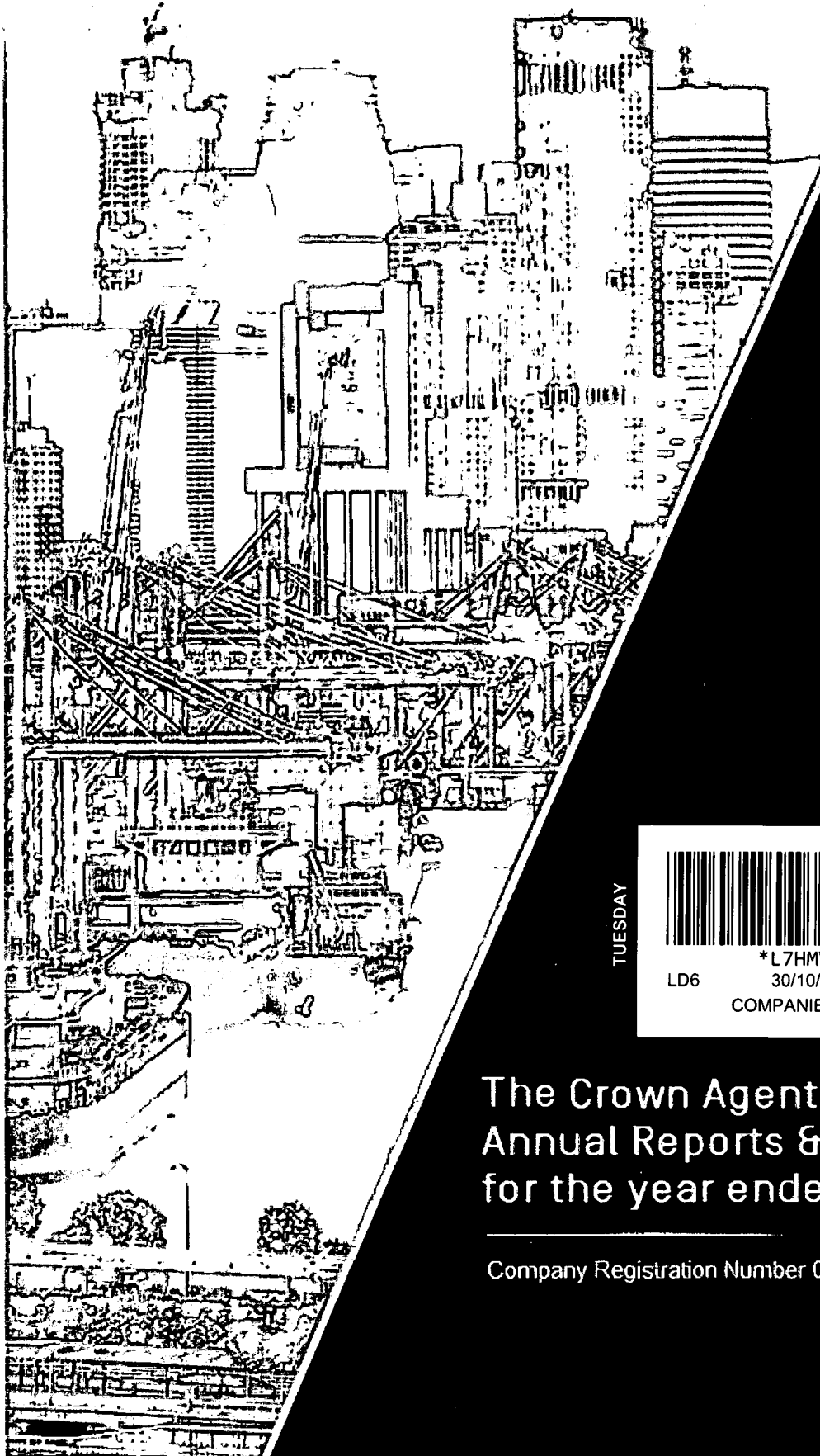




CROWN AGENTS
ACCELERATING SELF-SUFFICIENCY & PROSPERITY



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2017

The Crown Agents Foundation Annual Reports & Financial Statements for the year ended 31st December 2017

Company Registration Number 03251167

Company information for the year ended 31 December 2017

Foundation Council Members

HRH The Duke of Gloucester, KG, GCVO, President

Paul A Batchelor

Jenny E Borden OBE

Beatrice Devlin

Dr Mohan Kaul

Mary Reilly³

Marie R Staunton CBE^{*13}

Keith G White CBE

David G Richardson^{*12}

* 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

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

T: +44 (0) 203 940 4000

E: enquiries@crownagents.co.uk

W: www.crownagents.com

Registered Number: 03251167

Company information for the year ended 31 December 2017 (continued)

Permanent Members

Aga Khan Foundation
Charities Aid Foundation
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
British Expertise
British Standards Institution
CARE International UK
Caribbean Council
The Chartered Institute of Logistics & Transport (UK)
Concern Worldwide
Practical Action
Standard Chartered Bank
Transparency International
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.

Chair's Report

2017 has been a challenging year for the sector, and for Crown Agents, but throughout the year we have continued to support communities, businesses, institutions and countries, accelerating self-sufficiency and prosperity. We have worked across the globe: from procurement reform in Ukraine to health system strengthening in South Sudan, alongside primary education in Ghana and humanitarian programmes in Myanmar. We are proud to be supporting governments in their endeavours to provide high-quality, cost-effective services for their people across supply chain, health, education and public sector reform.

Global context

While working on the achievement of the Sustainable Development Goals, the world is having to respond to the increasingly evident challenges of climate change, migration, fragile states and pandemic disease. In addition, recent political changes from Brexit to the Trump Administration have disrupted long-standing global agreements and norms. All of these issues have had far reaching impacts on international development, and inevitably on the Crown Agents business.

Progress in our business

Crown Agents experienced a year of transition, with many long-standing programmes coming to an end, and new programmes slow to start as a result of the challenging global situation. As a result, our 2017 financial performance was poor, even as we laid the foundations for the future. We have used the financial and other resources that we built in 2015/16 to come through these difficult times and used the experience and skills of our talented staff to continue to deliver outstanding impact amidst deeply challenging operational contexts. At the same time, we have made further progress in the transformation of our business to make it fit for purpose in a rapidly changing external market, and to meet better the ever-evolving needs of our partners and clients.

As part of this transformation, and building on the streamlining of our activities that began with the sale of Crown Agents Bank in 2015, we have moved our UK head office from Sutton to central London to ensure we are closer to decision makers in our customer base. This move has enabled us to attract top talent into the organisation, whilst at the same time having to say farewell to a number of valued colleagues and has resulted in the elimination of significant head office costs. These savings have enabled us to invest in new systems and expertise, and to build additional capability in the countries in which we operate.

A key example of the impact of this investment is the support we have given to the Ukrainian Ministry of Health by procuring enough coronary stents for almost every one of the 25,000 Ukrainian citizens who need emergency cardiac treatment annually. This has helped to cut the mortality rate in supported health centres by 20% in one year. Crown Agents will continue to be at the heart of this interface, leapfrogging existing systems to deliver tangible solutions to international challenges.

Although difficult trading conditions have persisted into the first part of 2018, our cash position has enabled us to continue to invest in our business. In September 2018 we completed the disposal of our Sutton long lease, introducing further liquidity into our balance sheet. In addition, the recent change we put in place for the future indexation of Crown Agents pension benefits has seen a decrease in the Scheme deficit, which now stands at a level where we can realistically launch a long term funding recovery plan. This is a key element underpinning the long term success of our business.

Looking to the future

Our strategy has continued to evolve, as we target a smaller set of key markets and increasing the depth and breadth of our skill base in areas where we implement directly for national governments. Through nearly 200 years as a key partner of the UK Government, we have consistently worked to grow expertise and capacity through both good times and bad. As we increase focus on our longstanding international office network, we have recently introduced new Regional Director roles to address the needs of our clients more closely. Stronger skills in fund management, health supply chain, procurement and public sector transformation have in recent months led to significant contract wins in South Sudan, Zimbabwe, Ukraine, Ghana and Nigeria.

