

**Company Registration No. 1994696**

**Charles Taylor Adjusting Limited**

**Annual Report and Financial Statements**

**31 December 2018**



# **Charles Taylor Adjusting Limited**

## **Annual report and financial statements 2018**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>3</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Statement of comprehensive income</b>	<b>7</b>
<b>Balance Sheet</b>	<b>8</b>
<b>Statement of changes in equity</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

# **Charles Taylor Adjusting Limited**

## **Annual report and financial statements 2018**

### **Officers and professional advisers**

#### **Directors**

T D Ely  
I J Keane  
M W Keogh  
M L Davies

#### **Secretary**

Charles Taylor Administration Services Limited

#### **Registered Office**

The Minster Building  
21 Mincing Lane  
London  
EC3R 7AG

#### **Bankers**

National Westminster Bank Plc  
116 Fenchurch Street  
London  
EC3M 5AN

#### **Independent auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

# Charles Taylor Adjusting Limited

## Strategic report

The directors present their annual report and audited financial statements for Charles Taylor Adjusting Limited (the Company) for the year ended 31 December 2018.

The directors in preparing this strategic report have complied with s414C of the Companies Act 2006.

### Principal activities

The principal activities of the Company during the year were loss adjusting in the aviation, energy, marine and property and casualty sectors, together with marine average adjusting. The Company acquired Criterion Adjusters Limited, Criterion Surveyors Limited and Criterion Claims Management Limited (Criterion), a group of specialist loss adjusting, surveying and claims management businesses on 10 August 2017.

### Review of the business

Revenue at £31m was £2.9m ahead of 2017 levels primarily due to the expansion of the Technical & Special Risks division. Profit before tax was £2.6m in the statement of comprehensive income (2017: £0.3m) and is stated after an allocation of Charles Taylor plc group resources.

### Financial position

The Company had net assets of £1.6m as at 31 December 2018 (2017: £7.6m).

### Key performance indicators

Charles Taylor plc group monitors its key performance indicators (KPIs) at a wider business level rather than legal entity level. In addition to monitoring financial performance against budget, KPIs include revenue, profit, interest cover, work in progress, free cash flow, earnings per share and net debt. Further information about these KPIs can be found in the publicly available financial statements of Charles Taylor plc.

### Principal risks and uncertainties

The failure to carry out the provision of services with care and efficiency could cause financial loss through loss of contracts or claims for damages. Professional indemnity insurance provides some protection and there are comprehensive policies, procedures and training to minimise the risk.

Lack of business continuity risks and/or the failure of information technology systems are further risks faced by the Company and these are managed by business continuity plans and having appropriate support arrangements in place. The Company utilises specialist senior staff who may be difficult to replace and their loss could result in adverse financial consequences for the company. Suitable measures exist to encourage staff retention, for example relating to career opportunities, remuneration and working conditions.

### Approval

Approved by the Board and signed on its behalf:



Charles Taylor Administration Services Limited

30 September 2019

# Charles Taylor Adjusting Limited

## Directors' report

### Events after the balance sheet date

On 19 September 2019 the boards of LMP Bidco (a company formed on behalf of funds advised by Lovell Minnick Partners LLC) and the ultimate parent entity of the Company, Charles Taylor PLC, reached an agreement on the terms of a recommended cash offer pursuant to which LMP Bidco will acquire the entire issued and to be issued share capital of Charles Taylor. Refer to note 15 for more details. There have been no other significant events since the balance sheet date which would have a material effect on the financial statements.

### Going concern

The Group is managed by operating businesses rather than legal entities. The results, position, liquidity and financial resources of the Group are therefore relevant in this context. The directors of Charles Taylor plc have prepared and considered cash flow forecasts and projections for the Group, and these show that the Group has adequate resources to meet its liabilities as they fall due. The Company depends on the Group for funding as required and as such, has received a letter from the ultimate parent confirming that it will continue to provide financial support for at least a year from the date the financial statements are approved. Accordingly, the directors of the Company continue to adopt the going concern basis in preparing these financial statements.

### Future developments

The overall focus is to invest in growing the business to increase margins and reduce volatility in its returns.

