acquisition profits		
At 1 January	5	82
Dividend received	(26)	(22)
Share of current year results	20	20
Disposals	-	(70)
Share of taxation	(7)	(5)
At 31 December	(8)	5
Net book value		
At 31 December	30	43
	Interest in Joint Ventures	
	2016	2015
	£'000	£'000
Cost		
At 1 January and 31 December	13	13
Share of post-acquisition profits		
At 1 January	29	37
Dividend received	-	(9)
Share of current year results	-	1
At 31 December	29	29
Net book value		
At 31 December	42	42
Total		
At 31 December	72	85

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

10 Investments held as fixed assets (continued)

Company	Investments in group undertakings	
	2016	2015
	£ 000	£ 000
Cost		
At 1 January and 31 December	<u>2,000</u>	<u>2,000</u>
Provision for impairment		
At 1 January and 31 December	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2016	<u>2,000</u>	<u>2,000</u>
At 31 December 2015	<u>2,000</u>	<u>2,000</u>

Management reviews fixed asset investments at least annually for impairment, and provides where the carrying value of the investment exceeds the probable net discounted future cash flow.

Interest in associates

	2016	2015
	£'000	£'000
Cost and net book value		
At 1 January and 31 December	<u>91</u>	<u>91</u>

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

10 Investments held as fixed assets (continued)

Subsidiary and associated undertakings

Subsidiaries	Main business	Country of registration or incorporation	% of shares held	Registered Address
Crown Agents Ltd	Procurement and Consultancy	England	100	Blue Fin Building, 100 Southwark Street, London, SE1 0SU
Crown Agents Bank Ltd ²	Banking	England	100	St Nicholas House, St Nicholas Road, Sutton, Surrey, SM1 1EL
Crown Agents Investment Management Ltd ²	Investment management	England	100	St Nicholas House, St Nicholas Road, Sutton, Surrey, SM1 1EL
Crown Agents USA Inc.	Procurement & consultancy	USA	100	1129 20th Street, NW, Suite 500, Washington, DC 20036, USA
Weidemann Associates Inc. ¹	Procurement & consultancy	USA	100	1129 20th Street, NW, Suite 500, Washington, DC 20036, USA
Crown Agents Services Ltd	Supplies services	England	100	Blue Fin Building, 100 Southwark Street, London, SE1 0SU
Greenshields, Cowie & Co Ltd	Cargo movement	England	100	Blue Fin Building, 100 Southwark Street, London, SE1 0SU
Greenshields Cowie USA Inc. ¹	Cargo movement	USA	100	1129 20th Street, NW, Suite 500, Washington, DC 20036, USA
Crown Agents Kenya Ltd	Procurement & consultancy	Kenya	100	Applewood Park, Suite 108, Off Wood Avenue, Kilimani, Nairobi, Kenya
Crown Agents Uganda Ltd	Procurement & consultancy	Uganda	100	Plot 4A, Katali Rise, Naguru, Kampala, Uganda
Crown Agents Ghana Ltd	Procurement & consultancy	Ghana	100	6th Floor, Premier Towers, Pension Road, Accra, Ghana
Crown Agents (India) Pvt Ltd	Procurement & consultancy	India	100	405, International Trade Tower, New Delhi 110 019, India
Crown Agents Japan Ltd	Procurement & consultancy	Japan	100	Yasukuni Kudan Minami Building 4F, 2-3-14 Kudanminami, Chiyoda-ku, Tokyo 102-0074, Japan
Four Millbank Holdings Ltd	Dormant holding company	England	100	Blue Fin Building, 100 Southwark Street, London, SE1 0SU
Four Millbank Nominees Ltd	Dormant nominee company	England	100	Blue Fin Building, 100 Southwark Street, London, SE1 0SU
Great Peter Nominees Ltd	Dormant nominee company	England	100	Blue Fin Building, 100 Southwark Street, London, SE1 0SU
JCF Nominees Ltd ²	Dormant nominee company	England	100	St Nicholas House, St Nicholas Road, Sutton, Surrey, SM1 1EL
Crown Agents Nigeria Ltd	Procurement & consultancy	Nigeria	99	No. 44 Durban Street, Wuse II, Abuja FCT, Nigeria
Crown Agents Zimbabwe Ltd ³	Procurement & consultancy	Zimbabwe	49	Standards Association Building, Northend Close, Northridge Park, Borrowdale, Harare, Zimbabwe
CAIPA Ltd	Procurement & consultancy	England	65	St Nicholas House, St Nicholas Road, Sutton, Surrey, SM1 1EL
Associates and Joint Ventures				
PTG Statesman Travel Ltd	Travel services	England	50	Blue Fin Building, 100 Southwark Street, London, SE1 0SU
Greenshields Project Cargo SRL ¹	Cargo movement	Italy	25	Via Salvatore Orlando n.3, Livorno (LI), 57123, Italy