Alongside our geographical focus, Crown Agents has kept pace with changing technology to support our work. We are piloting the use of drones in Sierra Leone as part of our “last mile” supply chain capability, looking at the opportunities for blockchain in our procurement work, setting up new off-grid solar systems in Nigeria and Kenya, launching track-and-trace processes to fight against counterfeiting in the global pharmaceutical market, and created a mobile app to monitor health outcomes in Zimbabwe.



Paul Batchelor
Chair
27 September 2018

Strategic Report for the year ended 31 December 2017

The Council presents its strategic report on The Crown Agents Foundation (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2017.

Overview of performance

2017 was a challenging year for the sector, and Crown Agents' financial performance suffered as a result. Significant political disruption in the United Kingdom and United States amid a climate of increased scepticism and sometimes open hostility towards the mission of the development sector was tangibly felt, with a notable slowdown in the frequency and speed at which new contracts were awarded in both markets.

The Group's key financial performance metrics in relation to continuing operations during the year were as follows: -

	2017	2016	2015
	£'000	£'000	£'000
Turnover	76,817	88,476	79,981
Gross Profit	9,344	16,685	14,858
Gross Margin %	12%	19%	19%
EBITDA prior to exceptional items ¹	(9,327)	3	2,070
Loss for the financial year on continuing operations	(12,729)	(5,774)	(2,465)

Turnover decreased from £88.5m in 2016 to £76.8m in 2017, driven primarily by loss of revenue in the Supply Chain and Health businesses. A number of large Crown Agents projects ended in 2016, including the major DFID procurement framework for Africa, DFID health programmes in Sierra Leone and the large USAID SCMS programme. Although the Group invested heavily in winning new work, and has had some success as a result, the time from a request for proposal being issued by donors to revenue being generated, has been extended to unprecedented levels.

The impact on gross margin was significant, falling from £16.7m in 2016 to £9.3m in 2017. The poor gross margin percentage of 12% is the result of downward pressure on fee rates from donors, but also a result of the group retaining significant fixed costs of delivery. Procurement pipelines have been slow, but also unpredictable, making it difficult to adjust our cost base to anticipated work volumes. A similar pattern prevailed in the US market. Both our US and UK offices are continuing to reduce costs in 2018. We have noted heightened sale and merger activity in the sector, as well as restructuring, redundancies and high turnover in management positions at competitor organisations.

The Group is not reliant solely on work from DFID and USAID however, with over half of its revenues coming from other sources, including direct contracts with governments, such as our Ukraine Ministry of Health procurement work, or with other multilateral and philanthropic institutions, such as the EU, UN, CIFF and the Bill and Melinda Gates Foundation. To respond to the challenging sector environment the Group has increased its work-winning focus on countries where it has a strong track record of successful delivery, whether donor funded or direct to government. This strategy is starting to bear fruit with recent significant contract wins in South Sudan, Zimbabwe, Ukraine, Ghana and Nigeria among many others.

EBITDA before exceptional items was negative for the first time since 2014, at a loss of £9.3m in 2017. Although a clearly undesirable result, the Group is fortunate to have had cash available from the disposal of its financial services business in 2016 to weather this challenging year.

Administrative expenses before exceptional items and depreciation have risen in the year by £2.0m from £16.7m to £18.7m. The group has reduced employee costs by £5.3m from £26.3m in 2016 to £21.0m in 2017 (see note 5) and continues to do more to control costs. More staff time has been spent on bidding for and

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

winning new work which is accounted for in administrative expenses; a significant part of the rise is therefore a reallocation from cost of sales rather than any absolute increase.

Financial position

The group retains positive net current assets, and the net asset position of £14.7m includes £8.7m of fixed assets, however subsequent to the balance sheet date £4.9m of this was converted to cash following the sale of our long leasehold interest in St Nicholas House in Sutton. This provides the group with additional liquidity in 2018 to support the ongoing turnaround of the business's financial performance.

The single largest improvement in the financial position is the decrease in the pension deficit, and prior year restatement of this deficit. On 14th September 2018 the High Court made an order approving a compromise agreement between Crown Agents Limited, the pension scheme trustees and the representative beneficiary. This Court Order has the legal effect of all parties acknowledging that the Deed of Amendment dated 29 March 2011 amending the Crown Agents Superannuation Scheme had been entered into on a mistaken basis and is liable to be rescinded from inception, so that beneficiaries whose benefits are determined by the Definitive Trust Deed and Rules dated 4 October 2000 are (and have only ever been) entitled to indexation of their benefits only in accordance with that 2000 Deed & Rules.

The practical effect of this is that the Crown Agents Limited pension deficit as at 31 December 2017 should be calculated on the basis of CPI inflation assumptions, rather than RPI assumptions, and that the prior year accounts were prepared in error and should have been drawn up on the same basis.

As a result, the 31 December 2017 accounts include a prior year adjustment to restate the 31 December 2016 pension deficit onto a CPI basis, and also to show the 31 December 2017 on that basis. The impact of this change has been to reduce the pension deficit (net of deferred tax) at 31 December 2016 by £20.1m to £10.9m and this restatement has been disclosed in the 2017 accounts. As at 31 December 2017, the net pension deficit, calculated on the same CPI basis, is £3.7m.

The Consolidated Statements of Comprehensive Income, the Consolidated and Company Balance Sheets, and Consolidated and Company Statements of Changes in Equity for 2016 have been restated. Refer to note 15 for further details.

Events after the balance sheet date

On 13 April 2018 contracts were exchanged to sell the Long Leasehold interest in Saint Nicholas House, Sutton for £4.9m less expenses, and completion occurred on 10 September 2018. More information is provided in notes 8 and 21.

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) 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 with the establishment regional director roles and a focussed commercial team. Crown Agents uses its proven track record in delivering projects with existing partners and in established geographical regions to strengthen bid proposals in winning renewals or extensions of existing contracts.

Crown Agents reviews its pipeline of opportunities and contracted work on a monthly basis to assess future prospects and performance, further mitigating commercial risks.

(ii) Global, political and economic conditions

Crown Agents provides services in over 50 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.

(iii) 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, and has designated key client account managers.

(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 invest in its 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.

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) 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. The scheme is exposed to the risk of changes in interest rates, return on investments, inflation and increasing longevity of the members.

Increasing longevity and historically low discount rates (set with reference to the yields on high-quality corporate bonds) have increased the deficit significantly. In addition to correcting the indexation of future pension increases to CPI, working with the Trustee, the Group is also increasing the value of investment funds in liability driven investments, to further reduce the impact of volatility in the factors that determine the value of the pension liabilities.

(vii) Liquidity

The Group faces a liquidity risk if it has insufficient available cash to meet its obligations as they fall due. Contractual obligations for certain areas of the business often require significant outflows of funding before the Group is reimbursed. Crown Agents manages its liquidity risk through rigorous monthly cashflow forecasting and review of performance against budget, assignment of cash to segregated client accounts, credit control management of aging debtor balances.

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.

Approved by the Council on 27 September 2018 and signed by order of the Council on 27 September 2018 by:

A handwritten signature in black ink, appearing to read 'Paul A Batchelor'.

Paul A Batchelor
Chair
27 September 2018

Directors' Report for the year ended 31 December 2017

The Council present their Annual Report and the audited financial statements of The Crown Agents Foundation ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2017.

Council members

The Members of the Council and of the Foundation are listed on pages 1 and 2.

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 Board"). 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.

Research and development

No amounts were spent on research and development during the year (2016: nil).

Political donation and political expenditure

No donations were made during the year (2016: nil).

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 of Crown Agents Limited gives monthly 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, as well as a monthly newsletter.

A Staff Council exists 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 53% and 47% respectively.

Gender pay gap

Crown Agents are committed to eradicating the gender pay gap. Our latest UK figures indicate our mean hourly wage pay gap is now 16.5% - under the national average of 18.4% - and our median hourly wage gap is 22.7%.

We have fewer women in senior positions and highly compensated technical positions, which we continue to work hard to address.

Over the past six months we have already increased the number of female employees in our managerial, senior leadership and executive teams.

We have also improved the way we monitor and analyse our pay system, and report regularly to the board on the subject.

(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 Chair's Report on pages 3 to 4 and the Strategic Report on pages 5 to 8.