### Financial risk management

The Company is exposed to financial risk through its financial assets and its financial liabilities. The most important components of financial risk are interest rate risk, currency risk, credit risk and liquidity risk. The Company does not use hedging or adopt hedge accounting for any type of transactions.

#### *Interest rate risk*

The Company is exposed to interest rate risk in relation to its bank balances and overdrafts, however the risk is not considered to be material to the Company.

#### *Currency risk*

The Company is exposed to currency risk in respect of fees it issues to clients in currencies other than Sterling as the rate of exchange can fluctuate between the date the fees are earned and payment is ultimately received. The most significant currency to which the Company is exposed is the US Dollar. The Group's treasury function takes out contracts to manage this risk at group level.

#### *Credit risk*

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main area where the Company is exposed to credit risk is in relation to fees due from clients. The company seeks to minimise this risk by having appropriate engagement acceptance procedures and agreed terms of engagement and payment and also by maintaining credit control processes. The Company is also exposed to credit risk in relation to amounts due from group companies. The risk in relation to these balances being irrecoverable is not considered to be material.

#### *Liquidity risk*

Liquidity risk is the risk that cash may not be available to pay obligations when due. The Company seeks to mitigate this risk by maintaining sufficient cash to meet its obligations as they fall due either from its own resources or, if not sufficient, by way of funding from other group companies.

### Directors

The directors who served throughout, the year except as noted, and the present membership of the board are shown on page 1.

# Charles Taylor Adjusting Limited

## Directors' report (continued)

### Dividends

The directors paid dividends of £8,500,000 during the year ended 31 December 2018 (2017: £nil).

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force as at the date of this report.

### Statement of the directors' responsibilities

The 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 101, 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

### Statement of disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. PricewaterhouseCoopers LLP has expressed its willingness to be reappointed for another term and appropriate arrangements have been put in place for PricewaterhouseCoopers LLP to be reappointed as auditors in the absence of an annual general meeting.

Approved by the Board and signed by order of the Board:

  
Charles Taylor Administration Services Limited

30 September 2019

# Charles Taylor Adjusting Limited

## Independent auditors' report to the members of Charles Taylor Adjusting Limited

### Report on the audit of the financial statements

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#### Opinion

In our opinion, Charles Taylor Adjusting Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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: the Balance Sheet as at 31 December 2018; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### 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 company 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.

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#### Conclusions relating to going concern

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 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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#### 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.

# Charles Taylor Adjusting Limited

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 2018 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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## **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 4, 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 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 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](http://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.

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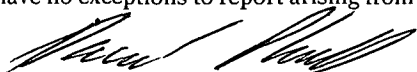
## **Other required reporting**

### **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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Darryl Phillips (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

40 September 2019



# Charles Taylor Adjusting Limited

## Statement of comprehensive income Year ended 31 December 2018

	Note	2018 £	2017 £
<b>Turnover</b>		31,381,813	28,476,840
Administrative expenses		(31,713,494)	(28,223,009)
<b>Operating (loss)/profit</b>	2	(331,681)	253,831
Income from shares in group undertakings		2,959,281	166,578
Bank interest receivable		357	354
Deferred consideration discount unwind		-	(87,861)
Other interest payable		(2,259)	(2,131)
<b>Profit before taxation</b>		2,625,698	330,771
Tax credit on profit	4	90,107	838,086
<b>Profit and total comprehensive income for the financial year</b>		2,715,805	1,168,857

All activities derive from continuing operations.

The notes on pages 10 to 19 form an integral part of these financial statements.

