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**CABIM Limited**  
**(formerly Merlin Holdco (UK)**  
**Ltd)**

**Annual Report and Financial Statements**  
**for the year ended 31st December 2016**

**Registered Number**

09659405

**Registered Office:**

St Nicholas House

St Nicholas Road

Sutton

Surrey SM1 1EL

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## **Directors during the year ended 31 December 2016**

### **Paul Batchelor – Chairman and Non-Executive Director (appointed 19 April 2016)**

Paul Batchelor was Chairman of Crown Agents Limited (until 30 June 2015) and is a member of the Council of The Crown Agents Foundation. He is a Fellow of the Chartered Management Institute, a Member of the UK Advisory Council of Transparency International and a director of Abacus Technology (Pvt.) Limited in Pakistan. Previously, he was a Partner in Coopers & Lybrand/ PricewaterhouseCoopers (1982-2004) and Chairman of Oxford Policy Management Limited (2006-13).

### **Nick Beecroft – Senior Independent Non-Executive Director (appointed 19 April 2016)**

Nick Beecroft brings to the Board over 30 years of international experience within the financial services industry, including senior managerial roles within Global Markets at Standard Chartered Bank, Deutsche Bank and Citibank. Nick was a member of the Bank of England's Foreign Exchange Joint Standing Committee.

### **Mary Reilly – Independent Non-Executive Director (appointed 19 April 2016)**

Mary Reilly is a member of Crown Agents Limited Board and a member of the Council of Crown Agents Foundation. Mary is chair of the group Audit and Risk Committee. She was formerly an audit partner with Deloitte and chaired the CBI London Regional Council and the London Development Agency.

### **Arnold Ekpe – Non Executive Director (appointed 19 April 2016)**

Arnold Ekpe has more than 30 years of financial services experience including as the CEO of Ecobank International from 2005 to 2012 and as the managing director of United Bank of Africa from 2002 to 2004. While at Ecobank, he was responsible for setting up Ecobank Paris's subsidiary, EBI S.A., which is a wholesale subsidiary of the Ecobank group approved by the Banque de France and focused on trade finance, correspondent banking, commodity financing, foreign exchange and cash management, with a representative office in London. This business had a balance sheet of \$1 billion after 5 years of operation.

Arnold is currently chairman of SFRE, a Luxembourg registered and approved investment company focused on small banks serving the real economy. He is the Honorary President of the Business Council for Africa, a UK registered institution that promotes business and investments in Africa. He also served as Chairman of Atlas Mara, a listed Africa focused banking group, and as a board member of the Nigerian Sovereign Wealth Fund. Previously, he served as Vice Chairman of ADC (the German financial services holding group acquired by Atlas Mara) and head of Corporate and Structured Finance at Citibank London, 1991-1996. Arnold holds a First Class Honours Degree in Engineering from Manchester University and an MBA from Manchester Business School.

### **Simon Poole - Non Executive Director (appointed 19 April 2016)**

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

## **Directors for the year ended 31 December 2016 (continued)**

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

Before joining the Company, Albert Maasland served as CEO of KCG Europe Ltd, part of KCG Holdings Ltd where he was also Global Co-Head of Execution Services and Platforms. Prior to that, during his distinguished career in financial services, Albert also served as CEO and Head of International Business at Knight Capital Group Inc where he was responsible for overseeing European and Asian operations; CEO of Saxo Bank London and Chairman of Saxo Capital Markets; Global Head of Business Development, e-commerce at Standard Chartered Bank, Managing Director at Deutsche Bank and Global Head of Business Development at HSBC Market. Albert is a non-executive director at EASDAQ NV and has held numerous other NED roles throughout his career. He was appointed as Group Chief Executive Officer on 16 February 2017.

### **Doug MacLennan – Chief Risk Officer (appointed 19 April 2016)**

Doug MacLennan has been involved in the UK Financial Services Industry for over 25 years. Previous appointments include Director of Finance at Merrill Lynch; Deputy Managing Director at Sanwa International; Finance Director at the Bank of China International; and Senior Vice President of Risk Management at Northern Trust.

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

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

### **Paul Cunningham – Director (ceased to be a director 19 April 2016)**

### **Rhea Hood – Director (ceased to be a director 19 April 2016)**

## Strategic Report for the year ended 31 December 2016

### Principal risks and uncertainties

The principal risks facing CABIM Limited (“the Company”) and its group companies (“the Group”) are liquidity, credit, operational, market and compliance risk. Further detail is provided in note 21 on page 41.

The Group is aware of the commercial, operational and regulatory challenges of moving into markets from which banks are withdrawing. In particular the Group has considered and is managing the underlying supplier risk.

### Review of Performance

The Group effectively commenced trading on 1 April 2016 following the purchase by the Company of the entire share capital of Crown Agents Bank Limited (“CAB”) and Crown Agents Investment Management Limited (“CAIM”).

Following the purchases, new business plans have been implemented for each of CAB and CAIM. As a result of the plans and the injection of new capital, substantial investment has been made, particularly into the staff cost base of each company. Whilst the investment is forecast to produce substantially increased levels of future income, as expected, 2016 was loss-making.

It should be remembered that we experienced many costs largely of a non-recurring nature in 2016 specifically related to the separation of the infrastructure from that of the previous parent but also relating to:

- Significant growth in use of temporary staff to support business transformation and KYCC remediation.
- Increased fees incurred from external auditors and consultants throughout the sale process, the due diligence process and the strategic review/internal audit(s) carried out during the year.
- Re-purposing of sales staff to carry out the remediation of client files in the first half of the year meant a corresponding lag in pipeline development. With staff now in the right roles carrying out the right duties this should not occur in 2017.

<b>Key Performance Indicators</b>	<b>2016</b>
	<b>£'000</b>
Operating income	<b>8,255</b>
Administrative expenses	<b>12,215</b>
Loss on ordinary activities before tax	<b>(4,762)</b>



A Maasland  
Group Chief Executive Officer  
4 April 2017

## Directors' Report for the year ended 31 December 2016

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2016.

### Principal Activity

The Company is a holding company of two wholly owned trading subsidiaries.

1. CAB provides banking services notably to customers in the overseas financial services sector. The Bank is authorised by the Prudential Regulatory Authority (PRA), and regulated by the PRA and the Financial Conduct Authority (FCA).
2. CAIM provides investment management services to the corporate sector. The company is authorised and regulated by the Financial Conduct Authority (FCA).