Financial risk management

Financial risk management is described on pages 60 to 61.

Independent auditors

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

Post Balance Sheet Events

Please refer to note 21 for further information.

Going Concern

Noting the net asset position at 31 December 2017 of £14.7m and the increase in liquidity achieved through the sale of SNH in September 2018, the net asset and net current asset position is forecast to remain positive for the foreseeable future.

The pension liability remains the most significant single creditor to the group, but with the compromise approved by the court on 14th September 2018, the deficit has been confirmed at a level that the Company will be able to fund through a long term scheme funding strategy.

Following the poor performance in 2017, with a loss at EBITDA before exceptional items of £9.3m, cost reductions on an annualised basis of £7.3m have been delivered or are in progress. In addition, a business winning strategy focussing on key geographies and governments has begun to show success, and the pipeline for the end of 2018 and 2019 is looking stronger than it has done for some time.

The directors have reviewed business forecasts and associated cash flows, which take into account the savings noted above and our recent win rate, as well as modelling a number of adverse scenarios, including if there was to be a significant decline in the rate of new work being won. The directors note that in these stress tested scenarios that available cash is still forecast to remain positive over a review period in excess of 12 months.

The directors have therefore concluded that the going concern assumption 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 financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 27 September 2018 and signed by order of the Council on 27 September 2018 by:



Paul A Batchelor
Chair
27 September 2018

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

Report on the audit of the financial statements

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 2017 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

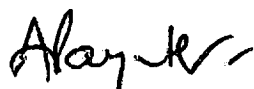
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

27th September 2018

Consolidated Income Statement for the year ended 31 December 2017

			2016		
	Notes	2017	Continuing Operations (restated*)	Discontinued Operations	Total (restated*)
		£'000	£'000	£'000	£'000
Turnover	1	76,817	88,476	2,303	90,779
Cost of sales		(67,473)	(71,791)	(102)	(71,893)
Gross profit		9,344	16,685	2,201	18,886
Administrative expenses before exceptional costs, depreciation and amortisation		(18,671)	(16,682)	(2,283)	(18,965)
EBITDA† prior to exceptional items		(9,327)	3	(82)	(79)
Exceptional income	2	1,868	-	-	-
Administrative expenses - exceptional items	2	(5,225)	(3,935)	-	(3,935)
EBITDA†		(12,684)	(3,932)	(82)	(4,014)
Depreciation and amortisation		(863)	(895)	(113)	(1,008)
Gain on disposal of fixed assets		24	48	-	48
Total administrative expenses		(22,867)	(21,464)	(2,396)	(23,860)
Operating loss	3	(13,523)	(4,779)	(195)	(4,974)
Share of operating profit of joint ventures and associates		-	13	-	13
Gain on disposal of subsidiary undertakings less costs to sell	2	1,000	-	1,012	1,012
Total operating (loss)/profit including share of joint ventures and associates		(12,523)	(4,766)	817	(3,949)
Net interest (payable)/receivable		(50)	17	-	17
Loss on derivative financial instrument		(1)	-	-	-
Other finance costs	4	(509)	(551)	-	(551)
(Loss)/profit before taxation		(13,083)	(5,300)	817	(4,483)
Tax on loss/profit	6	354	(474)	296	(178)
(Loss)/profit for the financial year		(12,729)	(5,774)	1,113	(4,661)
(Loss)/profit for the financial year attributable to members of the Group		(12,773)	(6,457)	1,113	(5,344)
Profit for the financial year attributable to minority interests		44	683	-	683
		(12,729)	(5,774)	1,113	(4,661)

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

*Refer to note 15 for details.

†EBITDA is an acronym for Earnings Before Interest, Tax, Depreciation and Amortisation, and is a useful measure for measuring the group's performance after eliminating financing costs and accounting adjustments such as depreciation.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

		2017	2016 (restated)*
	Note	£'000	£'000
Loss for the financial year		(12,729)	(4,661)
Other comprehensive (expense)/income:			
Exchange differences on translating foreign operations		(785)	960
Impairment of fixed assets		(149)	(745)
Actuarial gain recognised on defined benefit pension scheme	15	9,476	1,750
Deferred tax on actuarial gain recognised on defined benefit pension scheme	10	(1,756)	(357)
Other comprehensive income for the year, net of tax		<u>6,786</u>	<u>1,608</u>
Total comprehensive expense for the year		<u>(5,943)</u>	<u>(3,053)</u>
Total comprehensive expense for the financial year attributable to members of the Group		(5,911)	(3,736)
Total comprehensive (expense)/income for the financial year attributable to minority interests		<u>(32)</u>	<u>683</u>
		<u>(5,943)</u>	<u>(3,053)</u>

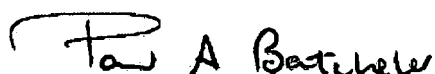
The notes on pages 22 to 61 form an integral part of these financial statements.

*Refer to note 15 for further details.

Consolidated Balance Sheet as at 31 December 2017

		2017		2016 (restated*)	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	7		854		992
Tangible assets	8		7,825		6,444
Investments in associated undertakings	9		57		72
			<u>8,736</u>		<u>7,508</u>
Current assets					
Debtors	10	34,047		30,066	
Cash at bank and in hand	11	55,849		63,084	
		<u>89,896</u>		<u>93,150</u>	
Creditors: Amounts falling due within one year	12	(77,939)		(68,966)	
Derivative financial instruments	13	(1)		-	
		<u>(77,940)</u>		<u>(68,966)</u>	
Net current assets			<u>11,956</u>		<u>24,184</u>
Total assets less current liabilities			<u>20,692</u>		<u>31,692</u>
Provisions for liabilities	14	(2,184)		(166)	
Net assets excluding pension liability			<u>18,508</u>		<u>31,526</u>
Net pension liability	15	(3,793)		(10,868)	
Net assets			<u>14,715</u>		<u>20,658</u>
Capital and reserves					
Called up share capital	16	2,000		2,000	
Revaluation reserve		-		149	
Capital reserve		6,020		6,020	
Profit and loss account		5,122		10,884	
Total Shareholders' deficit		<u>13,142</u>		<u>19,053</u>	
Minority Interest		1,573		1,605	
Capital employed			<u>14,715</u>		<u>20,658</u>

The financial statements on pages 14 to 21 were approved by the Council on 27 September 2018 and signed on its behalf on 27 September 2018 by:



Paul A Batchelor
Chair
27 September 2018

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

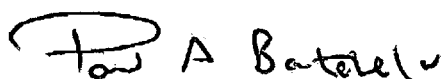
*Refer to note 15 for further details.

Company Balance Sheet as at 31 December 2017

Registration Number: 03259922

			2017	2016
	Note	£'000	£'000	£'000
Fixed assets				
Investments	9		<u>2,000</u>	<u>2,000</u>
Capital and reserves				
Capital reserve	16		<u>2,000</u>	<u>2,000</u>

The financial statements on pages 14 to 21 were approved by the Council on 27 September 2018 and signed on its behalf on 27 September 2018 by:



Paul A Batchelor
Chair
27 September 2018

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 2017

Group	Note	Called-up share capital	Revaluation reserve	Capital reserve	Profit and loss account	Shareholders' funds	Minority interest	Capital Employed
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2016 (before restatement)*		2,000	894	6,020	(4,691)	4,223	521	4,744
Restatement*		-	-	-	18,967	18,967	-	18,967
Balance as at 1 January 2016 (restated)*		2,000	894	6,020	14,276	23,190	521	23,711
(Loss)/profit for the financial year (restated*)		-	-	-	(5,344)	(5,344)	683	(4,661)
Foreign currency translation gain (restated*)		-	-	-	960	960	-	960
Actuarial gain on pension scheme (restated*)	15	-	-	-	1,750	1,750	-	1,750
Deferred tax relating to actuarial gain on pension scheme (restated*)	10	-	-	-	(357)	(357)	-	(357)
Impairment of property during the year		-	(745)	-	-	(745)	-	(745)
Transactions with the owners		-	-	-	(401)	(401)	401	-
Total comprehensive (expense)/income for the year (restated*)		-	(745)	-	(3,392)	(4,137)	1,084	(3,053)
Balance as at 31 December 2016 (restated*)		2,000	149	6,020	10,884	19,053	1,605	20,658
(Loss)/profit for the financial year		-	-	-	(12,773)	(12,773)	44	(12,729)
Foreign currency translation loss		-	-	-	(709)	(709)	(76)	(785)
Actuarial gain on pension scheme	15	-	-	-	9,476	9,476	-	9,476
Deferred tax relating to actuarial gain on pension scheme	10	-	-	-	(1,756)	(1,756)	-	(1,756)
Impairment of property during the year		-	(149)	-	-	(149)	-	(149)
Total comprehensive expense for the year		-	(149)	-	(5,762)	(5,911)	(32)	(5,943)
Balance as at 31 December 2017		2,000	-	6,020	5,122	13,142	1,573	14,715

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

*See note 15 for further details.