# Charles Taylor Adjusting Limited

## Balance Sheet At 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Goodwill	5	230,911	230,911
Tangible assets	6	66,291	78,142
Investments	7	46,504,132	45,402,814
		<u>46,801,334</u>	<u>45,711,867</u>
<b>Current assets</b>			
Trade and other receivables	8	64,254,166	58,294,201
Cash at bank and in hand	9	1,059,147	1,100,347
		<u>65,313,313</u>	<u>59,394,548</u>
<b>Creditors: Amounts falling due within one year:</b>			
Trade and other payables	10	(110,501,273)	(90,966,012)
		<u>(45,187,960)</u>	<u>(31,571,464)</u>
<b>Net current liabilities</b>		<u>(45,187,960)</u>	<u>(31,571,464)</u>
<b>Total assets less current liabilities</b>		<u>1,613,374</u>	<u>14,140,403</u>
Deferred consideration	11	-	(6,539,047)
Deferred tax		(625)	(44)
		<u>1,612,749</u>	<u>7,601,312</u>
<b>Net assets</b>		<u>1,612,749</u>	<u>7,601,312</u>
<b>Capital and reserves</b>			
Called up share capital	12	350,000	350,000
Retained earnings		1,262,749	7,251,312
		<u>1,612,749</u>	<u>7,601,312</u>
<b>Shareholder's funds</b>		<u>1,612,749</u>	<u>7,601,312</u>

The financial statements of Charles Taylor Adjusting Limited (registered number 1994696) were approved by the board of directors on 30 September 2019.

The notes on pages 10 to 19 form an integral part of these financial statements.

They were signed on its behalf by



M L Davies  
Director

## Charles Taylor Adjusting Limited

### Statement of changes in equity Year ended 31 December 2018

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total shareholders' funds £</b>
At 1 January 2018 previously reported	350,000	7,251,312	7,601,312
Adoption of IFRS 9	-	(199,904)	(199,904)
At 1 January 2018 restated	350,000	7,051,408	7,401,408
Profit for the financial year	-	2,715,805	2,715,805
Dividends paid	-	(8,500,000)	(8,500,000)
Foreign currency exchange differences	-	(4,464)	(4,464)
<b>At 31 December 2018</b>	<b>350,000</b>	<b>1,262,749</b>	<b>1,612,749</b>

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total shareholders' funds £</b>
At 1 January 2017	350,000	6,081,206	6,431,206
Profit for the financial year	-	1,168,857	1,168,857
Foreign currency exchange differences	-	1,249	1,249
<b>At 31 December 2017</b>	<b>350,000</b>	<b>7,251,312</b>	<b>7,601,312</b>

The notes on pages 10 to 19 form an integral part of these financial statements.

# **Charles Taylor Adjusting Limited**

## **Notes to the financial statements**

### **Year ended 31 December 2018**

#### **1. Accounting policies**

##### **General information**

The Company is a private limited company and is registered in England and Wales and domiciled in the UK.

##### **Significant accounting policies**

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

##### **Basis of preparation**

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations' in the consolidated financial statements of the group in which the entity is consolidated.
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraphs 52 and 58 of IFRS 16 'Leases', which require all lease obligations to be disclosed in a separate note and the presentation of maturity analysis for lease obligations respectively.

##### **Going concern**

The financial statements have been prepared on a going concern basis, as discussed in the directors' report on page 3.

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, VAT and other sales-related taxes and represents the value of services provided under contracts, to the extent that there is a right to consideration. Unbilled work in progress is held as accrued income, and reviewed regularly to ensure that its carrying value reflects management's view of its ultimate realisable value. Provisions are made where realisable value is expected to be lower than carrying value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

##### **Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly recognised on a straight-line basis over the lease term.

##### **Finance leases**

Assets held under finance leases are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases on a reducing balance basis.

# **Charles Taylor Adjusting Limited**

## **Notes to the financial statements**

### **Year ended 31 December 2018**

#### **1. Accounting policies (continued)**

##### **Foreign currency**

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency). Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

##### **Pension costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs, is the contribution payable in the year.

For defined benefit schemes, a substantially consistent percentage of pensionable payroll is recharged to the Company from Charles Taylor Administration Services Limited.

##### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account.

##### **Intangible assets – goodwill**

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and reviewed annually for impairment.

##### **Tangible assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less their residual value of each asset on a straight line basis over its expected useful life, as follows:

Office equipment: 4 to 5 years

Short leasehold buildings: Over the lease term

Computer equipment: 4 years

##### **Investments**

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

# **Charles Taylor Adjusting Limited**

## **Notes to the financial statements**

### **Year ended 31 December 2018**

#### **1. Accounting policies (continued)**

##### **New and amended standards adopted by the Company**

The company has adopted the requirements of IFRS 9 and IFRS 15 as at 1 January 2018.