### Future Developments/Outlook

Moving into 2017 we expect to build on the strong platform and strategy into which we invested in during 2016. The financial health of the Group is strong with a growing balance sheet for the group companies each with an enhanced capital base.

Looking particularly at CAB, we expect the de-risking program by the larger banks in the markets we operate in will continue, allowing us to capitalise on our strategic approach as a knowledgeable, targeted niche specialist Bank serving the needs of growing local banks in our targeted African, Caribbean and other emerging markets. Within our core markets we are expecting underlying growth to remain positive in 2017, and in turn we expect to benefit from increasing demand for our services as a specialist provider of cross border payments, emerging currency and G10 FX, treasury and trade finance capabilities.

### Dividends

No interim dividend was paid during 2016 (2015: £nil) and no final dividend (2015: £nil) will be declared.

### Employee Matters

(a) *Employee Engagement Survey*

From time to time the Group's trading companies carry out an Employee Engagement Survey. Through a company-wide questionnaire and a series of focus groups, the group explores how it measures up to its stated values and how well engaged staff are with their jobs and the Crown Agents group as a whole. The most recent survey, carried out in late 2016, concluded that the level of staff engagement is good and compares reasonably well with similar organisations. Areas requiring improvement are being systematically addressed.

(b) *Disabled Persons*

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

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

### Employee Matters (continued)

#### (c) *Employee Involvement*

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

#### (d) *Gender diversity*

The proportion of women and men employed across the Group the business is 39% and 61% respectively. Group companies have in place policies to actively increase gender diversity within the business, which actively focusses on recruitment, flexible working & senior management sponsorship of diversity throughout its business.

### Directors

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

	Committees	
	Remuneration	Audit/Risk
P Batchelor* (Chairman) (appointed 19 April 2016)	x	x
N Beecroft* (appointed 19 April 2016)	x	x
M Reilly* (appointed 19 April 2016)		x
A Ekpe** (appointed 19 April 2016)	x	
S Poole** (appointed 19 April 2016)	x	
A Maasland (appointed 7 February 2017)		
D MacLennan (appointed 19 April 2016)		
R Jones (ceased to be a director 6 February 2017)		
P Cunningham (ceased to be a director 19 April 2016)		
R Hood (ceased to be a director 19 April 2016)		

\* independent non-executive director

\*\* non-executive director

Note: following Richard Jones' departure Albert Maasland has been appointed Group Chief Executive Officer

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

### **Statement of Directors' Responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland ('FRS 102'). 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 parent company and of the profit or loss of the group and parent company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Disclosure of Information to Auditors**

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

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

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

### **Directors' Indemnities**

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

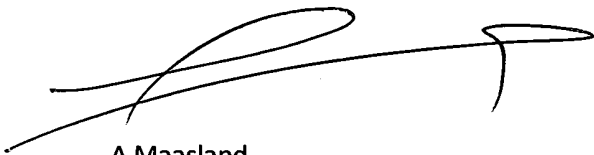
### **Elective Resolutions**

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

### **Independent auditors**

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

By order of the Board,

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by a horizontal line and a vertical stroke at the end.

A Maasland  
Group Chief Executive Officer  
4 April 2017

## **Independent auditors' report to the members of CABIM Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, CABIM Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

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

- the Consolidated and Company Balance Sheets as at 31 December 2016;
- the Consolidated Profit and Loss Account for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

## **Independent auditors' report to the members of CABIM Limited (continued)**

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

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

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

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

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

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### **What an audit of financial statements involves**

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

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

## **Independent auditors' report to the members of CABIM Limited (continued)**

### **What an audit of financial statements involves (continued)**

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



Hamish Anderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
4 April 2017

## Consolidated Profit and Loss Account for the Year Ended 31 December 2016

	Note	Group	
		2016 £'000	2015 £'000
Interest income			
- interest receivable from debt securities		1,186	-
- other interest receivable and similar income		5,910	-
Interest expense		(4,969)	-
<b>Net interest income</b>		<b>2,127</b>	<b>-</b>
Fees and commission receivable	2	4,229	-
Dealing profits		1,899	-
<b>Operating income</b>		<b>8,255</b>	<b>-</b>
Administrative expenses	3	(12,215)	-
Amortisation	4	(722)	-
Depreciation	5	(14)	-
Write-off and provisions for doubtful debts		(66)	-
<b>Loss on Ordinary Activities before Taxation</b>	6	<b>(4,762)</b>	<b>-</b>
Tax on loss	7	848	-
<b>Loss for the Year</b>		<b>(3,914)</b>	<b>-</b>

There were no other items of Comprehensive Income.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company Profit and Loss account. The Company's loss for the year totalled £29,794 (2015: £nil).

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

The notes on pages 19 to 47 form part of these financial statements.

**Consolidated and Company Balance Sheets as at 31 December 2016**

	Note	Company		Group	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Assets</b>					
Investments in subsidiary undertakings	8	50,409	-	-	-
Cash and balances at central banks		-	-	458,053	-
Cheques in the course of collection		-	-	13	-
Loans and advances to banks	9	27	-	188,800	-
Debt securities	10	-	-	203,977	-
Derivatives	11	-	-	11,679	-
Intangible assets	4	-	-	5,105	-
Tangible fixed assets	5	-	-	48	-
Deferred tax	12A	-	-	777	-
Other assets	13	1,425	-	1,887	-
Prepayments and accrued income		-	-	1,278	-
<b>Total Assets</b>		<b>51,861</b>	<b>-</b>	<b>871,617</b>	<b>-</b>

**Consolidated and Company Balance Sheets as at 31 December 2016**

	Note	Company		Group	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Liabilities</b>					
Customer accounts	14	-	-	814,063	-
Bank overdrafts		-	-	3	-
Items in course of transmission		-	-	401	-
Derivatives	11	-	-	1,225	-
Other liabilities	15	269	-	5,936	-
Accruals and deferred income		22	-	2,303	-
Called up share capital	16	51,600	-	51,600	-
Revaluation Reserve		-	-	-	-
Retained Earnings		(30)	-	(3,914)	-
Shareholders' funds		51,570	-	47,686	-
<b>Total Liabilities</b>		<b>51,861</b>	<b>-</b>	<b>871,617</b>	<b>-</b>

The notes on pages 19 to 47 form part of these financial statements.