Company Statement of Changes in Equity for the year 31 December 2017

Company	Capital reserve
	£'000
Balance as at 1 January 2016	2,000
Result for the year	-
Total comprehensive income for the year	-
Balance as at 31 December 2016	2,000
Result for the financial year	-
Total comprehensive expense for the year	-
Balance as at 31 December 2017	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 2017

	Note	2017	2016
		£'000	£'000
Net cash (outflow)/inflow from operating activities		(4,315)	10,106
Taxation	6, 10, 12	282	(120)
Net cash (used in)/generated from operating activities		(4,033)	9,986
Cash flow from investing activities			
Interest received		50	46
Dividends received		-	26
Purchase of tangible fixed assets	8	(1,915)	(701)
Purchase of intangible fixed assets	7	(195)	(255)
Sale of tangible fixed assets		240	461
Net receipt from disposal of investments	2	1,000	3,464
Net cash (used in)/generated from investing activities		(820)	3,041
Cash flow from financing activities			
Interest paid		(100)	(29)
Net cash used in financing activities		(100)	(29)
Net (decrease)/increase in cash and cash equivalents		(4,953)	12,998
Cash and cash equivalents at the beginning of the year		60,657	47,710
Exchange losses on cash and cash equivalents		(1,863)	(51)
Cash and cash equivalents at the end of the year		53,841	60,657
Cash and cash equivalents consists of:			
Cash at bank and in hand	11	55,849	63,084
Bank overdrafts	12	(2,008)	(2,427)
		53,841	60,657

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

Net cash inflow from operating activities

		2017	2016
			(restated*)
	Note	£'000	£'000
Loss for the financial year		(12,729)	(4,661)
Tax (credit)/charge	6	(354)	178
Foreign currency translation		523	1,316
Depreciation, amortisation and impairment charges	7, 8	1,059	1,009
Profit on disposal of fixed assets		(24)	(48)
Profit on disposal of investments	2	(1,000)	(1,012)
Increase in debtors	10	(3,856)	(3,156)
Increase in creditors	12	9,339	16,580
Increase/(decrease) in provisions	14	2,018	(521)
Difference between defined benefit pension charge and cash contributions	10, 15	136	809
Net interest payable/(receivable)		50	(926)
Other finance costs		509	551
Share of operating loss/(profit) of joint ventures and associates		14	(13)
Net cash (outflow)/inflow from operating activities		(4,315)	10,106

*See note 15 for further detail

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

These consolidated and separate financial statements are prepared on a going concern basis, 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.

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

b) Going concern

The Group meets its day-to-day working capital requirements through its cash reserves and bank facilities. After making enquiries, the directors have considered the financial position of the Group, including the net current asset position and estimated future cash flows and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and will be able to meet its obligations as they fall due. Accordingly, the financial statements have been prepared on the going concern basis. Further disclosure is provided in the Directors' Report.

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 preparing a statement of cash flows, on the basis that the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;

- II. from the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.42, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, as the information is provided in the consolidated financial statement disclosures;
- III. from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period; and
- IV. disclosure of related party transactions with and between wholly-owned subsidiaries.

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 2017.

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. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

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.

The Company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

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

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

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

(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

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.

(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.

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.

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.

(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

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

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.

l) 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

m) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

n) 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.

o) 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.

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.

p) Investments

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. 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.

q) 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. Restricted cash amounts are kept in segregated accounts and disclosed in the notes to the financial statements.

r) 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.

(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 16 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.

s) Provisions

i) Provisions

Provisions are recognised when the Company has a present legal or constructive 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

t) 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.

u) Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

v) Critical accounting judgements and 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.

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.

Judgement and key sources of estimation uncertainty

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 15.

(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. Refer also to accounting policy above.

1 Turnover

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

	2017	2016
	%	%
Continuing Operations		
Africa	60	49
Europe and the Middle East	14	22
Asia and the Pacific	7	9
Caribbean, Atlantic and the Americas	19	20
	<u>100</u>	<u>100</u>

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

	2017	2016
	£'000	£'000
Continuing operations		
Supply Chain	30,717	35,318
Humanitarian and Stabilisation	19,252	16,883
Health	11,123	19,995
Training and Professional Development	2,390	2,372
Governance and Economic Growth	11,952	12,516
Other turnover	1,383	1,392
	<u>76,817</u>	<u>88,476</u>
	2017	2016
	£'000	£'000
Discontinued operations		
Financial Services	-	2,303
Total	<u>76,817</u>	<u>90,779</u>

2 Exceptional items

	2017	2016
	£'000	£'000
Exceptional income:		
NICRA income	1,868	-
	<u>1,868</u>	<u>-</u>
Exceptional expense:		
Pension – professional fees	(2,024)	-
Office move	(1,101)	-
Restructuring costs	-	(2,910)
Loss on contract	-	(1,025)
Provision for onerous lease	(2,100)	-
	<u>(5,225)</u>	<u>(3,935)</u>
Total Charge recognised in arriving at operating loss	<u>(3,357)</u>	<u>(3,935)</u>
Recognised below operating profit		
Profit on disposal of discontinued operations less costs to sell	1,000	1,012
	<u>(2,357)</u>	<u>(2,923)</u>

NICRA income

NICRA income relates to balances received from USAID during the year for the settlement of an historic under-recovery of overheads in previous years. Due to the size and one off nature of the income this has been deemed to be exceptional.

Pension - professional fees

During the year, the Group incurred costs in advancing its case in respect of the CASS pension scheme indexation. Due to the size and non-recurring nature of the expense, these costs are deemed to be exceptional and non-recurring.

Office Move

During the year, the Group incurred non-recurring costs in moving from its Sutton office, including a write down against the value of the building arising at year end as a result of its post year end disposal.

Restructuring costs

During the prior 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 were reshaped, with a focus on our five pillars of strength in delivery. During the prior year costs of £2.9m were incurred, including compensation paid to employees, professional fees and related consultancy costs, and have been classified as exceptional.

Loss on contract

During the prior year a major contract in the final stages of delivery ran into difficulties. The Group incurred significant additional costs to meet client demands, however the outcome remains in dispute and full recovery of the project revenues remains in doubt. Due to the size of the loss, its non-recurring nature, and the impact on 2016 trading results, the cost was classified as exceptional in the prior year.

Provision for onerous lease

During the year, it was determined that a lease held by the USA subsidiary, Crown Agents USA Inc, was for floorspace in excess of the commercial requirements of the company and therefore the Group has raised an onerous lease provision in respect of the remaining lease payments less mitigating cash inflows. Further disclosure is presented in note 14.

Profit on disposal of discontinued operations less costs to sell

During 2015 the Foundation 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. A post-sale £1.0m consideration became 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.