##### **Impairment of financial assets: IFRS 9**

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach under IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses, which will be updated at each reporting date.

As at 1 January 2018, the company reviewed and assessed existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk. An additional credit allowance of £0.2m has been recognised against retained earnings.

The additional loss allowance recognised upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to the financial assets. In determining the expected credit losses for these assets, the company has taken into account the historical default experience and the financial position of the relevant counterparties

##### **Trade receivables**

Trade receivables are measured at amortised cost less any impairment provision, calculated using the simplified approach of measuring expected credit losses in accordance with IFRS 9. The impact of the application of IFRS 9 is disclosed in Note 8. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

##### **Deferred consideration**

Deferred consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS39 *Financial Instruments: Recognition and Measurement*, or IAS37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss. The sensitivity of the fair value of deferred consideration to reasonably likely changes in the discount rate is immaterial.

##### **Critical accounting estimates and assumptions**

##### **Revenue recognition**

Revenue is recognised when there is a contractual right to be paid in relation to past performance of contractual obligations. In practice, the Company maintains time recording systems to capture time chargeable to clients and specified hourly rates are ascribed to the hours recorded by the case handlers. Hourly rates are usually agreed in advance in the form of pre-engagement contractual terms or are based on standard hourly rates applicable to the type of work and country in which the work is performed. Regular periodic reviews are performed by case handlers, and by management, to ensure the carrying value of work on unfinished cases reflects management's view of its ultimate realisable value. Provisions against irrecoverable work in progress (accrued income) and outstanding fees are made where the realisable value is expected to be lower than the carrying value and conversely upwards revaluations of work-in-progress are made where management considers the carrying value is lower than the amount ultimately recoverable.

Accrued income and fee receivables are shown in these financial statements at their fair value. Because of the time taken between the initial recording of accrued income and its ultimate billing and the time taken to collect outstanding fee receivables, a discount is applied to the amounts shown to reflect the time value of money. The discount rate used is a significant judgement.

# Charles Taylor Adjusting Limited

## Notes to the financial statements

### Year ended 31 December 2018

#### 1. Accounting policies (continued)

##### Deferred consideration

When the Company makes an acquisition of either the shares or the assets of a company, part of the consideration for the acquisition may be payable at a future date, after the acquisition has been completed. The amount of deferred consideration recognised is based on the mechanics of payment of deferred consideration in the purchase agreement, which is often based on performance targets for the vendors, and management's best estimates of the extent to which these performance targets will be achieved. These estimates are a significant management judgement. Once estimates of the amount and the timing of deferred consideration are determined, these amounts are discounted to their present value to reflect the time value of money. The discount rate used is a significant management judgement.

#### 2. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2018	2017
	£	£
Depreciation of tangible assets	17,959	15,757
Auditors' remuneration – audit fees	94,478	54,593
(Gains)/losses on foreign exchange	(411,328)	509,430
Recharge for group defined benefit schemes from group undertaking	1,542,662	1,552,711
Recharge for share-based payments from group undertaking	565,673	467,295
Operating lease payments	35,244	16,584

The recharge relating to share-based payments above relates to a number of different share award schemes made to employees, including three-year retention awards and three-year deferred share bonus awards. Further information in relation to share-based payments can be found in the group financial statements of Charles Taylor plc.

#### 3. Information regarding directors and employees

The amounts recharged and the number of staff is shown below.

##### Staff costs during the year:

	2018	2017
	£	£
Wages and salaries	16,559,802	15,806,335
Social security costs	1,618,168	1,514,518
Other pension costs	889,011	803,296
	19,066,981	18,124,149
	No.	No.
Average number of staff employed	201	192

##### Directors' remuneration:

Three directors (2017: three) were directors of Charles Taylor plc and whilst it is acknowledged that a portion of their time will be spent providing services to this company, their responsibilities also extend to the wider, global business of the Charles Taylor group, and it is thus not considered practical to make a sensible apportionment of their emoluments, in respect of this company. Information regarding their emoluments is detailed in the published financial statements of Charles Taylor plc.