The Board of Directors approved the financial statements on 4 April 2017.



A Maasland  
Director



R Hallett  
Director

**Company Statement of Changes in Equity For The Year Ended 31 December 2016**

	<b>Company</b>		
	<b>Called up share capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 1 January 2015</b>	-	-	-
Profit for the financial year	-	-	-
<b>Balance as at 31 December 2015</b>	-	-	-
Loss for the financial year	-	(30)	(30)
New issued share capital	51,600	-	51,600
<b>Balance as at 31 December 2016</b>	<b>51,600</b>	<b>(30)</b>	<b>51,570</b>

The directors have not declared an interim dividend (2015: £nil) and do not recommend a final dividend (2015: £nil).

**Consolidated Statement of Changes in Equity For The Year Ended 31 December 2016**

	Group		
	Called up share capital	Retained Earnings	Total
	£'000	£'000	£'000
<b>Balance as at 1 January 2015</b>	-	-	-
Profit for the financial year	-	-	-
<b>Balance as at 31 December 2015</b>	-	-	-
Profit for the financial year	-	(3,914)	(3,914)
New issued share capital	51,600	-	51,600
<b>Balance as at 31 December 2016</b>	51,600	(3,914)	47,686

**Consolidated and Company Statements of Cash Flows for the Year Ended 31 December 2016**

	Note	<u>Company</u> 2016 £'000	<u>Group</u> 2016 £'000
<b>Net Cash (Outflow)/ Inflow from Operating Activities</b>	18	<b>(1,164)</b>	<b>121,823</b>
<b>Taxation</b>			
Corporation tax received / (paid)		-	-
<b>Net cash (used in)/ generated from operating activities</b>		<b>(1,164)</b>	<b>121,823</b>
<b>Cash flow from investing activities</b>			
Purchase of subsidiaries (net of cash acquired)	19	-	<b>321,872</b>
Purchase of subsidiaries – deferred consideration		-	<b>(1,000)</b>
Purchase of subsidiaries		<b>(50,409)</b>	-
Purchase of tangible fixed assets	5	-	<b>(46)</b>
Purchase of intangible fixed assets	4	-	<b>(449)</b>
<b>Net cash (used in)/ generated from investing activities</b>		<b>(50,409)</b>	<b>320,377</b>
<b>Cash flow from financing activities</b>			
Injection of new capital	16	<b>51,600</b>	<b>51,600</b>
<b>Net cash generated from financing activities</b>		<b>51,600</b>	<b>51,600</b>
<b>Increase in cash and cash equivalent</b>		<b>27</b>	<b>493,800</b>
Cash and cash equivalents at the beginning of the year		-	-
Bank overdrafts		-	<b>3</b>
Exchange gains/(losses) on cash and cash equivalents		-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>27</b>	<b>493,803</b>
<b>Cash and cash equivalents consists of:</b>			
Cash and balances at central banks		-	<b>458,053</b>
Loans and advances to banks repayable on demand		<b>27</b>	<b>35,750</b>
		<b>27</b>	<b>493,803</b>

## Notes to the Financial Statements for the year ended 31 December 2016

### 1. STATEMENT OF ACCOUNTING POLICIES

#### (a) General Information

CABIM Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is St Nicholas House, St Nicholas Road, Sutton, Surrey, SM1 1EL, United Kingdom.

The Company is a holding company of two wholly owned trading subsidiaries and does not trade in its own right.

#### (b) Statement of compliance

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

#### (c) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and Applicable Accounting Standards in the United Kingdom. The date of transition to FRS 102 was 1 January 2015.

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

#### (d) Basis Of Consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

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 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.

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.

## Notes to the Financial Statements – 31 December 2016 (continued)

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

#### (d) Basis of consolidation (continued)

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

Where the Group has established employee benefit trusts ('EBT') or employee share ownership plans ('ESOP') and is the sponsoring entity, notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. The Company's equity instruments held by the EBT or ESOP are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by either the EBT or ESOP.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

#### (e) Going concern

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

#### (f) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, including interest accruals on related foreign exchange contracts, are recognised within Interest Income and Interest expense in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

## Notes to the Financial Statements – 31 December 2016 (continued)

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

**(g) Recognition of income**

Income, including that arising from advances, which comprises fees earned, reimbursable expenditure from clients, interest receivable and interest payable, is recognised on an accruals basis in the periods in which it is earned.

**(h) Dealing Profits**

Dealing profits arise at the time of translation or when the transactions from customer orders are undertaken in both spot and forward currency markets.

This reflects profits and losses on transactions arising from customer orders in both spot and forward currency markets and gains/losses on translation and revaluation of derivative fair values.

**(i) Foreign currency**

**(i) Functional and presentation currency**

The financial statements are presented in pounds sterling and rounded to thousands. The Company's functional and presentation currency is pounds sterling.

**(ii) Transactions and balances**

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

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

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

**(j) Provisions for doubtful debts**

Specific provisions for doubtful debts are recognised if there is objective evidence that an impairment or loss has been incurred. Provisions are calculated as the difference between the carrying value and the future discounted estimated cash flows.

**(k) Taxation**

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

Current or deferred tax assets or liabilities are not discounted.

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

## Notes to the Financial Statements – 31 December 2016 (continued)

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

#### (k) Taxation (continued)

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

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

#### (l) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. As decided by the directors, 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

Goodwill – 5 years

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank 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.

## Notes to the Financial Statements – 31 December 2016 (continued)

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

#### (m) Tangible fixed assets and depreciation

Tangible fixed assets, except for leasehold property, are stated in the balance sheet at historic 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 date they are brought into use. Depreciation is calculated to write down assets to their residual value in equal instalments over their estimated useful lives, which are:

Computer equipment	3 – 10 years
Fixtures and fittings	3 years
Leases	Over the remaining life of the lease

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

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

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These 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 statement of comprehensive income, 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 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 or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

## Notes to the Financial Statements – 31 December 2016 (continued)

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

**(o) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, loans and advances to banks repayable on demand, money market deposits and securities and customers' deposits.