3 Operating loss

Operating loss is stated after charging/(crediting):

	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000
2017			
Depreciation	530	-	530
Amortisation of intangible assets	333	-	333
Operating lease charges	2,202	-	2,202
Gain on disposal of tangible fixed assets	(24)	-	(24)
Foreign currency losses	523	-	523

2016

Depreciation	478	34	512
Amortisation of intangible assets	417	79	496
Operating lease charges	1,547	9	1,556
Gain on sale of tangible fixed assets	(48)	-	(48)
Foreign currency losses/(gains)	1,323	(8)	1,315

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:

	2017	2016
	£'000	£'000
Fees payable to the Company's auditors and its associates for the audit of the Company and consolidated financial statements	185	151
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries' annual financial statements	15	16
Tax compliance services	-	11
Pension advisory services	1,756	400
Other non-audit services	14	24
	<u>1,970</u>	<u>602</u>

4 Other finance costs

	2017	2016 (restated)
	£'000	£'000
Pension scheme (see note 15)		
Interest cost	6,573	8,688
Expected return on scheme assets	(6,064)	(8,137)
	<u>509</u>	<u>551</u>

5 Particulars of employees and directors

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
2017	No.	No.	No.
Operations	273	-	273
Administration	82	-	82
	355	-	355

2016			
Operations	434	55	489
Administration	108	14	122
	542	69	611

	Continuing Operations	Discontinued Operations	Total
2017	£'000	£'000	£'000
Wages and salaries	17,670	-	17,670
Social security costs	1,481	-	1,481
Other pension costs	1,611	-	1,611
Termination payments	332	-	332
	21,094	-	21,094

2016			
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

Directors' remuneration

No directors received any remuneration in respect of services to the Company (2016: Nil).

6 Income tax

a) Tax included in loss

	2017 £'000	2016 £'000
Current Tax		
Corporation tax charge at 19.25% (2016: 20.0%)	-	104
Adjustments in respect of prior years	-	-
UK Corporation tax charge	-	104
Foreign Tax		
Corporation tax (credit)/charge	(179)	246
Adjustment in respect of prior years	-	-
Foreign tax (credit)/charge	(179)	246
Total current tax (credit)/charge	(179)	350
Deferred Tax		
Origination and reversal of timing differences	(21)	(33)
Deferred tax adjustment relating to previous years	38	37
Pension cost relief less pension cost charge	(192)	(349)
Prior year restatement	-	173
Total deferred tax credit	(175)	(172)
Total tax (credit)/charge on loss on ordinary activities	(354)	178

b) Reconciliation of tax credit

Factors affecting current tax credit for the year:

- Tax on loss on ordinary activities for the year is lower (2016: higher) than the standard rate of corporate tax in the UK of 19.25% (2016: 20%).

The differences are reconciled below:

	2017	2016 (restated)
	£'000	£'000
Loss on ordinary activities before tax	(13,083)	(4,483)
UK Corporation tax at standard rate 19.25% (2016: 20%)	(2,518)	(897)
Capital allowances in excess of/(less than) depreciation	89	(16)
Pension contribution relief less pension cost charge	(192)	(15)
Other timing differences	116	92
Expenses not deductible for tax purposes	431	(30)
Income not subject to tax	(197)	(292)
Adjustment in respect of foreign tax rates	44	33
Adjustments in respect of prior years	(235)	125
Adjustments due to unrelieved losses	2,108	1,005
Prior year restatement	-	173
Total tax (credit)/charge	(354)	178

At the balance sheet date, the Finance Act 2016 had been enacted confirming that the main UK corporation tax rate reduced from the current rate of 20% to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020. At 31 December 2017, 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.

7 Intangible assets

Group

	Software
	£'000
Cost	
At 1 January 2017	2,899
Additions	195
At 31 December 2017	<u>3,094</u>
Accumulated Amortisation	
At 1 January 2017	1,907
Charge for the year	333
At 31 December 2017	<u>2,240</u>
Net book value	
At 31 December 2017	<u>854</u>
At 31 December 2016	<u>992</u>

8 Tangible assets

Group

	Long Leasehold land & buildings	Motor vehicles, fixtures & fittings	Computer equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2017	5,438	2,661	4,547	12,646
Foreign exchange	(2)	(21)	(4)	(27)
Additions	-	1,490	425	1,915
Impairment	(344)	-	-	(344)
Disposals	(196)	(42)	(23)	(261)
At 31 December 2017	4,896	4,088	4,945	13,929
Accumulated Depreciation				
At 1 January 2017	54	2,092	4,056	6,202
Foreign exchange	(41)	(414)	(128)	(583)
Charge for the year	5	206	319	530
Eliminated on disposals	-	(25)	(20)	(45)
At 31 December 2017	18	1,859	4,227	6,104
Net Book Value				
At 31 December 2017	4,878	2,229	718	7,825
At 31 December 2016	5,384	569	491	6,444

Revaluations

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

The long leasehold interest in the Company's head office, St Nicholas House (SNH), in Sutton, 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 Company 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.

On 10 September 2018, the Company completed a sale of SNH. The fair value less costs to sell of the building was £4.9m, and an additional impairment charge of £0.1m was recognised in the property revaluation reserve and £0.2m through the P&L, reducing the carrying value of the asset to £4.9m.

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. In 2017 the building was sold for £200,000. The carrying value of the building was reduced to £200,000 at the prior year balance sheet date with an impairment charge through the revaluation reserve.

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

	2017	2016
	£'000	£'000
Cost at 1 January and 31 December	7,113	7,113
Accumulated depreciation	(2,197)	(2,055)
Net book value at 31 December	<u>4,916</u>	<u>5,058</u>

9 Investments held as fixed assets

Group	Interest in associates	
	2017	2016
	£'000	£'000
Cost		
At 1 January and at 31 December	38	38
Share of post-acquisition (losses)/profits		
At 1 January	(8)	5
Dividend received	-	(26)
Share of current year results	4	20
Share of taxation	(3)	(7)
At 31 December	<u>(7)</u>	<u>(8)</u>
Net book value		
At 31 December	<u>31</u>	<u>30</u>

	Interest in Joint Ventures	
	2017	2016
	£'000	£'000
Cost		
At 1 January and 31 December	<u>13</u>	<u>13</u>
Share of post-acquisition profits		
At 1 January	29	29
Share of current year results	(16)	-
At 31 December	<u>13</u>	<u>29</u>
Net book value		
At 31 December	<u>26</u>	<u>42</u>
Total		
At 31 December	<u>57</u>	<u>72</u>

Company	Investments in Group undertakings	
	2017	2016
	£'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 2017	<u>2,000</u>	<u>2,000</u>
At 31 December 2016	<u>2,000</u>	<u>2,000</u>

Investments in Group undertakings held for sale

	2017	2016
	£'000	£'000
Cost		
At 1 January	-	8,600
Disposals	<u>-</u>	<u>(8,600)</u>
At 31 December	<u>-</u>	<u>-</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

	2017	2016
	£'000	£'000
Cost and net book value		
At 1 January	91	91
Additions	<u>11</u>	<u>-</u>
31 December	<u>102</u>	<u>91</u>

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Subsidiary and associated undertakings

Subsidiaries	Main business	Country of registration or incorporation	% of shares held	Registered Address
Crown Agents Limited	Procurement & consultancy	England	100	Blue Fin Building, 110 Southwark Street, London, SE1 0SU
Crown Agents USA Inc. ¹	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 ¹	Supplies services	England	100	Blue Fin Building, 110 Southwark Street, London, SE1 0SU
Greenshields, Cowie & Co Ltd ¹	Cargo movement	England	100	Blue Fin Building, 110 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 ¹	Procurement & consultancy	Kenya	100	Applewood Park, Suite 108, Off Wood Avenue, Kilimani, Nairobi, Kenya
Crown Agents Uganda Ltd ¹	Procurement & consultancy	Uganda	100	Plot 4A, Katali Rise, Naguru, Kampala, Uganda
Crown Agents Ghana Ltd ¹	Procurement & consultancy	Ghana	100	6th Floor, Premier Towers, Pension Road, Accra, Ghana
Crown Agents (India) Pvt Ltd ¹	Procurement & consultancy	India	100	405, International Trade Tower, New Delhi 110 019, India
Crown Agents Japan Ltd ¹	Procurement & consultancy	Japan	100	Yasukuni Kudan Minami Building 4F, 2-3-14 Kudanminami, Chiyoda-ku, Tokyo 102-0074, Japan
Four Millbank Holdings Ltd ¹	Dormant holding company	England	100	Blue Fin Building, 110 Southwark Street, London, SE1 0SU
Four Millbank Nominees Ltd ¹	Dormant nominee company	England	100	Blue Fin Building, 110 Southwark Street, London, SE1 0SU
Great Peter Nominees Ltd ¹	Dormant nominee company	England	100	Blue Fin Building, 110 Southwark Street, London, SE1 0SU
Crown Agents Nigeria Ltd ¹	Procurement & consultancy	Nigeria	100	No. 44 Durban Street, Wuse II, Abuja FCT, Nigeria
Crown Agents Zimbabwe Ltd ^{1,2}	Procurement & consultancy	Zimbabwe	49	Standards Association Building, Northend Close, Northridge Park, Borrowdale, Harare, Zimbabwe
CAIPA Ltd ¹	Procurement & consultancy	England	65	Blue Fin Building, 110 Southwark Street, London, SE1 0SU
Associates and Joint Ventures				
CA International Trade and Logistics Inc. ¹	International Trade	Turkey	50	Gazi Mahallesi, 2. Cadde Bulvar, Apr. 1-2, Yenisehir Mersin.
PTG Statesman Travel Ltd ¹	Travel services	England	50	Blue Fin Building, 110 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 holding

² The shareholding of Crown Agents Zimbabwe Limited was reduced to 49% following the distribution and allotment of new shares for a nominal amount in previous years. 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.