The proportion of voting rights in the above subsidiaries is the same as the proportion of the nominal value of shares held. All the shareholdings are held in ordinary shares. All subsidiaries are consolidated.

Note:

¹ Indirect subsidiary holding

² Subsidiaries and associates disposed of during the year ended 31 December 2016

³ The shareholding of Crown Agents Zimbabwe Limited was reduced to 49% following the distribution and allotment of new shares for a nominal amount. As no other shareholder owns more than 50%, the Group retains control over Crown Agents Zimbabwe Ltd

The Directors believe that the carrying value of the investments is supported by their underlying assets.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

11 Debtors

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade Debtors	14,603	7,019	-	-
Amounts owed by group undertakings	-	-	-	-
Other debtors	1,020	3,469	-	-
Corporation tax recoverable	-	-	-	-
Deferred tax	767	611	-	-
Prepayments and accrued income	13,676	15,655	-	-
	<u>30,066</u>	<u>26,754</u>	<u>-</u>	<u>-</u>

The amount of the net reversal of deferred tax expected to occur next year is nil (2015: £47,000).

	Group	
	2016	2015
	£'000	£'000
Deferred tax asset		
Accelerated capital allowances	531	423
Other timing differences	206	188
Total deferred tax asset	<u>767</u>	<u>611</u>
At 1 January	611	649
Deferred tax charge in consolidated income statement	(5)	(38)
Elimination of deferred tax liabilities on disposal of subsidiaries	161	-
At 31 December	<u>767</u>	<u>611</u>
	2016	2015
	£'000	£'000
Pension Scheme Deferred tax asset		
At 1 January	7,651	9,256
Deferred tax credit in consolidated income statement	349	482
Deferred tax credited/(charged) to the consolidated statement of comprehensive income:		
- on actuarial loss	(738)	(2,087)
At 31 December	<u>7,262</u>	<u>7,651</u>

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

12 Money Market Deposits and Securities

Deposits and securities are held in Crown Agents Bank Limited and consist of amounts relating to deposits held on behalf of customers. Amounts not relating to deposits held on behalf of third party customers and repayable on demand are included in cash at bank and in hand.

	Group	
	2016	2015
	£'000	£'000
Cash and balances at Central Banks	-	280,386
Loans and advances - on demand	-	53,613
Money market loans up to 3 months	-	82,883
Money market loans 3 - 12 months	-	54,480
Debt Securities	-	118,895
	<u>-</u>	<u>590,257</u>

13 Cash at Bank and in hand

Cash at bank and in hand includes cash in hand and deposits, including those denominated in foreign currencies, repayable on demand. The amount in respect of group includes balances held by Crown Agents Bank Limited in the course of its normal banking activities.

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Cash and bank balances with third party banks	<u>63,084</u>	<u>47,751</u>	<u>-</u>	<u>-</u>
	<u>63,084</u>	<u>47,751</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

14 Creditors: Amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Third party bank overdrafts	2,427	41	-	-
Trade creditors	3,475	3,543	-	-
Amounts owed to group undertakings	-	-	-	-
Other creditors	49,565	26,636	-	-
Taxation and social security	695	1,541	-	-
Accruals and deferred income	12,804	18,198	-	-
	<u>68,966</u>	<u>49,959</u>	<u>-</u>	<u>-</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. Third party bank overdrafts are unsecured.

During 2016, £33.0m (2015 £21.2m) was received from the Ukrainian Ministry of Health as an advance payment to facilitate the procurement of oncology pharmaceuticals. It remained unutilised at the balance sheet date and is included in other creditors. The 2015 advance payment was fully utilised during 2016.

15 Customers' Deposits

Customer deposits which are held by Crown Agents Bank Limited.