**(p) Financial instruments**

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

**(i) Financial assets**

Basic financial assets, including loans and advances to banks, debt securities, customer deposits and trade debtors are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

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

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

**(ii) Financial liabilities**

Basic financial liabilities, including trade creditors, are classified as debt and are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

## Notes to the Financial Statements – 31 December 2016 (continued)

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

#### (p) Financial instruments (continued)

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

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

#### (iii) Derivatives

The Group's derivatives policy only permits dealing in forward foreign exchange contracts, currency options and deposit linked swaps to hedge or provide services to customers. Derivatives are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement in Dealing Profits.

Hedge accounting is not applied.

#### (iii) Offsetting

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

#### (q) Employee benefits

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

##### 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.

##### Pension Contributions

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

## Notes to the Financial Statements – 31 December 2016 (continued)

### 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

#### (r) Critical judgements and estimates in applying the accounting policy

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

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

#### Intangible assets

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 treated as a tangible asset. However, where the software is not an integral part of the related hardware, computer software it is 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.

#### Deferred tax

Tax losses have been recognised on the balance sheet at the corporation tax rates expected when the appropriate future profits will be generated. Management are confident that the Bank will make such profits in the future to utilise such carried forward tax losses.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 2. FEES AND COMMISSION RECEIVABLE

	Group	
	2016 £'000	2015 £'000
Fee and commission receivable:		
Banking Services	333	-
Payments	660	-
Pensions	601	-
Documentary Credits	648	-
Management fees	1,867	-
Other	120	-
Total fees and commission receivable	<u>4,229</u>	<u>-</u>

### 3. ADMINISTRATIVE EXPENSES

	Group	
	2016 £'000	2015 £'000
Staff costs and directors' emoluments		
Wages and salaries	6,980	-
Social security costs	521	-
Pension costs	151	-
	<u>7,652</u>	<u>-</u>
Other administrative expenses	4,563	-
	<u>12,215</u>	<u>-</u>

The aggregate emoluments of the directors of Group companies were £801,784 (2015: £nil).

The aggregate emoluments of key management (excluding directors) were £1,240,241 (2015: £nil).

Included in the aggregate emoluments above, the Group has made contributions of £65,471 (2015: £nil) on behalf of five directors (2015: nil) accruing benefit in a defined contribution pension scheme.

The aggregate emoluments and accrued pension contributions of the highest paid director were £177,845 (2015: £nil) and £13,084 (2015: £nil) per annum respectively.

**Notes to the Financial Statements – 31 December 2016 (continued)****3. ADMINISTRATIVE EXPENSES (continued)**

The Company has no employees and its directors are not remunerated. All Group employees and (other) directors are paid by Crown Agents Bank Limited, with which they have contracts of employment. The monthly average number of full time equivalent staff employed with the Group, including executive directors, was 109 (2015: nil).

A defined contribution pension scheme has been set up which all current and future employees are able to join. The Group contributed £150,880 (2015: £nil) to this scheme during the year of which all but £35,633 (2015: £nil) was paid during the year.

Since the year end, certain senior directors/employees employed by the group's trading subsidiaries have been given the option of purchasing a number of a new class of share in the Company, at a nominal cost of £0.01 per share. Depending on the outcome of a number of future events, the class of shares will be entitled to receive a proportion of the return to the Company's parent on its underlying investment.

**4. INTANGIBLE FIXED ASSETS**

		<b>Group</b>		
		<b>Goodwill</b>	<b>Software</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>	At 1 January 2016	-	-	-
	Acquisitions	2,662	3,994	6,656
	Additions	-	449	449
	Disposals	-	-	-
	At 31 December 2016	<u>2,662</u>	<u>4,443</u>	<u>7,105</u>
<b>Amortisation</b>	At 1 January 2016	-	-	-
	Acquisition	-	1,278	1,278
	Charged in year	399	323	722
	Disposals	-	-	-
	At 31 December 2016	<u>399</u>	<u>1,601</u>	<u>2,000</u>
	<b>Net Book Value</b>			
Net Book Value at 31 December 2016	<u>2,263</u>	<u>2,842</u>	<u>5,105</u>	
Net Book Value at 31 December 2015	<u>-</u>	<u>-</u>	<u>-</u>	

The Company had no Intangible Fixed Assets throughout 2015 and 2016.

**Notes to the Financial Statements – 31 December 2016 (continued)**

**5. TANGIBLE FIXED ASSETS**

		Group		
		Computer Equipment	Fixtures & fittings	Total
		£'000	£'000	£'000
<b>Cost</b>	At 1 January 2016	-	-	-
	Acquisitions	105	11	116
	Additions	41	5	46
	Disposals	-	-	-
	At 31 December 2016	<u>146</u>	<u>16</u>	<u>162</u>
<b>Depreciation</b>	At 1 January 2016			
	Acquisitions	100	-	100
	Charge for year	8	6	14
	Disposals	-	-	-
	At 31 December 2016	<u>108</u>	<u>6</u>	<u>114</u>
<b>Net Book Value</b>	At 31 December 2016	<u>38</u>	<u>10</u>	<u>48</u>
	At 31 December 2015	-	-	-

The Company had no Tangible Fixed Assets throughout 2015 and 2016.

**6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

The consolidated loss on ordinary activities before taxation includes fees for auditing the financial statements of all Group companies of £194,500 (2015: £nil). £25,633 (2015: £nil) was payable to the auditors for other services.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 7. TAX ON LOSS ON ORDINARY ACTIVITIES

#### A. Analysis of Credit in Year

	Group	
	2016	2015
	£'000	£'000
Corporation tax based on the loss for the year at 20.00% (2015: 20.25%)	(798)	-
Deferred tax (note 12B)	(98)	-
Impact of change in tax rate	48	-
<b>Total tax credit for the year</b>	<b>(848)</b>	<b>-</b>

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

The tax assessed for the year is lower (2015: lower) than the standard rate of Corporation Tax in the UK.