**Charles Taylor Adjusting Limited**  
**Notes to the financial statements**  
**Year ended 31 December 2018**

**3. Information regarding directors and employees (continued)**

Two directors (2017: two) provide services to both this company and other companies within the Charles Taylor group, and it is not considered practical to make a sensible apportionment of their time. The remuneration of both (2017: two) of these directors is disclosed in the financial statements of Charles Taylor Administration Services Limited. The emoluments of the remaining director are given below:

	2018 £	2017 £
Emoluments	160,299	141,680
Pension costs – defined contribution	6,650	5,500
	<u>166,949</u>	<u>147,180</u>

**4. Tax on profit**

The tax credit comprises:

	2018 £	2017 £
<b>Corporation tax</b>		
Current year	<u>(92,632)</u>	<u>(873,810)</u>
<b>Deferred tax – current year</b>		
Fixed asset timing differences	2,525	9,476
Trade losses	<u>-</u>	<u>26,248</u>
	2,525	35,724
<b>Tax on profit</b>	<u>(90,107)</u>	<u>(838,086)</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £	2017 £
Profit before taxation	2,625,698	330,771
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.25%)	498,883	63,673
<i>Effects of:</i>		
Non-taxable intercompany loan waiver	173,047	(712,261)
Transfer pricing interest adjustment	(206,620)	(190,550)
Recognition of losses	-	26,248
Non-taxable dividend income	(550,321)	(19,237)
Expenses not deductible for tax purposes	(5,096)	(5,959)
Total current tax credit	<u>(90,107)</u>	<u>(838,086)</u>



**Charles Taylor Adjusting Limited**  
**Notes to the financial statements**  
**Year ended 31 December 2018**

**5. Goodwill**

	<b>Total £</b>
<b>Cost</b>	
At 1 January 2018 and 31 December 2018	461,823
<b>Amortisation</b>	(230,912)
At 1 January 2018 and 31 December 2018	
<b>Net book value</b>	230,911
At 31 December 2017 and 31 December 2018	

The board is required to consider annually the useful economic life of goodwill. Each of the acquisitions made by the company provides claims and consultancy services to the insurance industry. These businesses are well established, occupy strong positions in their market places and are expected to be durable. Therefore the board believes that an indefinite economic life should be attributed to goodwill. Accordingly, goodwill is not subject to routine amortisation but is reviewed annually for evidence of impairment.

**6. Tangible assets**

	<b>Computer equipment £</b>	<b>Office equipment £</b>	<b>Short leasehold buildings £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 January 2018	44,363	188,984	93,265	326,612
Additions	-	6,379	-	6,379
Currency translation difference	-	(339)	-	(339)
At 31 December 2018	44,363	195,024	93,265	332,652
<b>Accumulated depreciation</b>				
At 1 January 2018	44,363	154,803	49,304	248,470
Charge for the year	-	8,704	9,255	17,959
Disposals	-	-	-	-
Currency translation difference	-	(68)	-	(68)
At 31 December 2018	44,363	163,439	58,559	266,361
<b>Net book value</b>				
At 31 December 2018	-	31,585	34,706	66,291
At 1 January 2018	-	34,181	43,961	78,142

£44,363 of the tangible assets at 31 December 2018 is fully depreciated.

**Charles Taylor Adjusting Limited**  
**Notes to the financial statements**  
**Year ended 31 December 2018**

**7. Investments**

	2018 £	2017 £
<b>Cost</b>		
At 1 January 2018 previously reported	45,402,814	33,647,863
Restatement of Criterion position within 12-month remeasurement period	(6,455,218)	-
As at 1 January 2018 restated	38,947,596	33,647,863
Additions	7,556,536	11,754,951
	<u>46,504,132</u>	<u>45,402,814</u>
At 31 December	<u>46,504,132</u>	<u>45,402,814</u>

The remeasurement of Criterion is in accordance with IFRS 3.

The additions relate to the acquisition of FGR S.A (Chile), FGR Affinity Limitada (Chile), FGR Peru Adjustadores de Seguros S.A (Peru), FGR Affinity Peru S.A.C (Peru) and FGR Hanna Limitada (Chile) of £5.6m. A further estimated £4.1m is payable in three instalments from October 2019, subject to the executive shareholders meeting their targets and remaining actively engaged in the business for a period of at least three years, which will be recognised in the income statement in accordance with IFRS 3. These five companies are described collectively as “FGR”. FGR is a claims management and loss adjusting group with activities in Chile and Peru. FGR is known for a high-quality offering, technical knowledge, expertise and delivery, particularly in respect of catastrophic events.