10 Debtors

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade Debtors	12,189	14,603	-	-
Amounts owed by Group undertakings	-	-	-	-
Other debtors	4,894	1,020	-	-
Corporation tax recoverable	-	-	-	-
Deferred tax	892	767	-	-
Prepayments and accrued income	16,072	13,676	-	-
	<u>34,047</u>	<u>30,066</u>	<u>-</u>	<u>-</u>

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

The amount of the net reversal of deferred tax expected to occur next year is nil (2016: £nil).

	2017	2016
	£'000	£'000
Deferred tax asset		
Accelerated capital allowances	677	561
Other timing differences	215	206
Total deferred tax asset	<u>892</u>	<u>767</u>

At 1 January	767	611
Deferred tax credit/(charge) in consolidated income statement	129	(5)
Elimination of deferred tax liabilities on disposal of subsidiaries	(4)	161
At 31 December	<u>892</u>	<u>767</u>

	2017	2016
	£'000	(restated) £'000
Pension Scheme Deferred tax asset		
At 1 January	2,549	7,651
Restatement	-	(4,921)
At 1 January (restated)	2,549	2,730
Deferred tax credit in consolidated income statement	97	176
Deferred tax credited/(charged) to the consolidated statement of comprehensive income:	-	-
- on actuarial gain	(1,756)	(357)
At 31 December	<u>890</u>	<u>2,549</u>

11 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.

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Cash and bank balances	55,849	63,084	-	-
	<u>55,849</u>	<u>63,084</u>	<u>-</u>	<u>-</u>

Restricted cash:

The Group has certain cash balances that are restricted, being monies held either in segregated supplier accounts or amounts held where the Group acts as an agent to another party.

As at 31 December 2017, £40.5m (2016: £44.8m) was held in segregated supplier accounts.

12 Creditors: Amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Third party bank overdrafts	2,008	2,427	-	-
Trade creditors	11,484	3,475	-	-
Other creditors	51,011	49,565	-	-
Taxation and social security	64	695	-	-
Accruals and deferred income	13,372	12,804	-	-
	<u>77,939</u>	<u>68,966</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 2017, £29.4m (2016: £33.0m) was received from the Ukrainian Ministry of Health as an advance payment to facilitate the procurement of medical goods and equipment. £28.6m remained unutilised at the balance sheet date (2016: £33.0m) and is included in other creditors. The 2016 advance payment had £11.9m payable as at 31 December 2017.

13 Financial Instruments by category

Group

The Group has the following financial instruments:

Financial assets	Note	Assets at FVTPL¹ £'000	Financial assets at amortised cost £'000	Total £'000
2017				
Trade debtors	10	-	12,189	12,189
Other debtors	10	-	4,894	4,894
Cash and cash equivalents	11	-	55,849	55,849
		-	72,832	72,932
2016				
Trade debtors	10	-	14,603	14,603
Other debtors	10	-	1,020	1,020
Cash and cash equivalents	11	-	63,084	63,084
		-	78,707	78,707

Financial liabilities	Note	Liabilities at FVTPL¹ £'000	Financial liabilities at amortised cost £'000	Total £'000
2017				
Third party bank overdrafts	12	-	2,008	2,008
Trade creditors	12	-	11,484	11,484
Derivative financial instruments		1	-	1
Other creditors	12	-	51,011	51,011
		1	64,503	64,504
2016				
Third party bank overdrafts	12	-	2,427	2,427
Trade creditors	12	-	3,475	3,475
Derivative financial instruments		-	-	-
Other creditors	12	-	49,565	49,565
		-	55,467	55,467

¹ FVTPL – Fair value through profit or loss

Company

All financial instruments held by the Company as at 31 December 2017 and 31 December 2016 are at amortised cost.

14 Provisions for liabilities

Group	Onerous lease	Dilapidation Provision	Restructuring and Legal Provisions	Total
	£'000	£'000	£'000	£'000
At 1 January 2017	-	-	166	166
Utilised during the year	-	-	(83)	(83)
Charged/(credited) to the consolidated income statement	2,100	34	(33)	2,101
At 31 December 2017	2,100	34	50	2,184

i) Dilapidation provision

At 31 December 2017, a £34,000 provision was charged to the income statement being the expected cost to the Group to cover estimated dilapidations for an existing short leasehold property in the United Kingdom.

ii) Restructuring and legal provisions

During 2017 £83,000 of the restructuring and legal provisions were utilised and £33,000 was released and credited to the income statement.

iii) Onerous lease provision

During the year, it was determined that a lease held by the USA subsidiary, Crown Agents USA Inc, was for floorspace in excess of the commercial requirements of the company and therefore the Group has raised an onerous lease provision in respect of the remaining lease payments less mitigating cash inflows.

15 Post-employment benefits

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 Aviva (formerly Friends Life). CASS I was closed to new members in 1979. CASS II was closed to new members in 2006 and closed to future accrual on 30 April 2015. All members were moved to a group personal pension plan at that time.

The last full triennial valuation of the scheme was carried out at 31 March 2014. As at 31 March 2014, 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, corresponding to a surplus of £2.2 million.

£458,000 (2016: £118,000) was paid by the employer by way of contributions during the year and £691,000 (2016: £367,000) in payment of expenses. No contributions were payable to the pension scheme at the end of the year (2016: £23,000).

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. £1,377,000 (2016: £1,742,000) 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 (2016: £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.

Further to the pension compromise agreement and Court Order made on 14th September 2018, the CASS scheme valuation under FRS 102 has been corrected so that indexation is based on Consumer Price Index (CPI) rather than Retail Price Index (RPI). This resulted in a prior period restatement for the year ended 31 December 2016, the impact of which is considered in more detail below.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

2017	CASS I	CASS II	Combined
	£'000	£'000	£'000
Fair value of scheme assets	62,578	181,074	243,652
Present value of scheme liabilities	(43,010)	(205,325)	(248,335)
	19,568	(24,251)	(4,683)
Deferred tax (liability)/asset	(3,718)	4,608	890
Net asset/(liability) in the balance sheet	15,850	(19,643)	(3,793)

2016 (restated)	CASS I	CASS II	Combined
	£'000	£'000	£'000
Fair value of scheme assets	63,531	174,118	237,649
Present value of scheme liabilities	(44,642)	(206,424)	(251,066)
	18,889	(32,306)	(13,417)
Deferred tax (liability)/asset	(3,589)	6,138	2,549
Net asset/(liability) in the balance sheet	15,300	(26,168)	(10,868)

Scheme assets

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

	CASS I £'000	CASS II £'000	Combined £'000
1 January 2017	63,531	174,118	237,649
Benefits paid	(4,015)	(7,264)	(11,279)
Interest income	1,290	4,774	6,064
Return on plan assets less interest income	2,005	9,446	11,451
Employer contributions	-	458	458
Contributions by scheme participants	-	-	-
Administration costs	(233)	(458)	(691)
31 December 2017	62,578	181,074	243,652

Analysis of assets

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

2017	CASS I %	CASS II %	Combined %
Equity instruments	-	55.35	41.14
Debt instruments	26.25	24.37	24.85
Property	-	6.40	4.76
Cash	1.05	13.88	10.58
Other assets	72.70	-	18.67
Total	100.00	100.00	100.00