	Group	
	2016	2015
	£'000	£'000
Loss on all activities	(4,762)	-
Standard rate corporation tax of 20.00% on loss on all activities (2015: 20.25%)	(952)	-
Effect of:		
- expenses not deductible for tax	148	-
- effect of future tax rate changes/ timing differences	(50)	-
- other	6	-
<b>Total tax credit for the year</b>	<b>(848)</b>	<b>-</b>

The Company had no tax charge in 2015 or 2016.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 8. INVESTMENTS IN SUBSIDIARIES

The aggregate amount of the capital and reserves of each entity at 31 December 2016 and its profit for the year was as follows:

Subsidiary	Company Investment In Subsidiary £'000	Profit/(Loss) For The Year £'000	Capital and Reserves £'000
Crown Agents Bank Limited	45,858	(3,477)	41,607
Crown Agents Investment Management Limited	4,551	93	2,655
JCF Nominees Ltd	-	-	-
	<u>50,409</u>		

### 9. LOANS AND ADVANCES TO BANKS

	Group	
	2016 £'000	2015 £'000
<b>A By Maturity:</b>		
Repayable on demand	35,750	-
Other loans and advances by residual maturity repayable:		
- 3 months or less excluding overnight deposits	62,321	-
- 1 year or less but over 3 months	90,729	-
	<u>188,800</u>	<u>-</u>

**Notes to the Financial Statements – 31 December 2016 (continued)**

**9. LOANS AND ADVANCES TO BANKS (continued)**

	Group		
	No.	2016 £'000	2015 £'000
<b>B By Fitch Long Term Credit Rating:</b>			
AA	11	8,020	-
AA-	7	35,854	-
A+	8	50,610	-
A	8	56,276	-
A-	6	11,440	-
BBB-	1	63	-
BBB+	7	25,764	-
Unrated	7	773	-
	<b>55</b>	<b>188,800</b>	<b>-</b>
<b>C By Country:</b>			
UK		148,680	-
Other Europe		1,755	-
Japan		19,973	-
US		8,026	-
Middle East		6,885	-
Other		3,481	-
		<b>188,800</b>	<b>-</b>

There are no (2015: £nil) amounts included in Loans and Advances to Banks outstanding at 31 December 2016 that are overdue.

The Company only had Loans and Advances to Banks in 2016 to one UK based bank, which had a credit rating of A+ and which was repayable on demand (£27,463; 2015: £nil).

## Notes to the Financial Statements – 31 December 2016 (continued)

### 10. DEBT SECURITIES

The Group's debt securities consist of certificates of deposit and fixed rate bonds issued by banks. The fair value of these securities was as follows:

	Group	
	2016	2016
	Book Value	Market Value
	£'000	£'000
Certificates of deposit	180,461	180,461
Fixed rate bonds	22,611	22,086
Accrued interest	905	905
At 31 December	<u>203,977</u>	<u>203,452</u>

The Company had no Debt Securities throughout 2015 and 2016 and the Group had none in 2015.

### 11. DERIVATIVES

The fair values of all of the Group's financial instruments as at 31 December 2016, which are listed or publicly traded, or for which a liquid and active market exists are detailed in Note 10.

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arm's length transaction, calculated at market rates current at the balance sheet date. Positive fair values arise where gross positive fair values exceed gross negative fair values on a contract by contract basis. This equates to replacement cost. The totals of positive and negative fair values arising on trading derivatives at the balance sheet date have been netted where the Group has a legal right of offset with the relevant counterparty. The total positive fair values after netting equates to net replacement cost, which is regarded as the maximum credit exposure.

All derivatives are used for hedging foreign exchange. At 31 December the positive and negative fair values of the derivatives are set out below:

	Group		
	Notional	Positive	Negative
	Principal	Fair Value	Fair Value
	£'000	£'000	£'000
<b>Forward Foreign Exchange:</b>			
<b>2016</b>	<u>463,153</u>	<u>11,679</u>	<u>1,225</u>

The Group had no derivatives in 2015 and the Company none in 2015 or 2016.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 11. DERIVATIVES (continued)

Forward foreign exchange contracts and currency swaps have been transacted to hedge assets and liabilities in foreign currencies. The net unrealised gain at the balance sheet date is £10,454,000. These derivatives and the underlying transactions they hedge will mature during 2017.

#### **Fair value methodology:**

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Group applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its financial instruments into the three levels. An explanation of each level follows underneath the table. Assets and liabilities carried at fair value have been categorised using a fair value hierarchy as detailed below:

#### **Fair value hierarchy:**

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

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

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

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

##### **Level 3 – Valuation technique ie Internal models with significant unobservable market parameters**

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

**Notes to the Financial Statements – 31 December 2016 (continued)**

**12. DEFERRED TAX**

**A. Deferred Tax Asset**

The deferred tax asset recognised in the financial statements is as follows:

	Group	
	2016 £'000	2015 £'000
At 1 January (at 20%; 2015: 21%)	-	-
Acquisition	25	-
2016 Tax losses carried forward	752	-
	<hr/>	<hr/>
At 31 December (at 19/17%; 2015: 20%)	777	-
	<hr/>	<hr/>

**B. Deferred Tax Liability**

The deferred tax liability recognised in the financial statements is as follows:

	Group	
	2016 £'000	2015 £'000
At 1 January (at 20%; 2015: 21%)	-	-
Acquisition	163	-
Charge to profit and loss	(98)	-
	<hr/>	<hr/>
At 31 December (at 20%; 2015: 20%) (note 15)	65	-
	<hr/>	<hr/>

The Company had no deferred tax assets or liabilities in 2015 or 2016.

Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**13. OTHER ASSETS**

	Company		Group	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	-	-	236	-
Other assets	1,425	-	1,651	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,425	-	1,887	-
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the Financial Statements – 31 December 2016 (continued)

### 14. CUSTOMER ACCOUNTS

	<u>Group</u>	
	2016 £'000	2015 £'000
Repayable on demand	306,317	-
Other customers' accounts with agreed maturity dates or periods of notice by residual maturity repayable:		
3 months or less	368,917	-
1 year or less but over 3 months	138,829	-
	<u>814,063</u>	<u>-</u>

The Company had no Customer Accounts throughout 2015 and 2016.

### 15. OTHER LIABILITIES

	<u>Company</u>		<u>Group</u>	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade creditors	-	-	661	-
Corporation tax	-	-	2	-
Deferred tax	-	-	65	-
Unsettled foreign exchange transaction	-	-	4,047	-
Unallocated customer funds	-	-	140	-
Other creditors	269	-	1,021	-
	<u>269</u>	<u>-</u>	<u>5,936</u>	<u>-</u>

### 16. CALLED UP SHARE CAPITAL

	<u>Company and Group</u>	
	2016 £'000	2015 £'000
<b>Allotted, issued and fully paid (£1 Ordinary Shares)</b>		
As at 1 January	-	-
New shares issued:		
31 March 2016	38,600	-
16 December 2016	13,000	-
As at 31 December	<u>51,600</u>	<u>-</u>

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

## Notes to the Financial Statements – 31 December 2016 (continued)

### 17. CONTINGENT LIABILITIES

	2016 £'000
Guarantees - direct	808
- syndicated	5,255
	<u>6,063</u>
Letter of credit confirmations	45,939
	<u>52,002</u>

The uncertainties relating to the amount or timing of any outflow are those inherent within the products concerned, notably that the relevant counterparty will not carry out its obligations. Cash collateral of £25,981,609 was held in respect of the contingent liabilities noted above. The Company had no Contingent Liabilities throughout 2015 and 2016 and the Group none in 2015.