The additions also include an increased investment in Charles Taylor Holdings BV (£0.23m); KLA Holdings Limited (£1m) and Criterion Claims Management (£0.7m).

The company’s direct subsidiary undertakings are set out below:

Subsidiary	Address of registered office	Place of incorporation	Activity	% of equity capital
Charles Taylor Adjusting SARL	3 Rue Scribe, Paris 75009, France	France	Loss adjusting & risk services	100%
Charles Taylor Holdings BV	The Minster Building 21 Mincing Lane London EC3R 7AG	Netherlands	Holding company	100%
Charles Taylor Aviation (Asset Management) Limited	The Minster Building 21 Mincing Lane London EC3R 7AG	United Kingdom	Aviation asset management Consultancy	100%
Charles Taylor Adjusting Consultoria Do Brasil Ltda	Praia de Botafogo, No. 228. Centro Empresarial Rio (Edificio Argentina), Ala A. 16º andar, Sala 1601 – parte (escritorio 1626) Botafogo. CEP:22250-906. Rio de Janeiro – RJ – Brasil	Brazil	Loss adjusting Non Marine	100%
KLA Holdings Limited	The Minster Building 21 Mincing Lane London EC3R 7AG	United Kingdom	Holding Company	100%
Charles Taylor Ajustadores de Seguros S.A.C.	German Schreiber 184, oficina 901. San Isidro. Lima, Pe	Peru	Loss adjusting Non Marine	100%
Criterion Claims Management Limited	The Minster Building 21 Mincing Lane London EC3R 7AG	United Kingdom	Loss adjusting	100%

**Charles Taylor Adjusting Limited**  
**Notes to the financial statements**  
**Year ended 31 December 2018**

**7. Investments (continued)**

Criterion Adjusters Limited	The Minster Building 21 Mincing Lane London EC3R 7AG	United Kingdom	Loss adjusting	100%
Criterion Surveyors Limited	The Minster Building 21 Mincing Lane London EC3R 7AG	United Kingdom	Loss adjusting	100%
LAD (Aviation) PNG Limited	Deloitte Touche Tohmatsu, Level 12 Deloitte Tower, Section 5, Allotment 16, Douglas Street, Port Moresby, National Capital District, Papua New Guinea	Papua New Guinea	Loss adjusting	100%
Charles Taylor Consulting Services (Canada) Inc	Suite 1010, Bow Valley Square 4, 250 – 6th Avenue SW, Calgary, AB T2P 3H7, Canada	Canada	Loss adjusting	100%
Charles Taylor Consulting Mexico SA de CV	Orizaba 32. Col. Roma Norte, Del. Cuauhtémoc. C.P. 06700, Mexico D.F.	Mexico	Loss adjusting	100%
Charles Taylor General Adjusting Services Limited	The Minster Building 21 Mincing Lane London EC3R 7AG	United Kingdom	Loss adjusting	100%
FGR S.A (Chile)	Hendaya 60, Oficina 402 Las Condes Santiago de Chile	Chile	Loss adjusting	100%
FGR Affinity Limitada (Chile)	Hendaya 60, Oficina 302 Las Condes Santiago de Chile	Chile	Loss adjusting	100%
FGR Peru Adjustadores de Seguros S.A (Peru)	Av. Paseo de la Republica 3195 Oficina 701-702 San Isidro Lima, Peru	Peru	Loss adjusting	100%
FGR Affinity Peru S.A.C (Peru)	Calle Las Camelias 820 Oficina 501 Lima, Peru	Peru	Loss adjusting	100%
FGR Hanna Limitada (Chile)	Hendaya 60, Oficina 402 Las Condes Santiago de Chile	Chile	Loss adjusting	100%
<b>Associated undertakings</b>				
Knowles Motor Claims Services Limited	The Minster Building 21 Mincing Lane London EC3R 7AG	United States	Loss adjusting	40%
Charles Taylor Adjusting Qatar WLL	24 Rawdat Al Khail, Ibn Sana 950, Building 66, Doha, Qatar	Qatar	Loss adjusting	49%
Korhi Average Adjusters & Surveyors Limited	Rm.1201, Le Meilleur Jongno Town (Jongno 1-ga), 19 Jongro, Jongno-gu, Seoul 03157, Korea	Korea	Loss adjusting	30%