2016 (restated)	CASS I %	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

Actual return on scheme's assets	CASS I £'000	CASS II £'000	Combined £'000
2017	3,295	14,220	17,515
2016	6,920	22,377	29,297

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

Scheme liabilities

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

	CASS I	CASS II	Combined
	£'000	£'000	£'000
1 January 2017 (prior to restatement)	47,096	228,772	275,868
Restatement	(2,454)	(22,348)	(24,802)
1 January 2017 (restated)	44,642	206,424	251,066
Interest cost	895	5,678	6,573
Benefits paid	(4,015)	(7,264)	(11,279)
Experience loss/(gain) on defined benefit obligation	2,852	(3,221)	(369)
Changes to demographic assumptions	(1,290)	(1,154)	(2,444)
Changes to financial assumptions	(74)	4,862	4,788
31 December 2017	43,010	205,325	248,335

Principal actuarial assumptions

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

2017	CASS I	CASS II
	%	%
Discount rate	2.20	2.60
Inflation (RPI)	3.10	3.15
Inflation (CPI)	2.30	2.30
Increases to pension in payment (non GMP) to 31 March 2019	3.00	-
Increases to pension in payment (non GMP) from 1 April 2019	2.25	-
Increases to pension in payment in excess of GMP to 31 March 2019	-	2.95
Increases to pension in payment in excess of GMP from 1 April 2019	-	2.25
2016 (restated)	CASS I	CASS II
	%	%
Discount rate	2.10	2.80
Future pension increases	2.90	3.00
Inflation (RPI)	3.00	3.15
Inflation (CPI)	2.20	2.35
Increases to pension in payment (non GMP) to 31 March 2019	2.90	-
Increases to pension in payment (non GMP) from 1 April 2019	2.15	-
Increases to pension in payment in excess of GMP to 31 March 2019	-	3.00
Increases to pension in payment in excess of GMP from 1 April 2019	-	2.30

Post retirement mortality assumptions

	2017	2017	2016	2016
	CASS I	CASS II	CASS I	CASS II
	Years	Years	Years	Years
Male currently aged 45	22.7	23.2	23.0	23.1
Female currently aged 45	25.1	25.3	25.1	25.1
Male currently aged 65	21.6	22.1	21.9	22.0
Female currently aged 65	23.9	24.1	23.9	24.0

Amounts recognised in the consolidated income statement

2017	CASS I	CASS II	Combined
	£'000	£'000	£'000
Amounts recognised in operating loss			
Administration costs	233	458	691
Recognised in arriving at operating loss	233	458	691
Amounts recognised in other finance costs			
Interest cost	895	5,678	6,573
Interest on assets	(1,290)	(4,774)	(6,064)
Recognised in other finance costs	(395)	904	509
Total (credit)/charge recognised in the consolidated income statement	(162)	1,362	1,200

2016 (restated)	CASS I	CASS II	Combined
	£'000	£'000	£'000
Amounts recognised in operating profit			
Current service cost	-	-	-
Administration costs	249	118	367
Recognised in arriving at operating profit	<u>249</u>	<u>118</u>	<u>367</u>
Amounts recognised in other finance costs			
Interest cost	1,597	7,091	8,688
Interest on assets	(2,238)	(5,899)	(8,137)
Recognised in other finance costs	<u>(641)</u>	<u>1,192</u>	<u>551</u>
Total (credit)/charge recognised in the consolidated income statement	<u><u>(392)</u></u>	<u><u>1,310</u></u>	<u><u>918</u></u>

Amounts recognised in the consolidated statement of comprehensive income

2017	CASS I	CASS II	Combined
	£'000	£'000	£'000
Actual return less expected return on scheme assets	2,005	9,446	11,451
Changes in financial assumptions	74	(4,862)	(4,788)
Changes in demographic assumptions	1,290	1,154	2,444
Other actuarial (losses)/gains	<u>(2,852)</u>	<u>3,221</u>	<u>369</u>
Actuarial gains recognised in the consolidated statement of comprehensive income	<u><u>517</u></u>	<u><u>8,959</u></u>	<u><u>9,476</u></u>

2016 (restated)	CASS I	CASS II	Combined
	£'000	£'000	£'000
Actual return less expected return on scheme assets	4,682	16,478	21,160
Changes in financial assumptions	(6,801)	(36,766)	(43,567)
Changes in demographic assumptions	3,176	18,702	21,878
Other actuarial gains	<u>455</u>	<u>1,824</u>	<u>2,279</u>
Actuarial gains recognised in the consolidated statement of comprehensive income	<u><u>1,512</u></u>	<u><u>238</u></u>	<u><u>1,750</u></u>

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous year are as follows:

	CASS I	CASS II	Total
	£'000	£'000	£'000
2017			
Fair value of scheme assets	62,578	181,074	243,652
Present value of scheme liabilities	<u>(43,010)</u>	<u>(205,325)</u>	<u>(248,335)</u>
Surplus/(deficit) in scheme	<u><u>19,568</u></u>	<u><u>(24,251)</u></u>	<u><u>(4,683)</u></u>

	CASS I	CASS II	Total
2016 (restated)	£'000	£'000	£'000
Fair value of scheme assets	63,531	174,118	237,649
Present value of scheme liabilities	(44,642)	(206,424)	(251,066)
Surplus/(deficit) in scheme	18,889	(32,306)	(13,417)

Experience adjustments:

	CASS I	CASS II	Total
2017	£'000	£'000	£'000
Gain on plan assets less interest	2,005	9,446	11,451
Experience (loss)/gain on defined benefit obligation	(2,852)	3,221	369

2016 (restated)			
Gain on plan assets less interest	4,682	16,478	21,160
Experience gain on defined benefit obligation	455	1,824	2,279

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 table below indicates the approximate sensitivities of CASS II to changes in the main assumptions, with each change considered in isolation.

Adjustment to financial assumptions	Approximate effects on liabilities
<u>Discount rate</u>	
Plus 0.1%	(£3.4m)
Minus 0.1%	£3.4m
<u>Inflation</u>	
Plus 0.1%	£3.1m
Minus 0.1%	(£3.0m)
<u>Adjustments to financial assumptions</u>	<u>Approximate effects on liabilities</u>
<u>Life expectancy</u>	
Plus ~ 1 year	£6.9m
Minus ~ 1 year	(£6.9m)

Restatement due to pension adjustments:

On 14th September 2018 the High Court issued an order approving a compromise agreement between Crown Agents Limited, the pension scheme trustees and the representative beneficiary. This Court order has the legal effect of all parties acknowledging that the Deed of Amendment dated 29 March 2011 amending the Crown Agents Superannuation Scheme had been entered into on a mistaken basis and is liable to be rescinded from inception, so that beneficiaries whose benefits are determined by the Definitive Trust Deed and Rules dated 4 October 2000 are (and have only ever been) entitled to indexation of their benefits only in accordance with that 2000 Deed & Rules.

The practical effect of this is that the Crown Agents Limited pension deficit as at 31 December 2017 should be calculated on the basis of CPI inflation assumptions, rather than RPI assumptions, and that the prior year accounts were prepared in error and should have been drawn up on the same basis.

As a result, the 31 December 2017 accounts include a prior year adjustment to restate the 31 December 2016 pension deficit onto a CPI basis, and also to show the 31 December 2017 on that basis. The impact of this change has been to reduce the pension deficit (net of deferred tax) at 31 December 2016 by £20.1m to £10.9m and this restatement has been disclosed in the 2017 accounts. As at 31 December 2017, the net pension deficit, calculated on the same CPI basis, is £3.7m.

The Consolidated Statements of Comprehensive Income, the Consolidated and Company Balance Sheets, and Consolidated and Company Statements of Changes in Equity for 2016 have been restated

The effect of this change is shown below. Note that only continuing operations were affected, and so only the total figures are presented.