### 18. NOTES TO THE CASH FLOW STATEMENT

#### Reconciliation of operating profit to net operating cash flow

	Company 2016 £'000	Group 2016 £'000
Profit on ordinary activities before taxation	(30)	(4,762)
Increase in prepayments and accrued income	-	(520)
Increase in accruals, provisions and deferred income	22	746
Increase in provision for doubtful debts	-	25
Effect of currency exchange rate changes	-	(8,199)
Amortisation	-	722
Depreciation	-	14
<b>Net cash outflow from trading activities</b>	<b>(8)</b>	<b>(11,974)</b>
Net increase in collections/transmissions	-	119
Net decrease in advances to banks and customers	-	6,008
Net increase in deposits by customers	-	165,874
Net decrease in debt securities	-	(42,387)
Net decrease in cheques in the course of collection	-	59
Net increase in other assets	(1,425)	(1,425)
Net increase in other liabilities	269	5,549
<b>Net cash (outflow)/ inflow from operating activities</b>	<b>(1,164)</b>	<b>121,823</b>

Neither the Company nor the Group traded in 2015.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 19. BUSINESS COMBINATIONS

On 31 March 2016, the Company acquired 100% of the share capital of Crown Agents Bank Limited (“CAB”), a regulated wholesale bank, and Crown Agents Investment Management Limited (“CAIM”), a regulated investment management company.

The Company has utilised the acquisition method of accounting.

Prior to the acquisition, the Company was a dormant company that had never traded.

The goodwill of £2,662,063 is attributable to the customer base built up over almost 200 years, particularly in Africa and the Caribbean (see Note 4).

Management have concluded that the useful life of the goodwill is 5 years.

The following tables summarise the consideration paid by the Company, the fair value of the assets acquired and the liabilities assumed at the acquisition date. There were no non-controlling interests.

Consideration	CAB £'000	CAIM £'000	Total £'000
Cash	27,652	3,177	30,829
Deferred consideration	-	1,000	1,000
Directly attributable costs	206	24	230
<b>Total consideration</b>	<b>27,858</b>	<b>4,201</b>	<b>32,059</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	<b>CAB £'000</b>	<b>CAIM £'000</b>	<b>Total £'000</b>
Financial assets	680,328	1,673	682,001
Tangible fixed assets	17		17
Intangible assets	2,708	8	2,716
Other assets	344	976	1,320
Liabilities	(656,234)	(423)	(656,657)
<b>Net assets acquired</b>	<b>27,163</b>	<b>2,234</b>	<b>29,397</b>
Goodwill	695	1,967	2,662
<b>Total consideration</b>	<b>27,858</b>	<b>4,201</b>	<b>32,059</b>

The net book value of all the assets acquired and liabilities assumed reflects the underlying fair value.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 19. BUSINESS COMBINATIONS (continued)

For cash flow disclosures, the amounts are disclosed as follows:

	£'000
Cash consideration	30,829
Directly attributable costs	230
	<u>31,059</u>
Less: cash and cash equivalents acquired	(352,931)
Net cash inflow	<u>(321,872)</u>

### 20. FINANCIAL INSTRUMENTS

The carrying values of the Bank's financial assets and liabilities are summarised by category below:

	Company		Group	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Financial Assets</b>				
<i>Measured at fair value through profit and loss</i>				
- Derivative financial assets - foreign exchange related contracts	-	-	<b>11,679</b>	-
			<b>11,679</b>	-
<i>Measured at amortised cost</i>				
- Other assets	<b>1,425</b>	-	<b>1,887</b>	-
- Cheques in course of collection	-	-	<b>13</b>	-
- Prepayments and accrued income	-	-	<b>1,278</b>	-
- Debt securities (Note 10)	-	-	<b>203,977</b>	-
- Cash and balances at central banks	-	-	<b>458,053</b>	-
- Loans and advances to banks (Note 9)	<b>27</b>	-	<b>188,800</b>	-
	<b>1,452</b>	-	<b>854,008</b>	-

## Notes to the Financial Statements – 31 December 2016 (continued)

### 20. FINANCIAL INSTRUMENTS (continued)

	Company		Group	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Financial Liabilities</b>				
<i>Measured at fair value through profit and loss</i>				
- Derivative financial liabilities - Foreign exchange related contracts	--	-	1,225	-
			<b>1,225</b>	<b>-</b>
<i>Measured at amortised cost</i>				
- Customer accounts	-	-	814,063	-
- Bank overdrafts	-	-	3	-
- Items in course of transmission	-	-	401	-
- Trade creditors	-	-	661	-
- Other creditors	269	-	1,021	-
	<b>269</b>	<b>-</b>	<b>816,149</b>	<b>-</b>

(a) **Classification of financial assets and liabilities at fair value through profit or loss**

Forward foreign exchange contracts and currency swaps have been transacted to hedge assets and liabilities in foreign currencies with movements recognised at fair value through profit or loss.

(b) **Amounts recognised in profit or loss**

The income, expense and changes in fair values of financial assets at fair value through profit or loss recorded in the income statement is as follows:

	Group	
	2016 £'000	2015 £'000
Income from forward foreign exchange contracts	9,225	-
	<b>9,225</b>	<b>-</b>

The Company had no financial assets valued at fair value through profit and loss throughout 2015 and 2016.

(c) **Risk exposure and fair value measurements**

Information about the methods and assumptions used in determining fair value is provided in note 11 below.

(d) **Fair values of financial assets that are measured at amortised cost**

Apart from the fixed rate bonds, the carrying amounts of financial assets and liabilities measured at amortised cost are assumed to be the same as their fair values due to their short-term nature. The fair value of the fixed rate bonds is provided in Note 10.