	Group	
	2016	2015
	£'000	£'000
Repayable on demand	-	186,497
Repayable up to 3 months	-	282,873
Repayable in 3 - 12 months	-	120,887
	<u>-</u>	<u>590,257</u>

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

16 Financial Instruments by category

Group

The Group has the following financial instruments:

Financial assets

		Assets at FVTPL ¹ £'000	Financial assets at amortised cost £'000	Total £'000
	Note			
2016				
Trade debtors	11	-	14,177	14,177
Other debtors	11	-	1,020	1,020
Derivative financial instruments		-	-	-
Money market deposits and securities	12	-	-	-
Cash and cash equivalents	13	-	63,084	63,084
		-	78,281	78,281
2015				
Trade debtors	11	-	7,019	7,019
Other debtors	11	-	2,524	2,524
Derivative financial instruments		945		945
Money market deposits and securities	12	-	590,257	590,257
Cash and cash equivalents	13	-	47,751	47,751
		945	647,551	648,496

Financial liabilities

	Note	Financial liabilities at amortised cost £'000	Total £'000
2016			
Third party bank overdrafts	14	2,427	2,427
Trade creditors	14	3,475	3,475
Other creditors	14	49,565	50,122
Customer deposits	15	-	-
		55,467	56,024
2015			
Third party bank overdrafts	14	41	41
Trade creditors	14	3,543	3,543
Other creditors	14	26,636	26,636
Customer deposits	15	590,257	590,257
		620,477	620,477

¹ FVTPL – Fair value through profit or loss

Company

All financial instruments held by the company are at historical cost.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

17 Provisions for liabilities

Group	Property dilapidations £'000	Recoverable expenses £'000	Restructuring and Legal Provisions £'000	Total £'000
At 1 January 2016	375	124	188	687
Utilised during the year	-	-	(124)	(124)
Transferred to other creditors (Credited)/Charged to the consolidated income statement	(375)	(124)	52	(447)
At 31 December 2016	-	-	166	166

i) Property dilapidations

As part of the Group's property leasing arrangements there is an obligation to repair damages incurred during the life of the lease, such as wear and tear. The cost is charged to income statement as the obligation arises. The Company has begun negotiations to joint market the site the building occupies and it is highly probable that the building will be demolished. The obligation to repair damages to the building has therefore ceased to exist. The dilapidations have therefore been released to the income statement in the year.

ii) Recoverable expenses

In prior years the group provided for certain expenses, the recovery of which was uncertain at the time. During 2016 £0.1m was released to the income statement.

iii) Restructuring

During 2016 £124,000 of the restructuring provision was utilised as the employees associated with this provision left the Group. A Legal Provision of £50,000 was transferred from other creditors during the year, as the crystallization and timing of these provisions remains uncertain. £52,000 was charged to the income statement and added to the legal provision during 2016.

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

18 Pension schemes

In the UK, the group operates the Crown Agents Superannuation Scheme ("CASS") comprising two funds, namely CASS I and CASS II. CASS is a defined benefit scheme with assets held in separate trustee administered funds managed by Crown Agents Investment Management Limited ("CAIM"). The benefits of the employees within CASS I have been substantially secured by the purchase of a single premium annuity from Friends Life (formerly AXA Sun Life Services plc.) CASS I was closed to new members in 1979. CASS II was closed to new members in 2006.

The directors have carried out a review of the actuarial assumptions and noted that the characteristics of the two schemes, CASS I and CASS II, have diverged significantly and have therefore applied different assumptions to each scheme in order to more accurately determine the pension assets and liabilities under FRS 102 at 31 December 2016.

The last full triennial valuation of the scheme was carried out at 31 March 2014. At that date, using the method and assumptions agreed by the Trustees, the scheme (combined CASS I and CASS II sections) had assets sufficient to cover 101% of its liabilities at that date, corresponding to a surplus of £2.2 million.

£118,000 (2015: £134,000) was paid by the employer by way of contributions during the year and £367,000 (2015: £430,000) in payment of expenses. Contributions payable to the pension scheme at the end of the year were £23,000 (2015: £200,000).

UK staff joining on or after 1 April 2006 are eligible to join the Crown Agents Group Personal Pension Scheme, which is a defined contribution scheme. £1,742,000 (2015: £1,055,000) was paid by the employer by way of contributions during the year. No contributions were outstanding as due to the pension scheme at the end of the year (2015: £nil).