Consolidated Income Statement for the year ended 31 December 2016

	2016		
	Statements as filed	Adjustments required	Adjusted Statements
	£'000	£'000	£'000
Turnover	90,779	-	90,779
Cost of sales	(71,893)	-	(71,893)
Gross profit	18,886	-	18,886
Administrative expenses before exceptional costs, depreciation and amortisation	(18,965)	-	(18,965)
EBITDA* prior to exceptional items	(79)	-	(79)
Exceptional income	-	-	-
Administrative expenses - exceptional items	(3,935)	-	(3,935)
EBITDA†	(4,014)	-	(4,014)
Depreciation and amortisation	(1,008)	-	(1,008)
Gain on disposal of fixed assets	48	-	48
Total administrative expenses	(23,860)	-	(23,860)
Operating loss	(4,974)	-	(4,974)
Share of operating profit of joint ventures and associates	13	-	13
Gain on disposal of subsidiary undertakings less costs to sell	1,012	-	1,012
Total operating loss including share of joint ventures and associates	(3,949)	-	(3,949)
Net interest payable	17	-	17
Other finance costs	(1,460)	909	(551)
Loss before taxation	(5,392)	909	(4,483)
Tax on loss	(5)	(173)	(178)
Loss for the financial year	(5,397)	736	(4,661)
Loss for the financial year attributable to members of the Group	(6,080)	736	(5,344)
Profit for the financial year attributable to minority interests	683	-	683
	(5,397)	736	(4,661)

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

		2016	
	Statements as filed	Adjustments required	Adjusted Statements
	£'000		£'000
Loss for the financial year	(5,397)	736	(4,661)
Other comprehensive (expenses)/income:			
Exchange differences on translating foreign operations	960	-	960
Impairment of fixed assets	(745)	-	(745)
Actuarial gain recognised on defined benefit pension scheme	1,745	5	1,750
Deferred tax on actuarial gain recognised on defined benefit pension scheme	(738)	381	(357)
Other comprehensive income for the year, net of tax	1,608	386	1,608
Total comprehensive expense for the year	(4,175)	1,122	(3,053)
Total comprehensive expense for the financial year attributable to members of the Group	(4,858)	1,122	(3,736)
Total comprehensive income for the financial year attributable to minority interests	683	-	683
	(4,175)	1,122	(3,053)

Consolidated Balance Sheet as at 31 December 2016

	2016		
	Statements as filed £'000	Adjustments required £'000	Adjusted Statements £'000
Fixed assets			
Intangible assets	992	-	992
Tangible assets	6,444	-	6,444
Investments in associated undertakings	72	-	72
	<u>7,508</u>	<u>-</u>	<u>7,508</u>
Current assets			
Debtors	30,066	-	30,066
Cash at bank and in hand	63,084	-	63,084
	<u>93,150</u>	<u>-</u>	<u>93,150</u>
Creditors: Amounts falling due within one year	(68,966)	-	(68,966)
Derivative financial instruments	-	-	-
	<u>(68,966)</u>	<u>-</u>	<u>(68,966)</u>
Net current assets	<u>24,184</u>	<u>-</u>	<u>24,184</u>
Total assets less current liabilities	<u>31,692</u>	<u>-</u>	<u>31,692</u>
Provisions for liabilities	(166)	-	(166)
Net assets excluding pension liability	<u>31,526</u>	<u>-</u>	<u>31,526</u>
Net pension liability	(30,957)	20,089	(10,868)
Net assets	<u>569</u>	<u>20,089</u>	<u>20,658</u>
Capital and reserves			
Called up share capital	2,000	-	2,000
Revaluation reserve	149	-	149
Capital reserve	6,020	-	6,020
Profit and loss account	(9,205)	20,089	10,884
Total Shareholders' (deficit)/funds	<u>(1,036)</u>	<u>20,089</u>	<u>19,053</u>
Minority Interest	<u>1,605</u>	<u>-</u>	<u>1,605</u>
Capital employed	<u>569</u>	<u>20,089</u>	<u>20,658</u>

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

As filed

	Called-up share capital	Revaluation reserve	Capital reserve	Profit and loss account	Shareholders' funds/(deficit)	Minority interest	Capital Employed
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2016	2,000	894	6,020	(4,691)	4,223	521	4,744
(Loss)/profit for the financial year	-	-	-	(6,080)	(6,080)	683	(5,397)
Foreign currency translation gain	-	-	-	960	960	-	960
Actuarial gain on pension scheme	-	-	-	1,745	1,745	-	1,745
Deferred tax relating to actuarial gain on pension scheme	-	-	-	(738)	(738)	-	(738)
Impairment of property during the year	-	(745)	-	-	(745)	-	(745)
Transactions with the owners	-	-	-	(401)	(401)	401	-
Total comprehensive (expense)/income for the year	-	(745)	-	(4,514)	(5,259)	1,084	(4,175)
Balance as at 31 December 2016	2,000	149	6,020	(9,205)	(1,036)	1,605	569

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

Adjustments

	Called-up share capital	Revaluation reserve	Capital reserve	Profit and loss account	Shareholders' funds/(deficit)	Minority interest	Capital Employed
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2016	-	-	-	18,967	18,967	-	18,967
(Loss)/profit for the financial year	-	-	-	736	736	-	736
Foreign currency translation loss	-	-	-	-	-	-	-
Actuarial gain on pension scheme	-	-	-	5	5	-	5
Deferred tax relating to actuarial gain on pension scheme	-	-	-	381	381	-	381
Impairment of property during the year	-	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	1,122	1,122	-	1,122
Balance as at 31 December 2016	-	-	-	20,089	20,089	-	20,089

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

Adjusted

Group	Called-up share capital	Revaluation reserve	Capital reserve	Profit and loss account	Shareholders' funds/(deficit)	Minority interest	Capital Employed
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2016 (restated)	2,000	894	6,020	14,276	23,190	521	23,711
(Loss)/profit for the financial year (restated)	-	-	-	(5,344)	(5,344)	683	(4,661)
Foreign currency translation gain	-	-	-	960	960	-	960
Actuarial gain on pension scheme (restated)	-	-	-	1,750	1,750	-	1,750
Deferred tax relating to actuarial gain on pension scheme (restated)	-	-	-	(357)	(357)	-	(357)
Impairment of property during the year	-	(745)	-	-	(745)	-	(745)
Transactions with the owners	-	-	-	(401)	(401)	401	-
Total comprehensive (expense)/income for the year (restated)	-	(745)	-	(3,392)	(4,137)	1,084	(3,053)
Balance as at 31 December 2016 (restated)	2,000	149	6,020	(10,884)	(19,053)	1,605	20,658

16 Called up share capital

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.

17 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 £5.0m (2016: £4.7m).

The Group granted a lease guarantee of £2.1m (2016: £2.2m) in respect of future rent payable by Crown Agents USA Inc. This has now been provided for as an onerous lease, as disclosed in Note 14.

18 Commitments

Capital commitments

There was an amount of £11,850 contracted for but not provided in the financial statements at 31 December 2017 (2016: £nil). This relates to an IT project that has recently been implemented, with final contractual payment outstanding due on final configuration completion

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	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Within one year	1,388	1,118	-	-
One to five years	5,547	2,060	-	-
Over five years	3,038	7,266	-	-
	<u>9,973</u>	<u>10,444</u>	<u>-</u>	<u>-</u>

The minimum lease payments due in over five years consists entirely of lease payments due on the Blue Fin Building.

19 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/ (to) related party £'000
Crown Agents Zimbabwe Ltd	49	327	1,044	(1,164)
PTG Statesman Travel Ltd	50	(1,314)	1,331	(5)
CAIPA	65	-	-	591

20 Financial risk management

Crown Agents' operations expose it to a variety of financial risks. 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.

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

(i) Liquidity Risk:

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. The business has no long term borrowing facilities and a small overdraft facility. The group operates in a large number of countries, but holds funds centrally to the greatest extent possible, in order to utilise available cash efficiently across the group.

(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.

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) 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.

21 Post Balance Sheet Events

On 10 September 2018, Crown Agents Limited, a subsidiary of the Foundation, completed a sale of its share of its old offices at St. Nicholas House. The fair value less costs to sell of the building was £4.9m. Refer to note 8 for further detail.

On 14th September 2018 the High Court issued an order approving a compromise agreement between Crown Agents Limited, the pension scheme trustees and the representative beneficiary. Refer to note 15 for further details.

22 Ultimate Parent Undertaking and Controlling Party

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