**Notes to the Financial Statements – 31 December 2016 (continued)****20. FINANCIAL INSTRUMENTS (continued)****(e) Impairment and risk exposure**

There were no materially impaired debtors. Information about the impairment of trade and other debtors, their credit quality and the Group's exposure to credit risk can be found in accounting policy note for financial instruments and note 21 below.

**(f) Financial liabilities measured at amortised cost**

The carrying amounts of trade creditors and other creditors are assumed to be the same as their fair values due to their short-term nature.

**21. RISK MANAGEMENT**

Through its normal operations the Group is exposed to a number of risks, the most significant of which are liquidity, credit, operational, interest, currency and compliance risk. The Board is responsible for determining the long term strategy of the business, the markets in which it will operate and the level of risk acceptable to the Bank. The Bank operates only in the UK.

Responsibility for the management of the Group's exposure to liquidity, interest rate and currency risk is delegated to the Asset and Liability Committee, and that relating to credit risk is delegated to the Credit Committee. Responsibility for the monitoring and reporting of operational and compliance risks is delegated to the Compliance and Operational Risk Committee; and all other risks are delegated to the Financial Services Executive Committee. Risk Management has an oversight role in the development of policies and procedures, evaluating risk levels and reporting to the Board on risk issues.

**Liquidity Risk:** It is the Group's policy that its assets shall be sufficiently liquid for it to repay all of its liabilities as they fall due. This policy applies to total assets and liabilities across all currencies (i.e. the global position).

A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base. Liquidity is subject to daily monitoring against PRA guidelines and is subject to periodic stress tests both idiosyncratic and market wide.

The liquidity profile of the Group's assets and liabilities is as follows:

<b>Assets 2016</b>	<b>Group</b>					<b>Total</b>
	<b>0 months 3 months</b>	<b>3 months 1 year</b>	<b>1 year 2 years</b>	<b>2 years 5 years</b>		
<b>More than Less than</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and balances at central banks	458,053	-	-	-	-	458,053
Loans and advances to banks	98,071	90,729	-	-	-	188,800
Debt securities	43,253	142,011	-	18,713	-	203,977
Derivatives - assets	9,100	2,579	-	-	-	11,679
Other assets	3,091	-	864	-	-	3,955
	<b>611,568</b>	<b>235,319</b>	<b>864</b>	<b>18,713</b>		<b>866,464</b>
Fixed assets						<b>5,153</b>
<b>Total Assets</b>						<b>871,617</b>

**Notes to the Financial Statements – 31 December 2016 (continued)****21. RISK MANAGEMENT (continued)**

Liabilities 2016	Group			Total
	More than Less than 0 months 3 months £'000	0 months 1 year £'000	1 year 2 years £'000	
Customer accounts	675,234	138,829	-	814,063
Bank overdrafts	3	-	-	3
Derivatives - liabilities	1,109	116	-	1,225
Items in course of transmission and other liabilities	6,272	-	65	6,337
Accruals and deferred income	2,303	-	-	2,303
	<b>684,921</b>	<b>138,945</b>	<b>65</b>	<b>823,931</b>
Shareholders' funds				<b>47,686</b>
Total Liabilities				<b>871,617</b>

The Group had no assets or liabilities in 2015.

All the Company's 2016 assets and liabilities had a maturity of less than three months. The Company had no assets or liabilities in 2015.

**Credit Risk:** Credit risk arises from extending credit in all forms where there is a possibility that counterparties may default on their obligations. Credit policy, covering limits, restrictions, minimum credit ratings and concentration criteria, is set out in policy papers approved and affirmed by the Boards of directors of the respective subsidiaries. Credit risk is managed by the Bank's Credit Committee which approves all counterparty limits and is responsible for concentration risk both in terms of individual counterparties and country exposures. The committee's activities are reported and discussed at Bank board meetings. All exposures are monitored daily against the limits set.

**Operational Risk:** Operational risk is the risk of failures in operational processes resulting in financial loss, increased costs or damage to reputation. Business units within the trading subsidiaries are responsible for managing operational risk, with measurement and monitoring carried out by Risk Management. Internal controls include procedures, segregation of duties, reconciliations, exception and exposure reporting, business continuity planning and authorisation processes, and are based on management information. Risk Management provides an independent assessment of the strength of the operational risk framework to the Board.

**Interest Rate and Currency Risk:** Interest rate risk only arises in the Bank's balance sheet and as a result of fixed rate, variable rate and non-interest bearing assets and liabilities. Exposure to interest rate movements arises when there is a mismatch between interest rate sensitive assets and liabilities. This risk is managed by limiting the mismatch allowed in predetermined time bands.

Currency risk arises from transactional positions and comprises the monetary assets and monetary liabilities of the Bank denominated in non-sterling currencies. These risks are managed by adherence to limits for intra-day and overnight positions. Risk Management independently review positions.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 21. RISK MANAGEMENT (continued)

Currency risk on transactional currency exposures which arise from income in currencies other than Sterling, the Bank's operating (or functional) currency, is mitigated by hedging, where appropriate. Such hedging is undertaken using forward foreign exchange deals to cover the anticipated net cash inflows.

**Compliance risk:** The Group seeks to comply at all times with all rules, regulations and laws to which it is exposed through all of its activities. It has a daily monitoring system where it monitors regulatory compliance such as capital adequacy and required liquidity. These daily controls feed into monthly reviews and annual reporting to the PRA. The Group continues to develop staff training programmes to ensure its staff are both aware of and comply with such regulations. As a result, while it has zero tolerance for financial crime, Regulatory Risk, and Conduct of Business Risk, it recognises that some markets for its activities are higher risk areas, which may heighten its exposure to such risks from time to time.