Retirement benefits for international staff are provided, in accordance with local requirements, by either service-based lump sums or locally administered defined contribution schemes.

The Company decided to close the defined benefit pension fund (CASS II) to future accruals from 30 April 2015. The impact of the closure was a curtailment loss of £400,000 in 2014. All members were moved to a group personal pension plan at that time.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

18 Pension schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:-

2016	CASS I £'000	CASS II £'000	Combined £'000
Fair value of scheme assets	63,531	174,118	237,649
Present value of scheme liabilities	(47,096)	(218,271)	(265,367)
	16,435	(44,153)	(27,718)
Deferred tax (liability)/asset	(3,122)	10,384	7,262
Net asset/(liability) in the balance sheet	13,313	(44,270)	(30,957)
2015	CASS I £'000	CASS II £'000	Total £'000
Fair value of scheme assets	61,157	158,756	219,913
Present value of scheme liabilities	(46,181)	(211,987)	(258,168)
	14,976	(53,231)	(38,255)
Deferred tax (liability)/asset	(2,995)	10,646	7,651
Net asset/(liability) in the balance sheet	11,891	(42,585)	(30,604)

Scheme assets

Changes in the fair value of the plan assets are as follows:-

	CASS I £'000	CASS II £'000	Combined £'000
1 January 2016	61,157	158,756	219,913
Benefits paid	(4,297)	(7,015)	(11,312)
Interest income	2,238	5,899	8,137
Return on plan assets less interest income	4,682	16,478	21,160
Employer contributions	-	118	118
Contributions by scheme participants	-	-	-
Administration costs	(249)	(118)	(367)
31 December 2016	63,531	174,118	237,649

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

18 Pension schemes (continued)

Analysis of assets

The major categories of plan assets as a percentage of total scheme assets are as follows:-

2016	CASS II %	CASS II %	Combined %
Equity instruments	-	50.16	36.75
Debt instruments	26.28	31.80	30.33
Property	-	6.29	4.61
Cash	0.30	11.75	8.69
Other assets	73.42	-	19.62
Total	100.00	100.00	100.00

2015	CASS II %	CASS II %	Combined %
Equity instruments	-	54.60	39.42
Debt instruments	24.61	33.30	30.88
Property	-	6.97	5.03
Cash	0.50	5.13	3.84
Other assets	74.89	-	20.83
Total	100.00	100.00	100.00

Actual return on scheme's assets	CASS I £'000	CASS II £'000	Combined £'000
2016	6,920	22,377	29,297
2015	(918)	2,007	1,089

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

18 Pension schemes (continued)

Scheme liabilities

Changes in the present value of the defined benefit obligation are as follows:-

	CASS I £'000	CASS II £'000	Combined £'000
1 January 2016	46,181	211,987	258,168
Interest cost	1,674	7,923	9,597
Benefits paid	(4,297)	(7,015)	(11,312)
Experience gain on defined benefit obligation	(473)	(2,022)	(2,495)
Changes to demographic assumptions	(3,526)	(23,094)	(26,620)
Changes to financial assumptions	7,537	40,993	48,530
31 December 2016	47,096	228,772	275,868

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:-

2016	CASS I %	CASS II %
Discount rate	2.10	2.80
Future salary increases	3.00	3.00
Future pension increases	2.90	3.00
Inflation	3.00	3.15

2015	Combined %
Discount rate	3.80
Future salary increases	3.00
Future pension increases	3.00
Inflation	3.00

Post retirement mortality assumptions

	2016 CASS I Years	2016 CASS II Years	2015 CASS I and II Years
Male currently aged 65	21.8	22.0	22.6
Female currently aged 65	24.2	24.0	25.1
Male currently aged 45	23.1	23.1	24.8
Female currently aged 45	25.7	25.1	27.4