**Charles Taylor Adjusting Limited**  
**Notes to the financial statements**  
**Year ended 31 December 2018**

**8. Trade and other receivables**

	2018 £	2017 £
<i>Due within one year:</i>		
Trade debtors	17,696,367	13,075,257
Amounts owed by group undertakings	35,474,299	33,028,752
Contract assets	10,258,679	11,331,243
Prepayments	27,999	44,272
Other debtors	266,154	282,065
Deferred tax – fixed asset timing differences	530,668	501,979
Deferred tax – recognition of losses	-	30,633
	<u>64,254,166</u>	<u>58,294,201</u>

Trade debtors are presented net of an expected credit loss provision under IFRS 9 and specific provisions for doubtful debt of £489,509 (2017: £324,688).

All movements in deferred tax are through profit or loss.

Amounts owed by group undertakings are repayable on demand.

**9. Cash at bank and in hand**

Cash at bank and in hand includes £165,280 of client funds (2017: £117,732).

**10. Trade and other payables**

	2018 £	2017 £
<i>Due within one year:</i>		
Trade creditors	774,726	758,624
Amounts owed to group undertakings	106,147,396	87,558,919
Other taxation and social security	590,538	351,361
Other creditors	1,417,856	944,309
Accruals	1,116,754	1,211,717
Contract liabilities	288,723	23,350
Client funds	165,280	117,732
	<u>110,501,273</u>	<u>90,966,012</u>

**11. Deferred consideration**

	2018 £	2017 £
At 1 January	6,539,047	563,350
Restatement of Criterion position within 12-month remeasurement period (note 7)	(6,455,218)	-
Interest unwind	(83,829)	
Due after more than one year	-	5,975,697
At 31 December	<u>-</u>	<u>6,539,047</u>

As per IFRS 3, the acquisition of Criterion has been restated within the permitted 12-month remeasurement period from the date of recognition.

**Charles Taylor Adjusting Limited**  
**Notes to the financial statements**  
**Year ended 31 December 2018**

**12. Called up share capital**

	2018 £	2017 £
<b>Issued and fully paid:</b>		
350,000 (2017: 350,000) ordinary shares of £1 each	350,000	350,000

The Company has one class of ordinary shares which carry no right to fixed income and carry equal voting rights.

**13. Operating lease commitments**

Lease payments under operating leases recognised as an expense in the year were £35,244 (2017: £16,584). At 31 December, the Company had outstanding commitments for future minimum lease payments under non-cancellable leases which fall due as follows:

	2018 £	2017 £
Within one year	34,988	44,628
Between two and five years	127,109	144,451
After five years	-	15,274
	<u>162,097</u>	<u>204,353</u>

**14. Ultimate parent company and controlling party**

The immediate parent company is The Richards Hogg Lindley Group Limited, registered in England and Wales. The ultimate parent and controlling company is Charles Taylor plc, a company registered in England and Wales. Charles Taylor plc is the parent undertaking of the largest and smallest group of undertakings of which the company is a member and for which group financial statements are produced. Copies of the group financial statements of that company are publicly available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

**15. Events subsequent to the balance sheet date**

On 19 September 2019 the boards of LMP Bidco (a company formed on behalf of funds advised by Lovell Minnick Partners LLC) and the ultimate parent entity of the Company, Charles Taylor PLC, reached an agreement on the terms of a recommended cash offer pursuant to which LMP Bidco will acquire the entire issued and to be issued share capital of Charles Taylor PLC. The Offer is intended to be effected by means of a scheme of arrangement under Part 26 of the Companies Act. Under the terms of the Offer, Charles Taylor PLC Shareholders will be entitled to receive 315 pence in cash for each Charles Taylor Share.