### 22. INTEREST RATE SENSITIVITY GAP ANALYSIS

Part of the Group's return on financial instruments is obtained from controlled mismatching of the dates on which the instruments mature or, if earlier, the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates. The table below summarises these re-pricing mismatches on the Group's book as at 31 December 2016. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

Interest rate re-pricing	Group					Total
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2016</b>						
<b>Assets</b>						
Loans & advances to central & other banks	556,125	20,852	69,877	-	-	646,854
Debt securities & equity shares	43,254	67,671	74,339	18,713	-	203,977
Other assets	-	-	-	-	20,786	20,786
<b>Total assets</b>	<b>599,379</b>	<b>88,523</b>	<b>144,216</b>	<b>18,713</b>	<b>20,786</b>	<b>871,617</b>
<b>Liabilities:</b>						
Customer accounts	675,234	14,367	124,462	-	-	814,063
Bank overdrafts	3	-	-	-	-	3
Other liabilities	2,762	-	-	-	7,103	9,865
Shareholders' funds	-	-	-	-	47,686	47,686
<b>Total liabilities</b>	<b>677,999</b>	<b>14,367</b>	<b>124,462</b>	<b>-</b>	<b>54,789</b>	<b>871,617</b>
<b>Interest rate sensitivity gap</b>	<b>(78,620)</b>	<b>74,156</b>	<b>19,754</b>	<b>18,713</b>	<b>(34,003)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(78,620)</b>	<b>(4,464)</b>	<b>15,290</b>	<b>34,003</b>	<b>-</b>	<b>-</b>

The Group had no assets or liabilities in 2015.

None of the Company's 2016 assets and liabilities earned interest.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 23. CURRENCY RISK

The Group does not have any structural exposure. The table below shows the Group's transactional currency exposures in its book; that is those non-structural exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in sterling.

At 31 December, these exposures were as follows:

Functional currency of bank operation	Group - Net foreign currency monetary assets/(liabilities) in £'000					
	US Dollar	Euro	Yen	SA Rand	Other	Total
<b>2016</b>						
Assets/(liabilities)	(370,843)	31,310	(32,889)	(37,068)	(11,567)	(421,057)
Net forward purchases/(sales)	371,885	(31,313)	32,906	37,277	11,647	422,402
	1,042	(3)	17	209	80	1,345

The Group had no assets or liabilities in 2015.

All of the Company's 2016 assets and liabilities were denominated in £. The Company had no assets or liabilities in 2015.

### 24. CREDIT EXPOSURE

At 31 December the replacement costs by residual maturity and net replacement costs by counterparty of the Bank's trading and non-trading over-the-counter derivatives were:

	Group	
	Up to 1 year 2016 £000	Total 2016 £000
<b>Potential Credit Risk Exposure</b>		
<b>Forward Foreign Exchange Contracts</b>	463,153	463,153
<b>Notional principal amounts</b>	463,153	463,153
<b>Replacement cost by counterparty</b>		
<b>Other banks</b>	11,679	11,679
<b>Total replacement cost</b>	11,679	11,679

The Group had no derivatives in 2015 and the Company none in 2015 or 2016.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 25. CAPITAL MANAGEMENT

Companies within the Group are subject to regulatory requirements (on an entity and a consolidated basis) imposed by the PRA and/or the FCA. Such regulations include the requirement, at all times, to carry sufficient regulatory capital to meet the underlying capital requirements.

In order to do so, the trading subsidiaries calculate those capital requirements on a daily basis, and using a traffic light warning system based on an internal buffer, reports to ALCO, or as appropriate, the Board should the need arise.

The consolidated regulatory capital (ie that of the Group) consists of its Ordinary Share Capital and its P&L Reserve (both Tier 1 capital), subject to the normal regulatory deductions.

The Group was not in existence in 2015 and therefore such regulation was not appropriate at that time.

The Group manages its capital on an entity basis with no consideration of group companies outside the Group.

As noted earlier, full details of the capital adequacy requirements for each of the Group's regulated entities are provided in its Pillar 3 which can be found on the website of Crown Agents Bank Limited ([www.crownagentsbank.com](http://www.crownagentsbank.com)).

### 26. ASSETS AND LIABILITIES – CURRENCY DENOMINATION

	<b>Group</b>
	<b>2016</b>
	<b>£'000</b>
<b>Assets</b>	
Denominated in sterling	<b>608,703</b>
Denominated in other currencies	<b>262,914</b>
	<b>871,617</b>
<b>Liabilities and Equity</b>	
Denominated in sterling	<b>187,646</b>
Denominated in other currencies	<b>683,971</b>
	<b>871,617</b>

The Group had no assets or liabilities in 2015.

All of the Company's 2016 assets and liabilities were denominated in £. The Company had no assets or liabilities in 2015.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 27. COMMITMENTS

#### Capital Commitments

Capital commitments that have been contracted but not provided for in the financial statements amounted to £329,366 (net of VAT) (2015: £ nil) and which have been approved but not contracted amounted to £nil (2015: £nil).

#### Operating lease commitments

At 31 December 2016 the Company and the Group had no (2015: £nil) non-cancellable operating leases.

### 28. SEGMENTAL ANALYSIS

The Group operates in two areas of activity, those of banking (CAB) and investment management (CAIM), both within the United Kingdom.

### 29. RELATED PARTY TRANSACTIONS

As at 31 December 2016, only the Company had intercompany balances with group companies outside the Group, all of which related to single transactions, as follows:

Counterparty	Nature Of Relationship	Nature Of Underlying Transaction(s)	Company 2016 £'000
Merlin TopCo Ltd	Group Company	Sundry advance	1,425
Helios Investors III LP	Group Company	Recharge of acquisition costs/ sundry advance	(262)

Furthermore, director's fees incurred during the year totalling £18,750 (2015 - £nil) were payable by a Group company, Crown Agents Bank Limited, to Helios Investors Genpar III.

All the transactions were at arm's length. All the companies noted above had control or significant influence over the Company.

### 30. HOLDING COMPANY

The immediate parent undertaking is Merlin Midco Limited. The address of its registered office is 13 Castle Street, St Helier, Jersey, Channel Islands, JE4 5UT.

The ultimate parent undertaking and controlling party is Helios Investors Genpar III LP. Helios Investors Genpar III LP is registered in the Cayman Islands. The address of the registered office is PO Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands KY1-1104.

No company is required to consolidate these financial statements.

### 31. NON-CONTROLLING INTERESTS

The Company has no non-controlling interests.

## Notes to the Financial Statements – 31 December 2016 (continued)

### 32. RELATED UNDERTAKINGS

<u>Subsidiary</u>	<u>Business</u>
Crown Agents Bank Ltd	Bank
Crown Agents Investment Management Ltd	Investment management
JCF Nominees Ltd	Nominee company/ dormant

All subsidiaries are incorporated in the UK with registered offices at St Nicholas House, St Nicholas Road, Sutton, Surrey SM1 1EL. The Company owns the entire share capital (£1 Ordinary Shares) of each subsidiary.

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