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

18 Pension schemes (continued)

Amounts recognised in the consolidated income statement

2016	CASS I £'000	CASS II £'000	Combined £'000
Amounts recognised in operating profit			
Current service cost	-	-	-
Administration costs	249	118	367
Recognised in arriving at operating profit	249	118	367
Amounts recognised in other finance costs			
Interest cost	1,674	7,923	9,597
Interest on assets	(2,238)	(5,899)	(8,137)
Recognised in other finance costs	(564)	2,024	1,460
Total charge recognised in the consolidated income statement	(315)	2,142	1,827
2015	CASS I £'000	CASS II £'000	Combined £'000
Amounts recognised in operating profit			
Current service cost	-	739	739
Administration costs	181	249	430
Recognised in arriving at operating profit	181	988	1,169
Amounts recognised in other finance costs			
Interest cost	1,720	7,768	9,488
Interest on assets	(2,256)	(5,610)	(7,866)
Recognised in other finance costs	(536)	2,158	1,622
Total charge recognised in the consolidated income statement	(355)	3,146	2,791

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

18 Pension schemes (continued)

Amounts recognised in the consolidated statement of comprehensive income

2016	CASS I £'000	CASS II £'000	Combined £'000
Actual return less expected return on scheme assets	4,682	16,478	21,160
Changes in assumptions	(4,011)	(17,899)	(21,910)
Other actuarial gains	473	2,022	2,459
Actuarial gains recognised in the consolidated statement of comprehensive income	1,144	601	1,745
2015	CASS I £'000	CASS II £'000	Combined £'000
Actual return less expected return on scheme assets	(3,174)	(3,603)	(6,777)
Changes in assumptions	1,270	11,395	12,655
Other actuarial gains	1,104	3,488	4,592
Actuarial gains /(losses) recognised in the consolidated statement of comprehensive income	(800)	11,280	10,480

History of experience adjustments on scheme assets and liabilities

2016	CASS I £'000	CASS II £'000	Total £'000
Fair value of scheme assets	63,531	174,118	237,649
Present value of scheme liabilities	(47,096)	(228,772)	(275,868)
Surplus/(deficit) in scheme	16,435	(54,654)	(38,219)
2015	CASS I £'000	CASS II £'000	Total £'000
Fair value of scheme assets	61,157	158,756	219,913
Present value of scheme liabilities	(46,181)	(211,987)	(258,168)
Surplus/(deficit) in scheme	14,976	(53,231)	(38,255)

Experience adjustments:

2016	CASS I £'000	CASS II £'000	Total £'000
Gain on plan assets less interest	4,682	16,478	21,160
Experience gain on defined benefit obligation	437	2,022	2,459
2015			
Loss on plan assets less interest	(3,174)	(3,603)	(6,777)
Experience gain on defined benefit obligation	1,104	3,442	4,546

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

18 Pension schemes (continued)

Assumptions and sensitivity analysis

The movement in the accounting pension liability is driven by a number of factors, including the discount rate used to calculate the current value of liabilities, long term inflation forecasts and demographic assumptions. The discount rate is in turn based on the yields on long-dated high-quality corporate bonds at the balance sheet date.

The impact of the financial markets' response to Brexit on the pension liability has been threefold. Investors flocked to high quality corporate bonds, driving up the value, but significantly reducing the yield. The fall in value of the pound has driven up the value of non-sterling assets and, amongst other factors, has resulted in rising 20-year inflation assumptions. The result is that the scheme has seen a return on investments of £17.2m in the year (net of interest charges and experience gains), but the impact of lower discount rates and higher inflation increased the actuarially calculated liabilities by £48.5m. Changes in demographic assumptions based on new data becoming available reduced the deficit by £26.6m. After administration and other minor costs, the above resulted in a stable deficit before deferred tax.

Although the net change in the pension deficit was small, this belies significant volatility experienced during the year and a £17.7m increase in the value of liabilities. This confirmed the view of the Company that action is necessary to put the pension fund on a more sustainable footing. In 2016, the Company began looking at ways to change the basis for future pension increases from RPI to CPI, which could significantly reduce liabilities, as well as preparing to offer member options which could also reduce the pension deficit whilst offering flexibility to scheme members.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

19 Called up share capital

Company

The company is limited by guarantee. Each member has undertaken to contribute to the assets of the company, in the event of it being wound up while he is a member, or within one year after he ceases to be a member, an amount not exceeding £1.

20 Contingent liabilities

The Group has advance payment guarantees, performance bonds and letters of credit in respect of the consultancy and procurement projects it undertakes. The amount guaranteed is £4.7m (2015: £2.6m).

The Group granted a lease guarantee of £2.2m (2015: £2.2m) in respect of future rent payable by Crown Agents USA Inc.

21 Commitments

Capital commitments

There were no amounts contracted for but not provided in the financial statements at 31 December 2016 (2015: £34,000).

Operating lease commitments

The Group and Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Within one year	1,118	1,019	-	-
One to five years	2,060	2,463	-	-
Over five years	7,266	7,372	-	-
	<u>10,444</u>	<u>10,854</u>	<u>-</u>	<u>-</u>

The minimum lease payments due in over five years consists entirely of lease payments due on St Nicholas House, which as discussed in note 9 is likely to be disposed of well before these payments become due.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

22 Related party transactions

The group has taken the exemption as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same group that are wholly owned. The group discloses transactions with related parties which are not wholly owned with the same group.

Key management compensation

Key management includes the Foundation Council Members, as directors of The Crown Agents Foundation. None of the directors received any remuneration in respect of services to the Foundation.

The group has an interest in the following subsidiary and associated undertakings of less than 100%. Transactions occur with these undertakings in the normal course of business. The more significant transactions are disclosed below.

	% of nominal value of shares held	Sales to related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Crown Agents Nigeria Ltd	99	420	455	495	-
Crown Agents Zimbabwe Ltd	49	419	630	-	843
PTG Statesman Travel Ltd	50	8	51	1	-
CAIPA	65	158	-	449	-

23 Financial risk management

Crown Agents' operations expose it to a variety of financial risks, some specifically relating to the operation of its banking subsidiary. Crown Agents has in place a risk management framework, overseen by the Board and its Audit and Risk Committee, which seeks to limit any adverse effects on financial performance.

Crown Agents Bank Limited ("the Bank"), which is authorised and regulated by the FCA and the PRA, delegates the operational responsibility for the management of its exposure to liquidity, interest rate and currency risk to the Bank's Asset and Liability Committee, and that relating to credit risk to its Credit Committee. Responsibility for the monitoring and reporting of all other risks is delegated to Risk Management, which reports to the Bank's Director, Finance & Compliance. Risk Management also has an oversight role in the development of policies and procedures, evaluating risk levels and reporting to the Board on risk issues. The Board receives and reviews regular reports on risk and risk management.

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

23 Financial risk management (continued)

Price risk, credit risk, liquidity risk and cash flow risk

(i) Liquidity Risk:

The Bank's policy is to have sufficient liquid assets to meet all its obligations falling due within each maturity band. This policy has been agreed with the FCA and the PRA. The Bank maintains high quality liquid and marketable assets to meet this requirement. The position is monitored daily. A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base.

Crown Agents maintains a level of unencumbered cash balances and short term credit facilities which ensure that it has sufficient available funds for operations and expansion.

(ii) Credit Risk:

Credit risk arises from extending credit in all forms where there is a possibility that customers or counterparties may default on their obligations.

In the Bank this risk is managed by the Credit Committee which approves all counterparty limits. The exposures are monitored daily against the limits set.

For the rest of Crown Agents, credit exposures are reviewed on a monthly basis by the Chief Financial Officer who reports any material concerns to the Executive Committee and the Board.

(iii) Interest Rate Risk:

Interest rate risk arises in the Bank's balance sheet as a result of fixed rate, variable rate and non-interest bearing assets and liabilities. Exposure to interest rate movements arises when there is a mismatch between interest rate sensitive assets and liabilities. This risk is managed by limiting the mismatch allowed in predetermined time bands, as set out in policies approved by the Board.

**Notes to the Financial Statements for the year ended 31 December 2016
(continued)**

23 Financial risk management (continued)

(iv) Currency Risk:

Currency risk on transactional currency exposures which arise from income in currencies other than sterling, Crown Agents' operating currency, is mitigated by ensuring inflows and outflows on projects are matched as closely as possible. Major non-sterling liabilities are hedged by holding liquid assets such as cash in the same denomination as the liability. In addition, formal hedging arrangements are put in place such as forward foreign exchange deals and/or options to cover foreign currency liabilities and timing differences on anticipated cash inflows and outflows, in accordance with approved policies.

In the Bank, currency risk arose from transactional positions and comprised the monetary assets and monetary liabilities of the bank denominated in non-sterling currencies. These risks were managed by adherence to limits for intra-day and overnight positions.

24 Ultimate Parent Undertaking and Controlling Party

The Crown Agents Foundation is the Ultimate Parent of the group. There is no controlling party.



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